



**2014
SUSTAINABILITY
REPORT**



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**MESSAGE FROM
THE CEO**

G4-G1

The increased severity of the hydrological period experienced in Brazil in 2014 has imposed an even greater depletion to the reservoirs in the Brazilian hydroelectric network, requiring a broader and more costly base thermal generation. We closed 2014 with the Brazilian reservoirs with about 22% of their capacity, after registering yearly affluence equivalent to 81% of the long-term average.

By limiting the generation of hydroelectric power, given the water shortages, and raising energy costs generated throughout the system, this framework has imposed significant pressure on the purchased energy cost, far beyond the existing tariffs, with their respective effects on generators and power distributors' cash flow.

The impacts on electric power distributors were partially solved by CDE investments (Energy Development Contribution) and mainly by bank loans amounting to R\$ 17.8 billion to CCEE (Electric Energy Trading Chamber), for later transfer to electric power tariffs.

Within this environment and based on pre-defined business plans for AES Brazil companies on its Sustainable Strategic Planning for the 2014-2018 cycle, we sought adjustments aiming at further efficiency gains and necessary solutions to the challenges presented in 2014, in order to preserve the sustainability of our business and the interests of our customers, shareholders, employees and other business partners.

AES Brazil ended 2014 with net income of R\$16.7 billion, EBITDA of R\$1.8 billion and net income of R\$0.5 billion. Levels below those recorded in 2013, reflecting the impact of hydrology severity, especially in our power generator AES Tietê. Throughout 2014, we invested R\$ 1.0 billion in our distribution and electric power generation operations.

We allocated R\$186 million towards the modernization of our AES Tietê hydroelectric plants. This investment program remains continually contributing to greater reliability and efficiency of our generating units. In 2014, unplanned outages were reduced by 35%, also as a result of our asset management.

The storage level of AES Tietê's power plant reservoirs ended the year with 34.7% of average storage capacity, and its power generation was reduced by 39% as compared to 2013. Given the unfavorable hydrology and the need for power purchasing to meet their contracts, AES Tietê recorded impact of R\$816 million on its EBITDA.

Regarding sale of electricity, we closed 2014 with 1,034 MWh and 909 MWh sold (83% and 73% of the available energy) to delivery in 2016 and 2017, respectively. The agreements made in 2014 reflect higher prices due to the hydrological scenario. In the year 553 MWh were sold to be delivered from 2016 at an average price of R\$149/MWh.

Our thermoelectric plant, AES Uruguiana, resumed operations in March 2014, on an emergency basis. We operated for about 70 days generating 224 MWh. On February 12, 2015, operations were resumed again, and should be extended for 60 days. Along with the Brazilian and Argentinian governments, we continue seeking feasibility of a more sustainable and effective long-term operation system, given the needs of the national integrated system.

At our power distributors, we have invested R\$ 789.5 million, allocating R\$583 million to AES Eletropaulo and R\$206.5 million to AES Sul. These investments were designed to improve the quality of services provided to our customers, including modernization and automation programs for our power grids, increasing capacity to respond to the consumption growth and more efficient operating and management systems.

In 2014, both AES Eletropaulo and AES Sul faced extreme weather events. AES Sul was affected in a rather continuous manner with more significant magnitude and frequency throughout the year, had average frequency and duration of impacted interruptions. We ended 2014 with a DEC (equivalent duration of interruption) of 17.76 hours and FEC (equivalent frequency of interruption) of 8.88 times, compared to 14.08 hours and 7.42 times, respectively, over 2013. AES Eletropaulo, more precisely in December, was impacted by severe rainfalls and winds of up to 100 km/h in its concession area, mainly affecting the average duration of power outages. At AES Eletropaulo we have reduced the FEC to 3.81 times, compared to 4.37 times in 2013. However, the DEC stood at 8.86 hours compared to 7.99 hours in 2013. Recovery plans of these indicators have been structured and have been implemented for both AES Sul and for AES Eletropaulo.

The Group's distribution companies have invested in the continuous improvement of customer service. About 8,000 employees were trained in JAAT - Jeito AES de Atender, a program aimed at efficiency, discipline and courtesy in customer service. This program was recognized by Exame Sustainability Guide on its 2014 edition.

In Safety, our number 1 Value, 2014 ended without any fatal accident involving 20 thousand AES Brazil own employees and subcontractors. Our investment in safety totaled R\$ 29.2 million. After experiencing an increase in fatal accidents involving the population in 2013 and reinforcing our educational campaigns in 2014, we recorded a reduction of 22% (23 to 18) in fatal accidents involving the population in the areas served by the Group's power distribution companies. At AES Eletropaulo's concession area this reduction was 44% (from 18 to 10 fatal accidents). These results reflect the investments and the company's initiatives with the purpose of educating and disseminating knowledge about the risks involving electricity.

These first two months of 2015 indicate a potentially more severe hydrological context. On the other hand, important actions have been taken to restore the economic and financial balance of power distribution companies. Tariff flags, which came into force from January 1st, go through price increase process. Aneel (Brazilian Electricity Regulatory Agency) promotes public hearing to implement Extraordinary Tariff Review, in order to adjust the tariff coverage of the distributors to recent increases in energy from Itaipu (46%), new CDE quotas, hydrological risk of energy quotas, among several other

non-manageable cost items, which have overtaxed the distributors without proper tariff correspondence.

If on one hand, these measures correctly seek to financially offset energy costs and all other non-manageable components, it is fundamentally important that the methodology for the 4th Periodical Tariff Review is completed in a consistent manner and with correct and adjusted incentives and economic signals. If the measures on energy costs will prevent future impacts on the investment capacity of the distributors, strengthening them and ensure their sustainability are directly linked to the quality of the 4th Tariff Cycle, to start next April.

Another aspect that requires objective and priority treatment is the GSF - Generation Scaling Factor – impact, at the hydroelectric generators. The burden imposed to the generators in 2014 is estimated at about R\$23 billion. 2015 suggests comparable figures. Developments of the Brazilian generation matrix, current dispatch features, among many other variables, need to be re-evaluated and considered for a broader and more structured solution, which brings a better balanced equation and more appropriate to the MRE (Energy Allocation Mechanism).

The prospects for 2015 are quite challenging, but also bring the opportunity for a more coordinated and joint action between granting power, regulator, companies and investors in the sector, both to objectively treat short-term issues, such as to establish the necessary basis so the sector may solve their weaknesses and resume its role as potential inducer of development, competitiveness and growth of the country. For 2015, we plan to invest R\$1.035 billion, allocating R\$ 867 million for distribution, R\$ 155 million for the generation of electricity and R\$ 13.8 million for electricity services.

I thank our employees, customers, investors, shareholders, lenders, suppliers, communities, regulatory agencies and governments.

BRITALDO SOARES

AES Brasil's CEO



ABOUT THE COMPANY

GRI: G4-3, G4-4, G4-6, G4-8, G4-9, G4-EU1

PROFILE

Brazil's third largest private power generation company, AES Tietê has operated since 1999 in the generation and sale of electricity. Its generating network consists of hydroelectric plants and small power plants (SHP) in the State of São Paulo, totaling 2,658 MW of installed capacity and physical guarantee of 1,278 MWh.

The company carries out the procurement and sale of energy processes for the development and the consolidation of a free and competitive energy market in the country, with high added-value solutions for its customers. It sells electricity throughout the country, with special attention to renewable sources.



AES Tietê knows the important role it plays as a reliable, safe and sustainable energy provider for the wellbeing of millions of people and for the development of the country. Its workforce dedicates itself to always work better and faster, listening to its customers and other stakeholders, while always being aware of the importance of the collective good and the environment.

AES TIETÊ IN NUMBERS

- 9 hydroelectric plants and 3 small hydroelectric plants
- 343 employees and 1,153 contractors
- 2,658 MW of installed capacity (7.59% of the installed capacity of the State of São Paulo and 2.0% of the national capacity)
- 1,278 MWh of physical guarantee

- 7,443.3 GWh of energy generated (5.14% of the energy generated in the State of São Paulo)
- 15,075 GWh of electricity sold
- R\$3.2 billion of net revenue
- R\$186 million invested in maintenance and modernization of generation plants
- R\$449.3 million of net profit
- R\$207.2 million of share capital

AES IN THE WORLD

AES Corp. is a global company that operates through a diversified and growing portfolio in the generation and distribution businesses providing reliable and affordable electric power for customers in 18 countries, with a workforce of approximately 18,500 people.

AES Brasil Group is composed of a service company, AES Services; two distributors, AES Eletropaulo and AES Sul; and two generators, AES Uruguaiana and AES Tietê. Together, these companies account for 14.3% of the power distributed and 2.5% of the installed capacity of generation in Brazil.

AWARDS AND RECOGNITION IN 2014

AES BRASIL:

- Sustainability Exame Guide: best company in the energy sector and market leader in the Customer Relations area; The Group was also listed in the Guide in 2009, 2012 and 2013;
- ECO Award 2014 category ELIS (Strategy, Leadership and Innovation for Sustainability) – Amcham Brasil;
- IBEF Sustainability Award in the category Corporate Governance – Brazilian Institute of Finance Executives (IBEF – Instituto Brasileiro de Executivos de Finanças);
- Award for Companies that Best Communicate with Journalists – Negócios da Comunicação;
- 17th place among the most innovative companies in Brazil and second in the category Business Strategy and Innovation – INFO Exame magazine;
- Sustainability TOP Prize – ADVB (Associação dos Dirigentes de Vendas e Marketing do Brasil – Association of Sales and Marketing Managers of Brazil).

AES TIETÊ:

- Corporate Sustainability Index (ISE) – BM&FBovespa 2015 Portfolio: included in the portfolio of the Index for the 8th consecutive year;
- Eloy Chaves Medal 2014: for the second consecutive time, best company for health and safety in the Generators category – Brazilian Association of Electricity Companies (ABCE – Associação Brasileira de Companhias de Energia Elétrica);
- Honorable mention for the project with carbon credit from restored areas around the reservoirs – Environmental Merit Award from the Federation of Industries of the State of São Paulo (FIESP – Federação das Indústrias do Estado de São Paulo). Learn more about the project [here](#)



CONTEXT

INCREASING DEMAND FOR ENERGY

According to the projection of a study by the Energy Research Company (EPE) in 2014, the demand for energy in Brazil will double by 2050, which reinforces the key role of the energy sector for the development of the country¹. Over the past decade, the electricity industry grew alongside the growth in demand, with an expansion of 35% in energy generation capacity.

HYDROLOGICAL CRISIS AND CLIMATIC EVENTS

The Brazilian energy sector has faced major challenges as a result of unfavorable climatic and hydrological conditions. Similar to 2013, 2014 was characterized by reservoirs operating below capacity in different regions, which impacted Brazil's energy source, since about 65% of the energy generated in the country comes from hydroelectric plants².

In the Southeast, the affluent natural energy (ENA) in 2014 – volume of energy that can be produced according to volume of rainfall – was equivalent to 68% of the ENA in 2013. The reservoir levels in the Southeast and Midwest ended 2014 with about 19.4% of their total capacity, lower than the levels seen in late December 2013 (43%)³.

AES Tietê's reservoirs in the State of São Paulo were impacted by the drought in the region. Click here to learn more about the impacts and the company's actions aimed at the management of its plants. [Management of Plants Chapter](#)

¹ Source: <http://www.epe.gov.br/Estudos/Documents/DEA%2013-14%20Demanda%20de%20Energia%202050.pdf>

² Source: <http://www.aneel.gov.br/aplicacoes/capacidadebrasil/capacidadebrasil.cfm> Figures verified on 12/31/2014.

³ Source: Operador Nacional do Sistema

ENERGY SECURITY



Since 2009, the energy sector has been experiencing a significant development in sources of renewable energy generation, with an increase in installed capacity through wind and hydroelectric power plants, the latter with reduced water storage capacity. Furthermore, in 2014 the first specific auction for photovoltaic power took place. Solar energy was successful in its first auction with the sale of 160MW on average (~890MW of installed capacity). These intermittent sources of renewable generation have been largely responsible for Brazil's increased installed capacity in recent years.

On the other hand, the National System Operator (ONS) must – as one of its basic tasks – develop studies and activities in order to manage the stock of stored energy to ensure the security of continuous supply throughout the country, which becomes more challenging with a larger number of intermittent sources. Due to the low reservoir levels and to ensure the power supply in the country, there was an intensification of thermal generation. According to the ONS, thermal generation in 2014 was 28% higher than in 2013.

This trend emphasized the need for expansion of installed capacity through reliable and dispatchable sources such as thermal power plants, which has been seen in the last auction of new energy in 2014, the A-5¹. These sources should also be encouraged and have active participation in auctions in order to pave the way for the sustainable development of intermittent renewable energy and its continued increased participation in national energy production.

The conditions forecasted for 2015 require power generation projects with fast execution, such as solar, and projects with reliable dispatch, such as thermal, indicating that AES Tietê's project portfolio is in line with this scenario and able to participate in energy auctions in 2015. Click here to see AES Tietê's generation projects. ([Capacity Expansion Chapter](#))

¹ Auction where the distributors contract energy from generators five years before the day of delivery.



STRATEGY

INPUTS

FINANCIAL

- Revenues
- Paid-in capital
- Third party capital

NATURAL

- Water
- Biodiversity of reservoirs and its surroundings
- Renewable and non-renewable resources for power generation

SOCIAL AND RELATIONSHIP

- Stakeholders relations
- Licenses to operate
- Customer base
- Society demand for electricity.

HUMAN

- Employees and contractor personnel
- Technical and behavioral skills

INTELLECTUAL

- Operational and financial excellence
- Intellectual property
- Market knowledge
- Innovation

MANUFACTURED

- Hydro plants (turbines, generators and reservoirs)
- Reservoir locks
- Infrastructure, materials and equipment for service and operation

VALUE CREATION MODEL AES TIETÊ

MISSION

To promote welfare and development by providing safe, sustainable and reliable energy solutions

VISION

To be the leading power company in Brazil that safely provides sustainable, reliable and affordable energy

ACTIVITIES

- Energy sale
- Hydro plants and locks operation
- Asset management

Ethics and transparency Values Intangible Assets Risk Management Long-term goals

VALUE CREATION

FINANCIAL

- Total shareholder return
- Return on third party capital
- Total compensation of employees
- Taxes

HUMAN

- Satisfaction, development, safety and well being of employees and contractors
- Strengthening of organizational culture and Values

NATURAL

- Preservation and restoration of biodiversity reservoirs and its surroundings
- Mitigation of CO2e emissions
- Efficiency in water and energy use

SOCIAL AND RELATIONSHIP

- Stakeholders satisfaction and trust
- Professional training
- Adoption of conscious consumption habits
- Population safety
- Development of suppliers and communities
- Socioeconomic development of the surrounding of plants and the country

INTELLECTUAL

- Innovative and efficient products, processes and services
- Transfer of knowledge among educational institutions, industry companies, suppliers, employees

MANUFACTURED

- Safety and reliability in energy supply

ECONOMIC, POLITICAL, CULTURAL, SOCIAL AND ENVIRONMENTAL CONTEXT

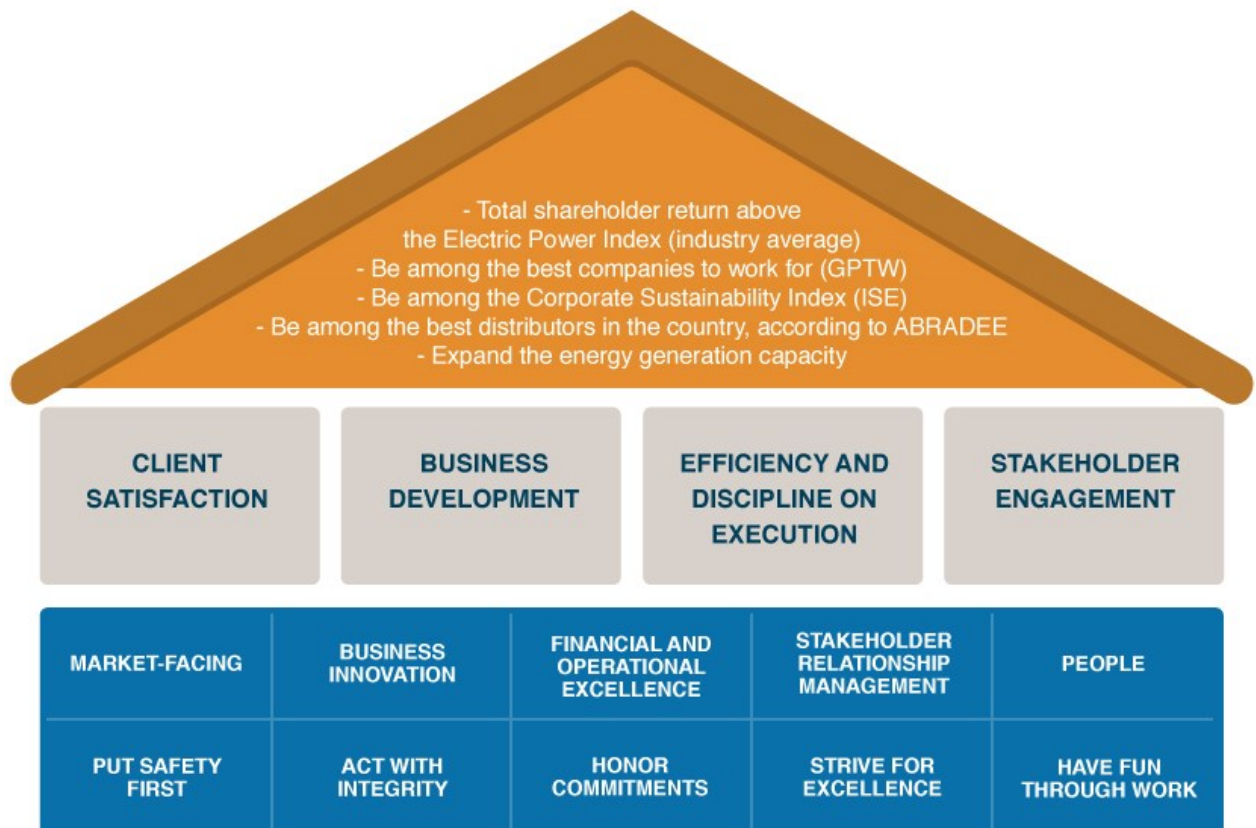
SUSTAINABLE STRATEGIC PLANNING

Since the Sustainable Strategic Planning 2012-2016 was released, the AES Brasil Group has undergone changes in its operating context, such as the distributor’s tariff review, the adjustments in the growth prospects for the country, as well as a period of unfavorable hydrological conditions and the elections. Changes in the economic, political and industrial environments highlighted the need to revalidate Sustainable Strategic Planning for 2015-2019.

The main leaders of the company were engaged in this revalidation, and the process included talks with external experts about the sustainability, regulatory and external market scenarios.

Simplification and focus were the main drivers of the new strategy, consisting of long-term goals, strategic guidelines and business commitments. It is a strategy that is based on its main Intangible Assets and the Group's values.

STRATEGY TEMPLE



STRATEGIC GUIDELINES:	BUSINESS COMMITMENTS:
Client satisfaction;	Ensure service excellence with ethics and respect for the clients;
Business development;	Grow with sustainable energy solutions;
Efficient use of resources and discipline in execution;	Maximize value by anticipating and reducing risks and economic, social and environmental impact;
Public engagement.	Encourage progress in the sector, educate the population for conscious consumption and develop employees, partners and communities.

The monitoring of strategic indicators is conducted periodically in performance forums and meetings with managers and leaders, in which decisions regarding the fulfillment of established goals are taken.

The company is builds on the Management Excellence Model (MEG), of the National Quality Foundation (FNQ) as one of the pillars of the strategy. From the MEG, many of the Company’s management processes are reviewed annually to evaluate the level of maturity of the company management and to define action plans for processes improvement.

As a base for this diagnosis, an assessment is made within the National Quality Award (PNQ) cycle, an initiative of the FNQ that recognizes world-class companies, considered as having the best management practices.

WITH THE NEW SUSTAINABLE STRATEGIC PLANNING, WHAT HAPPENS TO THE SUSTAINABILITY PLATFORM?

With advances made in terms of shared vision, understanding of the relationship between sustainability and business and in terms of the challenges brought by climate change and regulatory scenarios, the top management of AES Brasil decided to take a very important step.

In order to make the integration of social, environmental and governance issues more tangible, the main aspects of the Sustainability Platform were incorporated into the Sustainable Strategic Planning 2015-2019.

The new plan therefore offers all the company's stakeholders with a consistent and unified strategy so that AES Brasil can move toward its new vision from 2015 and create shared value for all.



Moreover, the strategic planning also reinforces the understanding of the AES Brasil Group in its role as a change agent and the impact that its business has on stakeholders, result of intense work to integrate the logic of sustainable thinking to the decision-making to all hierarchical levels of the Group.

The Sustainability Platform, which launched in 2009, was an essential step for the subject to be gradually integrated into AES Brasil's strategy. Based on five themes of sustainability and three transversal themes within the strategy, the results were monitored to make sustainability increasingly tangible for all of AES Brasil's stakeholders.

This report presents AES Brasil's results ahead of the commitments made in the five themes of sustainability of the Sustainability Platform, during the last year of monitoring.

- [Safety](#)
- [Innovation and excellence for the client's satisfaction](#)
- [Sustainable power generation](#)
- [Efficient use of financial resources](#)
- [Efficient use of energy resources](#)
- [Efficient use of natural resources](#)
- [Development and valorization of employees](#)
- [Development and valorization of suppliers](#)
- [Development and valorization of communities](#)

Click [here](#) to learn more about the Sustainability Platform, its main results and learnings.

STAKEHOLDERS

GRI: G4-24, G4-25

For AES Brasil Group, stakeholders are people or a group of people that, in some way, are affected positively or negatively by the company’s activities. They are people and organizations that depend, influence, sponsor or supervise the activities of the Group.

AES Brasil’s ten stakeholder groups, shown in the chart below, were defined in 2011, in workshops involving various areas of business.



MANAGEMENT AND ENGAGEMENT OF STAKEHOLDERS

The new 2015-2019 strategic planning has, as one of its main guidelines, the engagement of stakeholders, representing an improvement compared to the previous strategy, which focused on the management of these groups. In line with the new strategy, AES Brasil's companies will aim to strengthen the relationship with its ten stakeholders.

In 2014, the Stakeholder Performance and Management Forum was created, which will operate from 2015 and will be responsible for measuring and monitoring – through key performance indicators – each of the stakeholders' requirements regarding the company's activity. Therefore, AES Brasil's companies will have to measure the status of the engagement process, as well as the service and management of these groups' expectations, considering the challenges presented in the implementation of the business strategy.

The engagement results will be incorporated into the Sustainable Strategic Planning cycle in order to support business decisions.

The table below describes listening mechanisms, forms of engagement and requirements of AES Tietê's stakeholders that have undergone some type of consultation with structured methodology.

GRI G4-26, G4-27

	REQUIREMENTS	CONSULTATION MECHANISMS	ENGAGEMENT METHODS
Clients	<ul style="list-style-type: none"> Competitive price Meeting deadlines and contracts Contractual flexibility Transparency Quality of commercial service Generation and / or marketing capacity 	<p>Customer survey (half-yearly)</p> <p>Vox Populi Research with customers and potential clients (biennial)</p>	<ul style="list-style-type: none"> Events and relationship activities with customers and potential clients Disclosure of Values Guide <p>More information in the Innovation and Excellence for Customer Satisfaction Chapter</p>
Employees	<ul style="list-style-type: none"> Ethics Pleasant environment Growth Development Recognition Fair compensation Organizational environment 	<p>Round table discussions (annual)</p>	<ul style="list-style-type: none"> Climate Survey Development and retention program Internal communication AES Helpline Disclosure of Values Guide <p>More information in Development and Valorization of Employees and Corporate Governance Chapters</p>
Suppliers	<ul style="list-style-type: none"> Transparency Isonomy Development Long-term partnerships Demand Planning Recognition Price and quality relation 	<p>Online Research (annual)</p>	<ul style="list-style-type: none"> Best Suppliers Award Newsletter Events Disclosure of Values Guide <p>More information in the Development and Valorization of Suppliers Chapter</p>
Socially responsible investors	<ul style="list-style-type: none"> Management of social, environmental and governance issues that potentially impact the company's results Transparency in communication 	<p>Meetings with representatives of asset management companies and rating agencies questionnaires (on demand)</p>	<ul style="list-style-type: none"> Results Release Conference call results Participation in conferences and road shows Telephone assistance Channel and "IR Contact" Disclosure of Values Guide
Government	<ul style="list-style-type: none"> Quality service provision for the population Meeting of the demands of society Public-Private Partnership in strategic projects of public nature 	<p>Municipal governments radar (monthly monitoring)</p>	<ul style="list-style-type: none"> Institutional and technical visits Participation in events Exclusive service channel Participation in committees and public hearings Disclosure of Values Guide

This information was used as input in the materiality analysis to define important and essential aspects for the report (click [here](#)). Given the variety and scope of the audience, it was not possible to conduct an external validation of all internally mapped requirements by different areas of the companies. Throughout 2015 they will be revalidated in periodic approaches such as research and specific discussion forums.

For the 2014 report, consultation was held with socially responsible investors – mainly asset managers – that evaluated the environmental, social and corporate governance initiatives of AES Brasil’s companies. These institutions have provided input to improve the content of sustainability reports in line with the Group’s efforts to apply the principles of Integrated Reporting in our communications.

PARTICIPATION IN ASSOCIATIONS AND ORGANIZATIONS

GRI G4-16

AES Brasil, through leadership representation, is part of associations and organizations representing its interests in issues relating to the sector or in areas of strategic relevance to the Group’s companies.

MAIN ASSOCIATIONS AND ORGANIZATIONS OF WHICH AES BRASIL AND AES TIETÊ ARE PART OF:	TYPE OF PARTICIPATION:
National System Operator (ONS)	Board of Directors
American Chamber of Commerce (AmCham)	Board of Directors and thematic committees
Sindicato da Indústria da Energia no Estado de São Paulo (Sindienergia – Union of the Energy Industry in the State of São Paulo)	
Brazilian Association of Independent Electric Power Producers (Apine – Associação Brasileira dos Produtores Independentes de Energia Elétrica)	
Brazilian Association of Electric Power Generation Companies (Abrage – Associação Brasileira das Empresas Geradoras de Energia Elétrica)	
Brazilian Association of Infrastructure and Basic Industries (Abdib – Associação Brasileira da Infraestrutura e Indústrias de Base)	
International Integrated Reporting Council (IIRC)	Group of companies of the <IR> Business Network

MAIN ASSOCIATIONS AND ORGANIZATIONS OF WHICH AES BRASIL AND AES TIETÊ ARE PART OF:	TYPE OF PARTICIPATION:
Center for Sustainability Studies (GVces – Fundação Getulio Vargas)	Business initiatives
Associação Brasileira de Comunicação Empresarial (Aberje – Brazilian Association of Corporate Communication)	Thematic committees
Conselho Mundial das Águas (World Council of Water)	Brazil section
Environment Preservation Area (APA) Ibitinga	Management Council (with voting rights on decisions taken)
Environment Preservation Area (APA) Batalha river	Management Council (with voting rights on decisions taken)
Environment Preservation Area (APA) Corumbataí	Management Council (listener)



GOVERNANCE

The management structure of AES Brasil Group's companies is decentralized and relies on the relationship between shareholders, managers, independent auditors and fiscal council to align corporate policies and decisions. The practices and principles adopted, among others, are transparency, separation between the functions of the board's chairman and the CEO, reporting channels, and broad dissemination of ethics. The corporate governance is a fundamental element of the value creation model of AES Brasil's companies.

VISION

Vision To be the leading power company in Brazil that safely provides sustainable, reliable and affordable energy.

MISSION

To promote welfare and development by providing safe, sustainable and reliable energy solutions.

VALUES

- Put Safety First
- Act with Integrity
- Honor Commitments
- Strive for Excellence
- Have Fun through Work

COMPLIANCE AND ETHICS

AES Brasil Group's Compliance and Ethics Program was created from the company's commitment to transparency and to ensure ethical conduct in all its business as well as to meet the applicable national and foreign laws. The initiatives developed within the program aim to protect the highest levels of integrity and ethical values among the Group's stakeholders.

The Compliance and Ethics Program consists of three pillars: Training and Education, AES Helpline and Contractual Compliance.



VALUES GUIDE

GRI G4-56

All activities performed by AES Brasil are founded by the document "Os Valores da AES – Das Palavras Às Ações", which is the code of ethics and conduct in the business based on the AES Corp. guidelines. This document is available to all the Group's stakeholders and can be accessed [here](#).

TRAINING AND EDUCATION

The Group develops an education and training program that has several initiatives related to the themes of Ethics, Compliance, Corporate Values and Anti-Corruption, among others. In 2014, 27,134 training sessions were performed for employees of all hierarchical levels of AES Brasil's companies – from trainee electricians to the CEO – and contracted parties. The amount of training sessions was approximately 27% higher than in 2013. The growth is mainly due to the Values Guide Certification training, which is mandatory and demanded every two years. Among other actions, the highlights are:

- Training on the process of Contractual Compliance;
- Global Ethics Day;
- Compliance Program in the integration session for new employees, interns and trainees;
- Ethics Multipliers;
- Diga Não à Caixinha – strengthening the policy of employees not accepting customer money, or money from anyone else.
- Training with the CECO (Chief Ethics and Compliance Officer) of AES Corp., Peter Jaffe who, during his visit to Brazil, gathered about 150 people to discuss issues related to the themes Gifts & Entertainment and Conflict of Interest.

AES HELPLINE

AES Brasil relies on the AES Helpline, an open communication channel for all the Group's stakeholders and available 24 hours a day and 365 days a year to receive and handle claims or questions related to the company's values.

The complaints can be made anonymously and confidentiality is assured. All cases are handled by a third party company contracted by AES Corp., located in the United States. All events are analyzed and investigated by AES Brasil Group's investigation and training team and, when necessary, other areas are involved, such as Audit and Corporate Security. Special cases are taken to the Ethics Committee composed of representatives of senior leadership of AES Brasil.

The Committee meets monthly to analyze special complaints received through the AES Helpline to support the decision making of the leaders involved with the issues. It also promotes the exchange of information between different areas, in order to adjust and adopt procedures to prevent the recurrence of cases that are inconsistent with the values of AES Brasil.

In 2014, 414 complaints were made via AES Helpline, 23.5% more than in 2013, due to the increase in the number of inquiries sent in the year (183%), of which a significant portion was related to invitations and tickets for the matches of the World Cup in Brazil.

AES Corp., in turn, manages the outcome of these investigations, being the last instance of the process before each case is closed permanently.

Telephone: 0800 891 4167

Internet: www.aeshelpline.com

CONTRACTUAL COMPLIANCE (DUE DILIGENCE FOR THIRD PARTIES)

GRI-G4 SO3

AES Brasil is committed to conducting ethical business with its trading partners. As part of the Compliance and Ethics Program, before the company engages in any business transaction, the due diligence process is conducted on potential business partners, service providers or suppliers.

When performing due diligence, some tools are used to map reports in the national and/or international media that may involve the potential business partner, service providers or suppliers for possible violations to North American anti-corruption Law - Foreign Corrupt Practices Act (FCPA) the Brazilian Anti-Corruption Law, and other determinations and prohibitions in the Brazilian legislative framework.

In 2014, 2,074 transactions were reviewed by the Contractual Compliance department, with 100% of transactions eligible for compliance analysis submitted to be reviewed through the due diligence process. Significant risks that may be identified during the due diligence process may be related to the existence of alerts involving a potential business partner, service provider or supplier under review, or even be related to the interaction (whether directly or indirectly) that the service provider or supplier might have with government bodies and agents during the contract under review (cases in which scrutiny is differentiated and the approval of the transaction requires the compliance with a series of prerequisites that are also beyond the local analysis, reviewed by the headquarters in Arlington). Other possible significant risks assessed concern the verification of potential beneficiaries under donations or sponsorship contracts, which are also subjected to the due diligence process, in which potential conflict situations are analyzed, as well as the existence of warnings for the beneficiary.

MAIN INITIATIVES IN 2014:

- Update of the Contractual Compliance Review Process by AES Corp., shared with all companies of AES globally;
- Evaluation on site by the global team of ethics and compliance of AES Corp. – including from the CECO (Chief Ethics and Compliance Officer) of AES Corp. to the operations of the AES Brasil Group – to conduct an audit on the development and effectiveness of the Compliance and Ethics Program, as well as to sign possible opportunities for improvement, meeting the national and international legal requirements and keeping the Group ahead of good market practices;
- New Anti-Corruption Law (12,846) – in 2014, presentations were made to the Board and Audit Committee of the AES Brasil Group’s companies about the new law and how businesses are ready to meet the contemplated obligations.

The AES Brasil Group does not make donations to campaigns or political parties, as provided by the Tribunal Superior Eleitoral, which prohibits this type of donation by public service concessionaires.

GOVERNANCE STRUCTURE

GRI G4-34

According to AES Tietê’s Bylaws, the responsibility for the analysis and the decisions made by the company lies with its corporate bodies. They are:

General Meeting: highest deliberative body, with powers to decide on all businesses related to the company's subject matter and make the decisions it deems appropriate for its defense and its development.

Fiscal Council: supervises the actions of the administrators and verifies compliance with their legal and statutory duties.

Board of Directors: guides the businesses and acts on relevant matters and its exclusive authority.

Board of Executive Officers: responsible for the administration and management of the company, as well as implementing the decisions of the General Meeting and the Board of Directors.

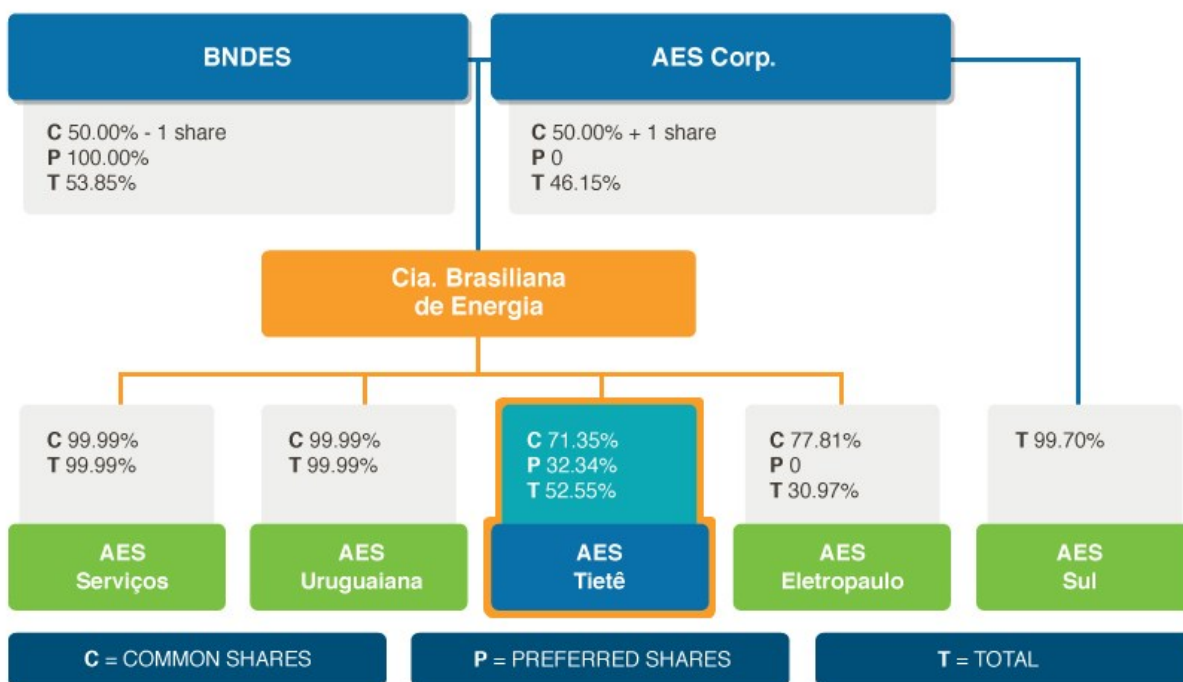
Sustainability Committee: non-statutory body responsible for the management and accountability related to sustainability. Committee members are the AES Brasil Group’s CEO and Vice-Presidents.

Operational and Investments Policy Management Committee: operates with the Board of Directors and the Board of Executive Officers, and functions as an advisory service in the analysis of proposed business plans, investment plans and the development of performance indicators, among others.

To see the composition of the corporate governance bodies, access <http://ri.aestiete.com.br – Corporate Information – Management and Boards..>

[Click here](#) to access the Corporate Governance Manual on the Investor Relations website

CORPORATE STRUCTURE



RISK MANAGEMENT

GRI G4-14

The current risk mapping, which may be amended according to new Sustainable Strategic Planning, considers the external and internal contexts in which the Group is inserted and provides input for leadership decision-making in order to protect and create value for the companies and its stakeholders.

The Integrated Risk Management Policy defines the governance of the subject and the direction of the actions. According to the COSO ERM methodologies and the Guideline for Corporate Risk Management of the Brazilian Institute of Corporate Governance, the probability of the risk and its impact on the Group's EBITDA are defined.

RISK CATEGORIES ANALYZED:	PERIODIC REPORTING:
<ul style="list-style-type: none"> • Legal; • Sectoral regulations; • Information technology; • Market. 	<p>Monthly: CEO and VPs and leadership of AES Corp.</p> <p>Quarterly: Fiscal Council and Board of Dire</p>

Social, environmental and governance risks are included within the four categories, based on their business impact. A manager is assigned for each risk, being responsible for periodically update the information, as well as action plans and results achieved.

In 2014, AES Brasil incorporated a new tool into its strategy management. The 'Watch Tower' (the name refers to an observation tower) gathers external environment monitoring indicators, which are updated and submitted regularly to the Group's leadership, in order to anticipate events and take decision ahead the different scenarios that may arise.

CAPITAL MARKETS

AES Tietê shares are traded on the BM&FBovespa stock market under the GETI3 (common shares) and GETI4 (preferred shares) codes.

AES Tietê also integrates, for the eighth consecutive time, the Corporate Sustainability Index (ISE) of BM&FBovespa, a portfolio reviewed annually that gathers companies with the best performance in corporate sustainability. The company's shares are part of the Electric Power Index (IEE), that aims to target and measure the performance of the electric sector companies, and the Dividend Index (IDIV), responsible for measuring the performance of the company's shares that stood out in terms of investors' remuneration. In addition, the Company's preferred shares are part of the Brazil Index (IBrX), which measures the performance of the most traded shares on the stock market.

AES Corporation is a publicly-held company with shares in the New York Stock Exchange and, as its subsidiary, AES Tietê adjusted its controls to the Sarbanes-Oxley Act (SOX), which aims to reduce the risk of financial fraud and ensure reliability of the financial statements of the companies that trade shares in the North American market. The company also has American Depositary Receipts (ADRs) traded on the North American Over The Counter market (OTC) under the AESAY (common shares) and AESYY (preferred shares) codes.

Further information is available at <http://ri.aestiete.com.br>.



**SUSTAINABILITY
STRATEGIC THEMES**

SAFETY



Reducing the occurrence of accidents involving employees, service providers and with the surrounding population of AES Tietê's plants is the company's commitment. For this, the company opted for a strategy to anticipate the risks and seek preventive actions that provide the best safety conditions for all.

SAFETY IS AES BRASIL GROUP'S NUMBER ONE VALUE.

The company's safety programs are based on the global guidelines of AES Corp. and Occupational Health and Safety Management System (OHSMS), the requirements of which are in accordance with the specifications of OHSAS 18001:2007 (Occupational Health and Safety Assessment Series), an international standard focused on health and safety at work, aimed at the preservation of physical integrity and health of employees and service providers, through mitigation practices or elimination of risks in activities and facilities.

In 2011, the company received OHSAS 18001 certification, and in 2014, a maintenance audit was held by the certification ABS Quality Evaluations, resulting in "zero non-compliance".

SUSTAINABILITY PLATFORM*

COMMITMENTS		RESULTS
No fatal accidents (employees and contractors) per year		No fatal accidents were recorded with employees and contractors at AES Tietê in 2014.
Reduce by 50% the frequency and severity rates with employees and contractors by 2016		The severity rates (SR) with employees and contractors were zero. The frequency rate (FR) remained zero with employees; however, the FR with contractors increased 90% compared to 2013. The FR with employees and the SR with contractors have been reduced to zero since 2011.
Reduce by 20% the number of accidents involving the population by 2016		No fatalities involving the population have been recorded since 2009.

**Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

MAIN SAFETY RISKS THAT...

... the workforce is subject to:

- Falling from a height during work;
- Lack of oxygen when the work is in confined spaces;
- Electric shock;
- Drowning;
- Poisonous animals.

... the population is subject to:

- Drowning in the reservoirs.

WORKFORCE SAFETY

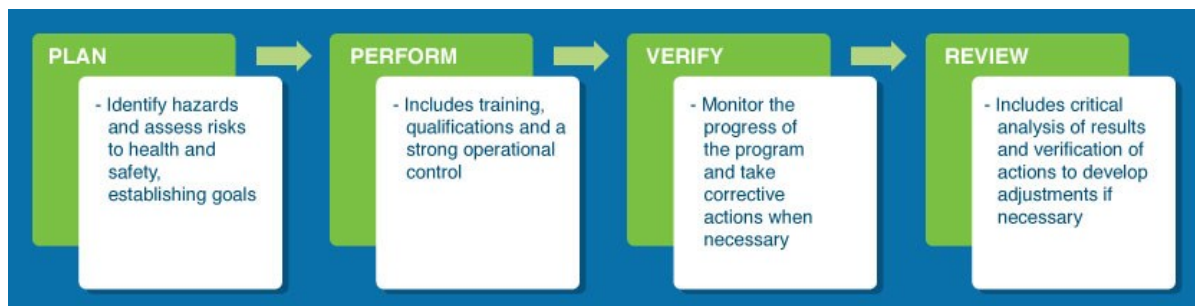
GRI: EU16

In order to supply electricity in a safe, sustainable and reliable way, it is essential that the workforce of AES Tietê acts in accordance with Health and Safety regulations in the main business activities.

To protect own and subcontracted employees, the company has a safety program that gathers all proactive practices to identify unsafe conditions, behavior, capacity, awareness and monitoring of the teams. The program is designed to contribute to the consolidation of a safe environment and aims to overcome challenges such as lack of professional qualifications and little experience in real situations.

In 2014, R\$1.2 million was invested in AES Tietê's Safety Program, which enabled the maintenance of zero accidents with days lost with own employees and subcontractors.

To ensure efficiency, the security actions taken are monitored through AES Corp's. safety management system methodology, the process of which is based on a continuous cycle of four steps:



This program is based on the standards of the AES Corp. and includes 25 security protocols focused on improving procedures and practices, also based on meeting the requirements of OHSAS 18001.

For the second consecutive year, the company won the Eloy Chaves Medal in 2014, in 1st place in its category, an important recognition of safety management practices in Latin America.

GRI LA5

AES Tietê has the following Safety Committees:

- Comissão Interna de Prevenção de Acidentes (CIPA – Internal Commission for Accident Prevention) – from base employees (electricians) to directors (nominated and elected). 100% of employees are represented by CIPA, considering that some members are defined by election;
- Directors Committee of AES Tietê – coordinators, managers and nominated directors;

- Comitê Integrado da Alta Administração do Sistema de Gestão Integrada (Senior Management Integrated Committee) – managers, directors and nominated Vice-Presidents;
- Comitê de Segurança do Trabalho AES Brasil (Safety at Work Committee AES Brasil) – managers, directors and nominated Vice-Presidents;
- Comitê de Sustentabilidade AES Brasil (Sustainability Committee AES Brasil) – Vice-Presidents and Chief Executive Officer.

GRI EU17, EU18

The higher risk activities for AES Tietê contractors are categorized as maintenance and/or operation services, totaling 1,639,169 hours worked in 2014.

At AES Tietê, all contractors in this category receive periodic training in health and safety.

SAFETY INDICATORS

GRI LA6

HEALTH AND SAFETY AT WORK	2012	2013	2014
FR (frequency rate) ¹ – employees	0	0	0
FR (frequency rate) ¹ – contractors	4.81	5.05	9.62
SR (severity rate) ² – employees	0	0	0
SR (severity rate) ² – contractors	0	0	0
Fatal accidents – employees	0	0	0
Fatal accidents – contractors	0	0	0
Work accidents with or without days lost – employees	0	0	0
Work accidents with or without days lost – contractors	5	6	16
Days lost/debited – employees	0	0	0
Days lost/debited – contractors	0	0	0

¹ Frequency rate (FR): number of projected accidents, designed for risk exposure of one million man-hours.

² Severity rate (SR): the loss of time (in number of days) resulting from accidents occurred in one million man-hours of risk exposure, reported in accordance with NBR14,280.

Comparing the frequency rate of accidents (FR) with contractors in 2014, there was 90% increase over the previous year. An investigation carried out by the company to identify the reason for such variation revealed that this result was mainly due to the non-risk perception by contractors during the execution of activities, breach of procedures and the low performance of the leaders in behavioral training of their teams.

During the verification of goals and revision of actions, even the small possibility of an accident is treated just as seriously as an occurrence. In 2014, some highlights of the Safety Program which contributed to strengthen the culture of safety and reduce the risk of accidents were:

BEHAVIOR BASED SAFETY

The concept of Behavior Based Safety (BBS) was implemented in 2007 – and revitalized in late 2013 – in AES Brasil's companies. Through this program, a colleague observes the other while performing their activities. If a procedure is performed in an unsafe manner, the employee is instructed to correct their action. The objective is to contribute to the increased perception of risk and the proactive behavior by employees working in the operating segments.

SAFETY VISITS

The safety visit program consists of "safety walks" with managers and "safety inspections" with the operational supervision. During these visits, a feedback is given to the employees about positive behaviors and points to be improved. Besides having goals, the program is regularly monitored by safety committees, and is also discussed in management meetings at all levels of the organization.

In 2014, 9,722 safety visits were made against 5,074 in 2013 (an increase of 91.6%).

SAFETY CHAMPIONS

The search for an increasingly safe environment is one of the roles of Safety Champions, aimed at sharing knowledge and experiences on the best practices adopted at AES Brasil Group, so that everyone is able to exercise their duties safely and efficiently.

To be a Safety Champion an employee must have the desire to achieve excellence in health and safety management system, be a leader recognized for their actions and take responsibility for operational safety. Safety Champion is chosen yearly among the company's leaders.

In 2014, four Safety Champions worked for the safety of all at AES Tietê.

SPEAKING SAFELY

Launched in 2014 by AES Corp., the new program offers a communication channel through which all employees are free to ask questions and report situations regarding safety, such as unsafe conditions and behaviors, and environmental problems. All employees can report anonymously any matter that requires some action towards the prevention of safety, health and environment incidents in the company's operations. Employees are often encouraged to talk to their managers, the safety department or file reports through a website or a dedicated phone number.

AES Corp.'s team of environmental, health and safety is responsible for moderating the channel and the occurrences are shared with the safety department of each country. All cases are investigated, treated and the monitoring is reported to AES Corp. According to the report, working groups are formed to investigate each case.

PSYCHOLOGICAL ASSESSMENT OF THE OPERATIONAL LEADERSHIP

In 2014, the occupational health department implemented the psychological assessment program for operational leaders, which includes skills related to Safety, Emotional Balance, Perception Capacity, Operational Discipline, Interpersonal Relationship and Leadership.

POPULATION SAFETY

During school holidays, there is an increase in the number of people who regularly frequent the area around the reservoirs of the plants in search of leisure, especially for swimming and fishing. Because these activities present safety risks, during these periods AES Tietê conducts an intensive safety campaign with the placement of warning messages in local media, as well as actions focused on informing and educating the public, such as the distribution of educational leaflets. The plants are also open doors to welcome students from local schools for visits, during which they are informed on how to perform leisure activities without compromising their safety. In 2014, 35,378 people visited the plants, participated in events and actions promoted by the company.

GRI EU21

In addition, AES Tietê has an Operating System for Emergencies (Sosem – Sistema Operacional em Situação de Emergência) to alert the population in case of flooding in the area around the plants.

GRI EU25

No accidents with the population have been registered since 2009 in the AES Tietê plants' reservoirs.

INNOVATION AND EXCELLENCE FOR THE CLIENT'S SATISFACTION

Innovation is an increasingly essential condition for the competitiveness of businesses. In the electric power sector, which is highly regulated, AES Tietê has been evolving in order to meet customers' needs in an increasingly demanding environment.

In addition, the new electronic media and recent technologies have created a new working environment, in which the change cycle has become shorter and faster, requiring greater business efficiency.

In this challenging context, AES Tietê maintained its investments and believes it necessary to innovate, creating new processes, products and services or improving existing ones so that they enable the generation of new sources of revenue and seek efficient ways to operate and improve the quality of services provided in a regulated environment. Therefore, AES Tietê creates value for its stakeholders, offering reliability and efficiency in energy supply.

Since 2006, the innovation theme has evolved at AES Tietê:

- **2006-2008:** cost reduction and continuous improvement;
- **2009-2014:** productivity and performance efficiency to create value;
- **2015-2019:** generation of adjacent revenues, new technologies and customer satisfaction.

SUSTAINABILITY PLATFORM *

COMMITMENTS

Implement five innovative solutions and clean technologies in AES Brasil, which will generate value for our stakeholders, increasing quality and reducing costs and environmental and social impacts of our operations by 2016.

Spread the innovation concept and strategy in the value chain and establish partnerships that will expand the results by 2016.

RESULTS

The five projects have already been implemented or are under implementation:

- Biomass Projects;
- Pyrolyzer;
- Electrolysis Fuel Cell;
- Geothermal Energy;
- Ethanol Fuel Cell.

The new Portal do Fornecedor (Supplier Portal), to be launched in 2015, will provide content regarding innovation.

* Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.

RECOGNIZED INNOVATION

AES Brasil was in **17th place among the most innovative companies in Brazil** according to a survey conducted by *Info Exame* magazine, in conjunction with the *Escola Superior de Propaganda e Marketing (ESPM)*. In all, 91 companies were analyzed, including companies recognized for the innovative culture of their organizations. The research considered six topics and AES Brasil was second in the **Business Strategy and Innovation** category.

In 2014, the innovation area has been restructured to suit the new guidelines adopted. The targets will be reviewed in 2015.

In line with the AES Brasil Group's innovation strategy, AES Tietê is constantly investing in Research and Development projects (R&D). In 2014, R\$9.3 million were directed to the following segments:

GRI EU8

FUNDS FOR TECHNOLOGICAL AND SCIENTIFIC RESEARCH AND DEVELOPMENT (R\$)	2014
Alternative electric power generation sources	1,796,985
Environment	2,320,613
Electric Power System Planning	1,597,087
Electric Power System Operation	6,428
Supervision, Control and Protection of Electric Power Systems	1,058,331
Quality and Reliability of Electric Energy Services	2,012,966
R&D Management	508,292
Total investment in R&D	9,300,701

NEW ENERGY SOURCES

ENERGY FROM INSIDE THE EARTH

In 2014, AES Tietê launched, with the Federal University of Minas Gerais, a prototype for the production of geothermal energy in Itajubá (SP). The prototype is the result of research that seeks to generate electricity using heat from the ground, and aims to increase the diversification of energy sources for the country and ensure more security to the energy matrix in times of drought.

To extract energy from the ground, the soil is drilled until existing cracks in the Earth's crust are reached, where temperatures reach 6.000°C. After this phase, tubes are inserted to extract the steam and bring it to the surface, where a power plant turns it into electricity.

The project was initiated in 2010, with investments of R\$4 million. The reduction of costs to make economically viable alternative energy sources remains a challenge and will depend on the progress of research.

ELECTRIC ENERGY FROM HYDROGEN

AES Tietê also invests in a project that will enable the production of energy from hydrogen. A prototype will be installed at AES Tietê's Generation and Locks Operations Center, in Bauru, by 2017. Later, a larger prototype will be built in one of AES Tietê's plants.

The project received investment of R\$ 5 million since the beginning of its implementation, and is scheduled to be completed in 2016.



APEX PROJECTS

AES Brasil has development initiatives that, together with the Research and Development and Innovation initiatives, support the achievement of the strategic objectives of the organization. The main one is the Apex (AES Performance Excellence), a global program consisting of management methods and quality tools that enable the continuous improvement of processes impacting operating and financial results. In 2014, 2,559 people were trained in their different areas, which made possible an impact of R\$413.2 million in the EBITDA, from 173 projects.

ENERGY SALE

Since 2011, AES Tietê has been trading energy in the ACL, the Free Contract Framework. To ensure the success of the operation, the company initiated a plan that was based on detailed market study and the strengthening of AES Tietê's name – which until then was known due to energy sale exclusively for AES Eletropaulo – plus the structure of its team with the hiring of specialized professionals in this process.

In 2014, AES Tietê's portfolio became stronger with a higher volume of energy contracted by clients such as large companies in the industry and other electric energy sector agents.

Research conducted with clients and potential clients in late 2011 and 2013 confirmed AES Tietê's recognition as an energy generator and identified opportunities to leverage the company's position as a trader that offers suitable energy solutions, flexible contracts, specialized service and is part of a global group. Based on the results, the following relationship actions were replicated and intensified in 2014:

- Visits of the marketing team to companies that are already clients and potential clients;
- Energia em Foco (Energy in Focus) event, with the participation of about 100 clients and potential clients and the presence of AES Brasil's leaders and experts in economics and in the electricity sector;
- Workshop at AES Brasil's headquarters and visit to AES Eletropaulo's COD (Centro de Operação da Distribuição – Distribution Operation Center): vision and understanding of changes in the industry's regulation which affects the trading of energy in the free market, focusing on energy contracts released to free consumers;
- Visit to the Barra Bonita plant and the COGE (Centro de Operação da Geração de Energia – Generation and Locks Operations Center) in Bauru, and the completion of the reservoir locks: participation of 12 clients and potential clients.

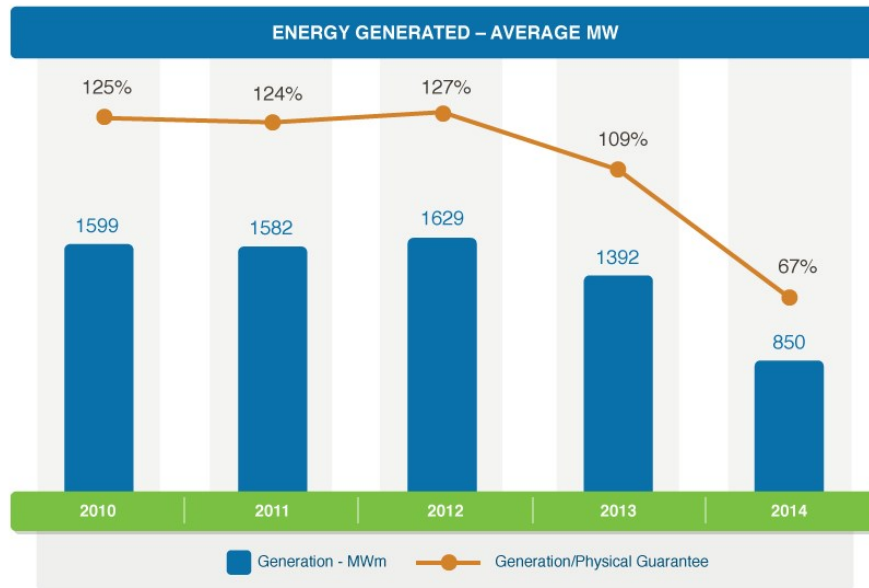
In 2014, the volume and price of energy sold exceeded the targets set by the company due to the success of relationship, prospecting, negotiation and strategy initiatives, improving AES Tietê's position in the energy trading market. Click [here](#) to learn more about the marketing results.

Knowing the right time to sell reduces risk and maximizes opportunities. For this, the company maintains a daily process of market analysis, monitoring and updating of the scenarios. For 2015, AES Tietê will keep the relationship pace with clients, working to strengthen its name in the trading market, seeking improvement of the client's portfolio, excellence in customer service, prospecting and creating a long-term hiring vision in the industry to provide a sustainable generation planning.

SUSTAINABLE ENERGY GENERATION

GRI: G4-EC2

For AES Brasil, generating sustainable energy means encouraging the use of alternative and renewable sources in an effective way, with efficient use of resources and mitigating operational risks.





In 2014, the total volume of electricity generated by AES Tietê’s plants reached 7,443.3 GWh, a figure 39% lower than the same period of 2013. The continuation of unfavorable hydrological conditions and the higher activity of thermal plants by the ONS (Operador Nacional do Sistema Elétrico – National Electric System Operator), in 2014, resulted in the reduction of the hydroelectric generation contribution in the Southeast and Midwest of the country.

The drought situation in 2014 brought even greater importance to efforts aimed at excellence in the management of AES Tietê’s main assets – hydroelectric power plants and reservoirs – using water to ensure the generation of energy. It also strengthened the need for diversification of new generation projects, to make the Brazilian system less dependent on the hydrological system through the use of sources that can meet the demand of energy.

SUSTAINABILITY PLATFORM*

COMMITMENTS

RESULTS

<p>Promote the proper use of Permanent Preservation Areas around the plants and reservoirs by 2016</p>		<p>Since 2012, AES Tietê made progress in the Reservoir Management area, having created a specific department, internalizing and optimizing processes, which enabled the improvement of results in the field inspections related to the use and occupation of its surroundings, and erosion, implementing of environmental programs and complying with agencies and regulators.</p>
<p>Invest at least 20% of R&D funding in the development of technologies for sustainable energy generation by 2016</p>		<p>In 2014, R\$1.8 million was invested in R&D projects focused on sustainable power generation (from a total of R\$9.3 million)</p>

** Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

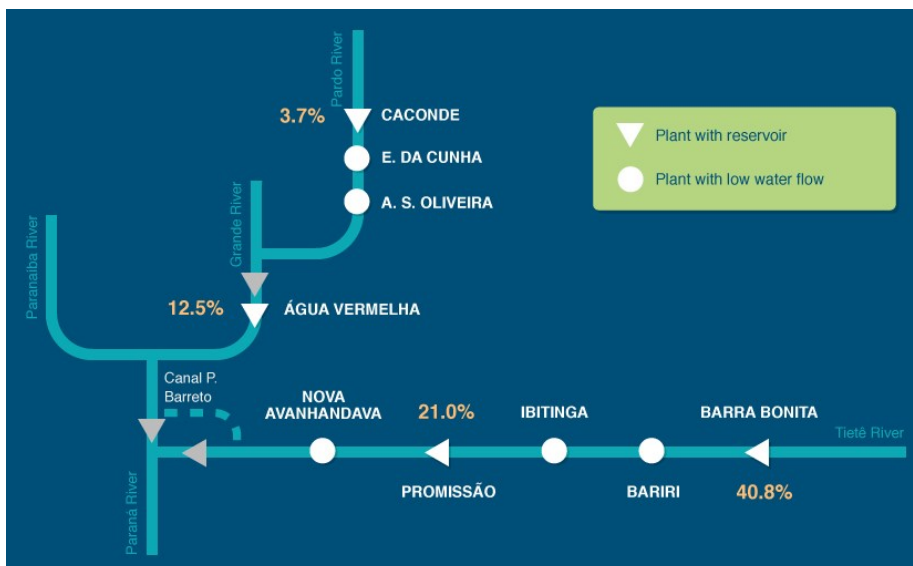
POWER PLANTS MANAGEMENT



The storage level of AES Tietê’s power plant reservoirs ended the year with 34.67% of total storage capacity – less than in 2013, when the reservoirs were with 50.98% of total storage capacity. This variation is directly related to the water deficit situation that affected the State of São Paulo, where all of the company’s plants are located.

The most affected reservoirs were Caconde and Água Vermelha, reaching levels of 3.77% and 12.50% respectively, and generating below average levels of energy due to unfavorable hydrology conditions. Other plants also had reduced flow during the year. Due to the low reservoirs levels, two plants stopped generating power temporarily in 2014 – Mogi Guaçu, for 71 days between the months of August and November, and Limeoiro for 64 days between September and November.

The minimum level reached in 2014 at hydroelectric plants with reservoir was:



In 2014, AES Tietê intensified the strategic management of its physical assets and best practices of reliability and maintenance based on the international certification PAS-55, issued in 2012 by the British Standards Institute. The company was the first in Latin America to receive such certification.

GENERATION AND LOCKS OPERATION CENTER (COGE - CENTRO DE OPERAÇÃO DA GERAÇÃO E ECLUSAS)

Located in Bauru, AES Tietê's COGE facility is responsible for the monitoring, control and execution of the operation of nine hydroelectric plants and three other small hydroelectric plants, totaling 2,658 MW of installed capacity.

Its goal is to maximize the availability, reliability and safety indicators of the operation. The Operations Center teams operate and maintain the plants to the highest performance standards required by the market. To do this, they manage guidelines, recommendations, analysis and studies that enable a centralized operation.

MODERNIZATION AND MAINTENANCE

G4-EU6; EU30

In 2014, R\$186 million was invested mainly in the modernization and preventive maintenance of Água Vermelha plants, Barra Bonita and Bariri to ensure operational conditions and the availability of power generation.

The most important maintenance project began at the Água Vermelha plant with general maintenance and automation of generating unit 2, with a generation capacity of 232 MW. The process covers the maintenance of the six units of the plant and completion is forecast for 2018.

The company reduced the Equivalent Forced Outage Factor (EFOF¹) from 0.28% in 2013 to 0.25%. During the year, the rate of unplanned outage was 1.04%, a decrease of 35% compared to 2013.

ENERGY GENERATED	2012	2013	2014
Generation – Average MW	1,629	1,392	850
Generation/Physical Guarantee	127%	109%	67%

¹ Equivalent Forced Outage Factor.

LOCAL COMMUNICATION

AES Tietê, facing the hydrological scenario of 2014, implemented a communication plan with the surrounding community of its plants to clarify the company's role and responsibilities in relation to the reservoirs. In Mococa, Caconde, Batatais, São José do Rio Pardo and Ribeirão Preto campaigns were conducted on radio and local newspapers so that the population of these cities could understand the reasons AES Tietê had to reduce the flow of some of its reservoirs. The goal was to make it clear that the company's priority is the multiple use of water, preserving the supply of the surrounding communities and wildlife.

As part of the plan, meetings with journalists from media channels that cover the regions of Barra Bonita, Araçatuba, Ribeirão Preto, Caconde, Mococa, Euclides da Cunha, Franca, São José do Rio Preto and São José do Rio Pardo were held to inform them about the scenario, the management of the plants and the governance of the electrical system.

For 2015, the main challenges are:

- Keep reservoirs suitable to deal with hydrological conditions and consolidate the reservoir management department, created in 2013;
- Continue the equipment maintenance of the Água Vermelha, Bariri, Barra Bonita and Ibitinga plants;
- Obtain ISO 55001 certification.

In the period between 2015 and 2019, R\$480 million is estimated to be invested in the modernization of equipment, covering spending on general maintenance at the Água Vermelha, Bariri, Ibitinga and Barra Bonita plants.

ISO 55001 CERTIFICATION

Created in 2014, the ISO 55001 is a standard that specifies the requirements for an asset management system within an organization. Its application in AES Brasil Group brings many benefits to the improvement and management of risk and decision-making processes. AES Eletropaulo, AES Sul and AES Tietê have tried to gain the new standard since its launch. All companies have mapped the processes of each area, structuring procedures that are continually evaluated. The certification audit is planned for 2015 in all companies.

SUSTAINABLE USE OF RESERVOIRS



Aiming at the progress and consolidation of actions combined in the Borders Project – such as erosion control and irregular occupations – in 2013 AES Tietê created the Reservoir Management department, which focuses on concentrating all initiatives related to the company's reservoirs and increase the strategic importance of these assets with the company's senior management and other stakeholders.

MONITORING AND INSPECTION

Started in 2013 and strengthened in 2014, the use of high technology for the monitoring and inspection of physical and environmental aspects of the entire area of the reservoirs has led AES Tietê to reach reference status in the industry.

In 2013 and 2014, Reservoir Management investments in inspection activities amounted to R\$3.95 million, of which R\$1.75 million was allocated to equipment and vehicles, R\$1.70 million to aerial assessment¹ and R\$0.5 million to satellite images.

In 2014, the company conducted a manned flight project with LIDAR technology (laser profiling) and aerial photography to accurately map the entire area of the reservoirs, with special focus on borders. AES Tietê is also planning – for 2015 and 2016 – to conduct bathymetry² projects to analyze the wet areas by observing items such as sedimentation and material deposited on the bottom of the reservoirs.

¹ Mapping done by aircraft emitting laser beams to collect high-definition images and generate surface digital models and contour lines. This action meets to Aneel's Resolution 501/2012 regarding the mapping of the company's physical assets.

AES Tietê has a change detection service, which is held quarterly through comparative analysis of changes in the satellite imagery. This information helps the inspection teams in the monitoring and detection of irregularities. Inspection is carried out periodically by the field staff, who can access areas by both land and water (on board) to inspect the borders of the reservoirs. This work led AES Tietê to monitor more accurately the areas with greater risk of erosion, irregular invasion, sedimentation, among others.

The situation monitoring and information updating is also performed by a UAV (Unmanned Aerial Vehicle), a drone that flies over the area focusing on risk points previously mapped.

RESERVOIR MONITORING CENTER (CMR – CENTRO DE MONITORAMENTO DOS RESERVATÓRIOS)

All the information obtained by monitoring and inspection processes is consolidated in the Reservoir Monitoring Center (CMR), located in the city of Bauru. The CMR teams are responsible for analyzing the data, generating reports and making decisions related to the management of reservoirs together with other company's areas, such as reforestation, wildlife, archeology, telemetry and illegal occupation.

One of CMR main tools is the system developed for geomapping information, which receives the data registered in the field through precision equipment, generating specific maps and reports. This automation resulted in an optimized and improved performance of the process, which used to take three days to complete a registration. With the new system, the reporting is now carried out in a few hours by the company's employees. This innovation resulted in a R\$4.4 million profit due to internalization of the processes that were previously performed by external service providers, in addition to greater speed and quality of work.

In 2015, R\$1.5 million will be invested in infrastructure for inspection, especially with items such as:

- Acquisition of another UAV to the Água Vermelha Plant;
- Boat controlled remotely to monitor flow rates, speed and bathymetry of the effluents of telemetric stations;
- New stations and telemetric equipment to improve the flow measurement and rain;
- Equipment for processing of image and vectors data.

REFORESTATION

Besides the benefits to the local ecosystem and climate regulation, reforestation helps contain silting and increase the service life of the reservoirs. The technology used in monitoring the reservoirs area has made mapping more accurate and, currently, it is possible to know precisely where to find the areas to

be reforested for achieving the best results. From 2015, the environment department will also use this technology for making reforestation decisions.

AES Tietê is committed to reforestation at the borders of the reservoirs, in areas that have been identified, mapped and classified as free for planting by the end of its concession; these areas amount to approximately 3,645 hectares. Starting in 2015, the company's goal is to reforest 243 hectares per year. In 2014, contracts and partnerships were formalized to reforest 219 hectares, of which 97 hectares were reforested. The 122 hectares difference will be completed in 2015, due to lack of rain in 2014.

To accomplish this task, the company has formed partnerships with other institutions to accelerate forest restoration, aiming at environmental gains, recovery of landscape and other benefits around the reservoirs. In the partnership with SOS Mata Atlântica, the foundation conducts planting and maintenance of areas, and AES Tietê provides the area and implements fences to protect them, as well as donating the seedlings.

In 2014, AES Tietê reforested 97 hectares of the reservoirs of hydroelectric power plants at Água Vermelha, Ibitinga, Promissão and Bariri. The maintenance in these areas has already been initiated. For the last three, the company had partnerships with organizations such as Dovelli, AES Eletropaulo (which made the fulfillment of its reforestation obligation at the Promissão reservoir possible), SOS Mata Atlântica and Iniciativa Verde. Through the partnerships established, the company saved R\$12 million between 2014 and 2015, since each partner carries out the plantations in AES Tietê areas and, therefore, company resources were not used for reforestation actions in these areas.

The company has its own nursery, located in the Promissão plant, with an annual output of one million seedlings of 120 native species of the Atlantic Forest and Cerrado biomes. These seedlings are used both for reforestation of the border of the plants as for plantations in river basins where the plants are located. The capture of carbon dioxide from the atmosphere by trees contributes to the mitigation of global warming.

PERMANENT PRESERVATION AREAS

GRI G4-EN11

With the new Forestry Code, the rules for definition of Permanent Preservation Areas (PPAs) were changed in 2014. AES Tietê initiated a detailed study to measure the areas through aerial assessment, which will be completed in the first quarter 2015.

CLEAN DEVELOPMENT MECHANISM

AES Tietê developed a methodology to quantify the carbon captured by native trees used in planting. Pioneering and unique in the world, this project – registered in 2011 by the United Nations – lasts 30 years and covers more than 73 municipalities in the states of São Paulo and Minas Gerais.

Since the beginning of the plantations, in 2001, approximately 167,000 tons of carbon – equivalent to 167,000 carbon credits – were captured by the trees planted in more than two thousand hectares, around the reservoirs of the company's plants.

In 2014, AES Tietê negotiated the first carbon credits issued by the UN with the IBRD (International Bank for Reconstruction and Development).

For this initiative, AES Tietê has been recognized as one of the “50 Empresas do Bem” by Istoé Dinheiro magazine, and received honorable mention in the “Mérito Ambiental” award from the Federação das Indústrias do Estado de São Paulo (FIESP) in 2014.

OCCUPATION OF RESERVOIR BORDERS

The consolidation of the Reservoir Management department and the technology used in the monitoring of reservoirs have also been beneficial in relation to the issue of illegal occupation on the borders.

In 2014, AES Tietê was not mentioned in any new Public Civil Action addressing environmental issues related to illegal occupation and there was a significant decrease on the number of civil actions of the Public Prosecution related to illegal occupation. These results were made possible due to the improvement of internal policies that prevent and monitor more accurately the areas under its concession. An approach work was also held to demonstrate to attorneys and public prosecutors (State and Federal) how the company is dealing with proactively seeking solutions of common interest between the different stakeholders involved.

To raise awareness and prevent new occupations, the company carries out campaigns and provides communication channels, especially:

- **Corporate website:** provides information about the use of the borders, such as exceptional cases where it is possible to intervene in the Permanent Preservation Area (APP), and the documentation necessary to request the use of area;
- **0800:** an exclusive telephone service channel was created in 2014 to answer questions related to the occupation of reservoir borders and the regularization process;
- **Cantos e Encantos:** the events for the communities surrounding the plants relied on teams dedicated exclusively to providing information on obtaining permission to use or regularization of occupation already held. In addition, AES Tietê's presents its initiatives for monitoring and inspection of areas.

On December 31, 2014, AES Tietê was a defendant in 340 civil public actions over alleged environmental damage caused by irregular occupations in Permanent Preservation Areas. The reason why AES Tietê was a defendant in these actions is due to the fact of the illegal occupation is partly or entirely located in environmental preservation areas within its concession area. The main application of these actions is the recovery of degraded areas and eventually, if the recovery is not possible, by means of compensation. Legal advisers and AES Tietê's Administration evaluated the probability of loss as probable for measures of environmental recovery within the concession area to 284 demands, since the remaining 56 actions had favorable judgments to AES Tietê and have pending appeals. The amount provided for these demands on December 31, 2014, is estimated as R\$1,721,596.64.

BIODIVERSITY

GRI G4-EN12, G4-EN13

AES Tietê plants occupy areas of the Atlantic Forest and Cerrado, biomasses of extreme importance to Brazil. To monitor this matter more accurately, an inventory of species on conservation lists – whose habitats are located in areas affected by the company's operations – is being developed from environmental permits and should be completed in 2015. To have greater coverage of the fauna, collections will be made in all four seasons of the year.

Currently, AES Tietê has three lines of action in the preservation of terrestrial fauna:

- **Conservation and Monitoring Program of the Terrestrial Fauna** aims to understand the distribution of the terrestrial fauna and monitoring of species.
- **Development of Biodiversity Indicator from Vegetable Biomass:** aims to establish a relationship between the reforestation implemented by the company and the benefits to the existing fauna around the reservoirs.
- **Methodology Development for Ecological Balance of Forest Corridors in Reservoir Surroundings:** aims to use non-conventional biological indicators to improve the ecological balance of reforestation in the reservoirs.

“A ONÇA-PARDA NA BACIA DO RIO TIETÊ” PROJECT

In partnership with the Pró Carnívoros Institute, the project contributes to the conservation of the onça-parda - a puma species - and the local ecosystem, since the protection of this species ensures a balance of several others. The goal is to evaluate the environmental situation of the areas under the influence of AES Tietê, and understand how this species has adapted to the distribution of their original habitat in isolated forest tracks.

The project started in 2013 and already shows its first results, such as the identification of new puma cubs, and should extend until 2016.

AES Tietê produces annually 2.5 million fingerlings in two fish farms, located in the Promissão and the Barra Bonita plants. This action aims to repopulate the company's reservoirs.

Two Research and Development projects have contributed to the preservation of fish species in the basins where AES Tietê plants are located:

ADVANCED BIOTECHNOLOGIES FOR THE PRESERVATION OF ENDANGERED FISH SPECIES

Since 2013, AES Tietê is developing a project of Research and Development (R&D) in order to establish a gene bank in vivo and in vitro as a model for preservation of endangered fish species in the basins where AES Tietê plants are located.

The large scale use of this technology aims at gene bank formation, an innovative and unprecedented practical application, especially for native species. The project will last for four years and had an investment of R\$2,985,002.00, with completion scheduled for 2018.

CURIMBA AND PIRACANJUBA CONSERVATION PROJECT IN THE TIETÊ RIVER

The fingerling restocking programs may represent genetic and reproductive risks to natural populations. In recent years, the curimba (*Prochilodus lineatus*) and the piracanjuba (*Brycon orbignyanus*) have attracted the interest of researchers and producers as a result of their disappearance in the main fishing locations. The piracanjuba is practically extinct in the Tietê and Grande rivers and is currently cataloged as an endangered species according to the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA – Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis).

With an investment of approximately R\$734 thousand, AES Tietê's R&D project provides for the establishment of five experiments that can serve as a model for restocking of any kind of species, in any region of Brazil, ensuring genetic variability and the conservation of natural populations. Among the direct benefits of the piracanjuba and the curimba conservation are more stability for fishing activities and increase in family income in the region of hydroelectric plants.

GOLDEN MUSSEL

GRI G4-EN12

In 2013, the Public Prosecution Office of Jales (PPO) filed a Public Civil Action against AES Tietê, the Federal Government, IBAMA and the State of São Paulo (SP), with preliminary order aimed at the adoption of control and eradication measures to fight the chaotic proliferation of the golden mussel in the Água Vermelha HPP reservoir through dissemination, monitoring, training, inspection and implementation of the management plan suggested by the PPO.

In July 2014, an injunction was granted, which AES Tietê appealed against, and in September, the Federal Regional Court (TRF) suspended the injunction until the completion of the study on the impact and measures involving the golden mussels in another lawsuit filed against the Energy Company of São Paulo (CESP – Companhia Energética de São Paulo), for the Ilha Solteira reservoir, which AES Tietê is not part of. On this occasion, the Court would assess possible measures applicable to the AES Tietê in the Água Vermelha reservoir.

In October, the lawsuit was suspended and a hearing was scheduled for December 2014. The hearing was held on December 12, 2014 and it was decided that the lawsuit will continued to be suspended (the injunction was not restored). The only obligation intended for AES Tietê and CESP will be the printing of an educational booklet about the mussels according to IBAMA's official media material size, which should be set up to April 2015, and, after the definition of the booklet layout, AES Tietê will have 90 days to print it, among other actions attributed to the remaining defendants from the action.

As the reservoir user, AES Tietê holds mussel control measures to ensure the continued operation of plants with quality and safety. Among them are the mechanical cleaning of the turbines and equipment and environmental education activities to raise awareness of the proper use of the reservoirs. With the appearance of the golden mussel, AES Tietê held the mechanical removal of mussels in accordance with maintenance, safety and environment procedures, in order to ensure the operational quality of the plants.

CAPACITY EXPANSION

GRI G4-EC2

For AES Tietê, the alternatives to ensure energy security and meet the demand generated by the continuous development of the country are based mainly on the diversification of energy sources. The low reservoir levels in some regions of Brazil, due to the insufficient rainfall in past two years, proved the vulnerability of a system dependent of hydroelectric generation and the need of other generation forms to achieve that energy safety.

The company is committed by the São Paulo State Government to add 400 MW to its generation capacity. For this, it has been investing since 2011 in the diversification of its energy matrix with projects based on renewable and non-renewable sources such as solar energy and natural gas. Among the main ones are:

TERMO SÃO PAULO:

- Thermoelectric power plant of 503 MW (consumption of 2.1 million m³/day of natural gas) in the **Municipality of Canas, São Paulo**;
- **Estimated investment:** R\$ 1,1 billion;
- **Success factors:**
 - Proximity to transmission (200 m);
 - Pipeline proximity (3.0 km);
 - Water availability (7.5 km);
 - Flat topography;
 - Easy road access, outside the urban center.
- **Status:**

At the end of 2014, the project had a preliminary license. The documentation required for the beginning of process of obtaining the installation license has been consolidated and the authorization to raise the Paraíba do Sul river water was renewed. Therefore, AES Tietê awaits the best definition of the project's feasibility scenario for filing the request for the installation license by the environmental agency.

The conceptual engineering technical specifications were sufficiently detailed, allowing the immediate start of the procurement process of the implementation of the project in the EPC¹ regime.

¹ The acronym stands for Engineering, Procurement and Construction. In this model technical characteristics of the development are defined and a specialized company is hired for its construction, which is responsible for the design of the entire plant (Engineering), by subcontracting equipment, systems, materials, assembly etc. (Procurement), and by its construction and performance (Construction)

The main project development front has been the gas supply chain. The great challenge in this topic is to find long term natural gas supply contracts with the required flexibility and price levels in accordance with the production variable cost (PVC) of R\$250.00 per MWh, practiced in the last A-5 auction². AES Tietê has been seeking alternatives to the fuel supply, with Petrobras and the National Agency of Petroleum, Natural Gas and Biofuels (ANP – Agência Nacional do Petróleo, Gás Natural e Biocombustíveis), and intends to make the project possible in 2015.

ATMOSPHERIC EMISSIONS

The license for the Termo São Paulo project provides limits for atmospheric emissions of NO_x, CO, CO₂ and particulate material resulting from the natural gas power generation process.

The control of NO_x gas is conducted through the Dry Low NO_x technology, which acts directly on gas turbines by precisely adjusting the firing conditions depending on the characteristics of the gas, assessing the ambient temperature, humidity, pressure and level power, thereby enabling to maintain emissions within limits without using external abatement systems.

TERMO ARARAQUARA:

- Thermoelectric power plant of 579 MW (consumption of 2.2 million m³/day of natural gas) in the **Municipality of Araraquara, São Paulo;**
- **Estimated investment:** R\$ 1,2 billion;
- **Success factors:**
 - Proximity to transmission (8.0 km);
 - Pipeline proximity (6.0 km);
 - Water availability (800 m);
 - Flat topography;
 - Easy road access, outside the urban center.
- **Status:**

The Termo Araraquara project has been developed by ARS Energia since 2002, and in mid-2009 it became an option to increase AES Tietê's portfolio of generation projects. The partnership was established in 2012 when AES Tietê acquired a purchase option of the project. In addition to the technical and financial feasibility, a decisive factor for the celebration of the partnership with ARS in this project was the compliance to the AES Tietê expansion commitment, as the project will be built in the state of São Paulo.

At the end of 2014, the project had the preliminary license and the installation license process was in progress. As in the Termo São Paulo project, one of the main challenges for the development of Termo Araraquara is the solution for the chain of supply of natural gas.

¹Auction where the distributors contract energy from generators five years before the day of delivery.

SOLAR ÁGUA VERMELHA I PROJECT:

- Usina fotovoltaica de 34 MWp¹ (com possibilidade de expansão para 320 MWp) no **Município de Iturama, Minas Gerais;**
- **Tecnologia:** painéis fotovoltaicos policristalinos com vida útil estimada de 25 anos;
- **Investimento estimado:** R\$ 140 milhões;
- **Fator de sucesso:**
 - Proximidade à usina hidrelétrica de Água Vermelha.
- **Status:**

The land where the project will be installed in Minas Gerais is part of the area used for the construction of AES Tietê's Água Vermelha power plant. Due to the proximity to the plant, the solar project will benefit from the rational use of operation workforce and maintenance already existing on the site. Additionally, as the electrical connection point is adjacent to AES Tietê's land, implementation costs and system power losses are drastically reduced.

The project was enabled to participate in the LER (Leilão de Energia de Reserva – Reserve Power Auction) held in October 2014, but the sale of energy was not concluded. The main challenge faced in this auction was to ensure the hiring of equipment needed for the project implementation, with high national content, in a recent market and with few established suppliers, and without impacting the financial return of the project.

AES Tietê will submit the project in the next solar energy auctions and, since some photovoltaic panels suppliers are established in the country, there is an expectation of success in the total sale of energy to be generated. The possibility of capacity expansion can generate scale profits and has been analyzed as an alternative by the company.

The conditions forecasted for 2015 require fast implementation projects, such as solar, and projects with reliable dispatch, such as thermoelectric, indicating that AES Tietê's portfolio is aligned with this scenario and able to participate in energy auctions in 2015.

The company also analyzes the development of new projects of different energy sources. Therefore, AES Tietê is prepared to contribute to the development of the country, also generating value for all its stakeholders.

¹ Megawatt peak

EFFICIENT USE OF FINANCIAL RESOURCES

SUSTAINABILITY PLATFORM *

COMMITMENTS

RESULTS

Restructure the management of intangible assets by 2014.	●	The target was not met by 2014. In 2015, AES Brasil initiated the project that includes a survey of the most relevant intangible assets, in addition to governance structuring (management system) and measurement.
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* Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year

GRI G4-9, G4-EC1

FINANCIAL PERFORMANCE

R\$ THOUSAND - CONSOLIDATED

	2013	2014	CHG (%)
Gross Revenue	2,478,064	3,430,957	38.5%
Net Revenue	2,336,933	3,205,007	37.1%
Operating Costs and Expenses*	(811,451)	(2,287,121)	181.9%
Service Profit	1,362,175	750,371	-44.9%
EBITDA	1,525,482	917,886	-39.8%
Financial Results	(51,425)	(78,612)	52.9%
Financial Income	36,170	43,006	18.9%
Financial Expenses	(81,397)	(118,466)	45.5%
Monetary Variations / Exchange - Net	(6,198)	(3,152)	-49.1%
Provision for I.T. / Deferred taxes	(429,391)	(222,415)	-48.2%
Net Income	881,359	449,344	-49.0%

*excluding depreciation

GROSS/NET REVENUE

In 2014, there was an increase of R\$ 952.9 million in gross operating revenue, when compared to the previous year, increasing from R\$ 2,478.1 million in 2013 to R\$ 3,431.0 million in 2014. This result is explained by the following factors:

- increase of 206.8% in the volume of energy sold in the spot market and average price (R\$688.89/MWh in 2014 compared to R\$263.06/MWh in 2013), which resulted in the increase of R\$820.9 million in revenue earned in such market, due to the seasonality strategy adopted by the Company and revenue generated in other submarkets due to importing position of the SE/CO submarket;
- increase of R\$145.5 million in energy sold through the contract with AES Eletropaulo, due to the bilateral contract price adjustment in July 2014 going from R\$194.19/MWh to R\$206.31/MWh, resulting in a greater average price for the year (R\$201.09/MWh in 2014 compared to R\$ 187.99/MWh in 2013); offset by
- reduction in the volume of energy sold in MRE (226.7 GWh in 2014 compared to 2,212.3 GWh in 2013), which resulted in the reduction of R\$21.5 million in revenue earned in that market (R\$4.4 million in 2014 compared R\$25.9 million in 2013), due to the reduced generation of the Company's plants during the period, as previously mentioned.

AES Tietê recorded in 2014 R\$ 226.0 million in revenue deductions, a 60.1% increase compared to the 2013 earnings (R\$ 141.1 million) mainly explained by the increase of 66.3% in deductions of PIS and COFINS, due to the increased energy sold in the spot market and other bilateral agreements, the rate of which is 9.25%, higher than the 3.65% applied in the contract with AES Eletropaulo.

Net revenue totaled R\$ 3,205.0 million in 2014, an increase of 37.1% compared to 2013 (R\$ 2,336.9 million). This increase was mainly due to: (i) an increase in the volume of energy sold in the spot market; and (ii) the adjustments in energy price sold through the bilateral contract with AES Eletropaulo, which occurred in July 2013 and 2014, as mentioned above.

WEALTH DISTRIBUTION – BY STAKEHOLDERS	2013*		2014	
	R\$ THOUSAND	%	R\$ THOUSAND	%
Employees	69,586	4.3%	65,536	6.4%
Government (taxes and contributions and industry charges)	597,104	36.5%	382,599	37.5%
Lenders / Third parties	88,854	5.4%	122,648	12.0%
Shareholders / held	881,359	53.8%	449,344	44.1%
Distributed Added Value	1,636,903	100	1,020,127	100

(*) change in value due to some restatements made in the current year

OPERATING COSTS AND EXPENSES

In 2014, the Company's operating costs and expenses, excluding depreciation, increased by 181.9% (~R\$ 1,475.7 million). This variation is mainly related to:

- higher costs of energy purchased (R\$ 1,946.7 million in 2014 compared to R\$ 443.5 million in 2013), due to the seasonality strategy adopted by the Company, expenses generated in other submarkets, exposure in the spot market due to the lowering of the physical guarantee in 2014, unavailability of generating units in relation to the standards set by ONS and the increase in the portfolio of bilateral contracts on the open market; partially offset by:
- the decrease of R\$ 2.7 million in expenses on personnel and private pension fund account, which totaled R\$ 78.0 million due to readjustment of the Company's staff and 42% reduction in expenses with pension fund due to the increase in the discount rate applied in calculating the present value of the obligation for benefit defined to 6.5%, compared to 4.0% applied in the previous year;
- reduction of R\$ 5.7 million in expenses with materials and third party services, which totaled R\$ 91.6 million in 2014, reflecting the manageable cost reduction program implemented by the Company during 2014; and
- reduction of 33% (~ R\$ 20.4 million) with the expenses related to Financial Compensation for the Use of Water Resources, reflecting the reduction in the Company's generation.

EBITDA

AES Tietê recorded Ebitda of R\$ 917.9 million in 2014, with a margin of 28.6%, a decrease of 39.8% compared to 2013 (R\$ 1,525.5 million). The performance is mainly related to:

- positive effect of R\$ 146.0 million in gross revenue with AES Eletropaulo, due to the adjustment in the price of the bilateral contract occurred in July 2014 from R\$ 194.19/MWh to R\$ 206.31/MWh, resulting in a greater average price for the year (R\$ 201.09/MWh in 2014 compared to R\$ 187.99/MWh in 2013); offset by:
- negative effect of R\$ 703.5 million due to the lowering of physical guarantee throughout 2014 and the unavailability of generating units in relation to the standards set by ONS;
- negative effect of R\$ 40.3 million reflecting the purchasing position in the MRE, due to the reduction of the Company's hydroelectric generation during 2014;

According to IN CVM 527/2012, the disclosure of EBITDA calculation must be accompanied by reconciliation of the amounts shown in the financial statements and should be obtained through the following manner: Net income for the period (R\$ 449.3 million in 2014 and R\$ 881.4 million in 2013), plus income taxes (R\$ 222.4 million in 2014 and R\$ 429.4 million in 2013), net financial result (R\$ 78.6 million in 2014 and R\$ 51.4 million in 2013) and the depreciation and amortization (R\$ 167.5 million in 2014 and R\$ 163.3 million in 2013) totaling R\$ 917.9 million and R\$ 1,525.5 million in 2014 and 2013 respectively.

FINANCIAL RESULT

In 2014 the net financial result totaled an expense of R\$ 78.6 million, 52.9% higher than the result recorded in 2013 (R\$ 51.4 million). The following contributed to this performance:

- the increase of financial charges of R\$ 33.1 million in 2014 due to higher debt balance (R\$ 1,623.0 million in 2014 vs. R\$ 1,116.7 million in 2013) and increase in the average CDI in the period (10.8% per year in 2014 compared to 8.0% per year in 2013); partially offset by
- an increase of R\$ 6.6 million in income from investments in 2014 versus 2013, mainly explained by the increase in average investment yield of 100.2% in 2013 to 101.1% in 2014.

NET INCOME

The net income earned by AES Tietê in 2014 was R\$ 449.3 million 49.0% less than in 2013. The result was mainly influenced by the lowering of the physical guarantee in SIN partially offset by the readjustment in the price of energy sold to AES Eletropaulo, as mentioned above.

COMPENSATION TO SHAREHOLDERS

According to the Corporations Act and the Bylaws, the Ordinary General Meeting decides on the allocation of the net income and dividend distribution. As long as there is income available to distribute to shareholders, the Company is required to distribute a mandatory 25% of income. In addition, AES Tietê's Bylaws allow the Board of Directors to decide on the distribution of interim dividends every six months or in shorter intervals, based on a special balance sheet created for this purpose.

AES Tietê's preferred shares have an advantage, among others, dividends are 10% higher than those distributed for common shares.

Since 2006, AES Tietê's practice is to distribute of the totality of its results in the form of dividends. The Company also has a policy of distributing quarterly dividends, and such distributions are previously evaluated and approved by the Executive Board, reviewed by the Fiscal Council, approved by the Board of Directors and ratified by the Annual Shareholders' Meeting.

Throughout 2014, the Management of AES Tietê distributed R\$ 643.8 million as interim dividends paid in two installments being the first of R\$ 254.1 million in May 26, 2014 and the second of R\$ 389.7 million on September 25, 2014.

In view of the negative results presented in the second half of 2014, the Company's net income in 2014 totaled R\$ 449.3 million, lower than R\$ 643.8 million distributed as interim dividends in the first half of 2014, and the difference shall be allocated as accumulated losses and absorbed by the legal reserve. The Company's management proposes, therefore, the absorption of R\$ 41.4 million of accumulated losses by the legal reserve, and the remaining balance, which when added to the equity evaluation

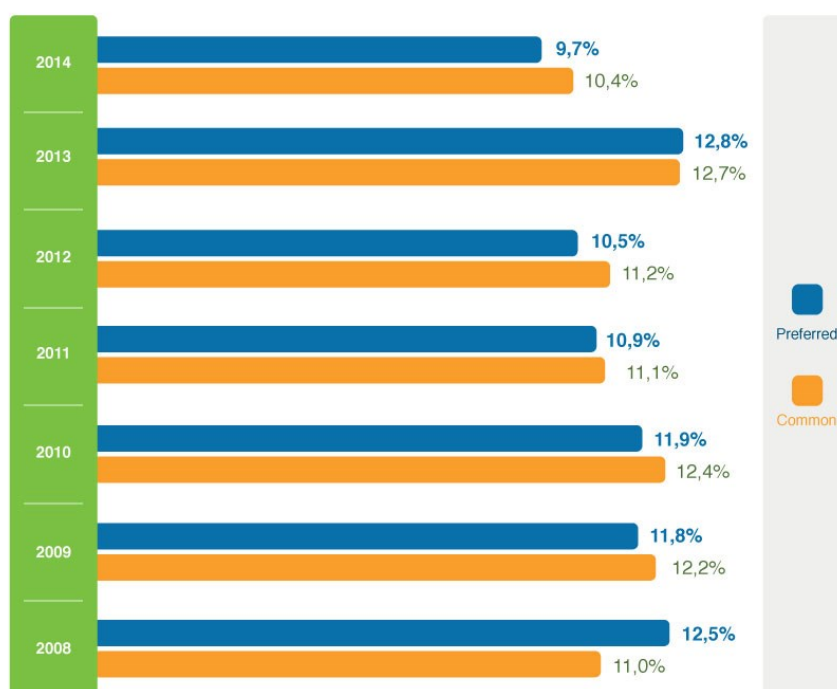
adjustments in the amount of R\$ 69.4 million, and dividends and interest on prescribed shareholders' equity in the amount of R\$ 0.7 million, accounts for an accumulated loss for 2014 of R\$ 82.9 million.

The allocations mentioned, and the use of the legal reserve, will be ratified by the Annual Shareholders' Meeting of the Company ("AGO"), which will take place until April 30, 2015.

DIVIDENDS 2014 (R\$ MILLION)

NET INCOME – 31st 2014	449.3
Realization of equity valuation adjustments	69.4
Prescribed dividends and interest on equity	0.7
Distribution basis	519.4
Dividends distributed	-643.8
Interest on equity distributed - 12/31/2014	41.4
Proposed complementary dividends	-82.9

DIVIDEND YIELD



Dividend yield - Weighted Average Price of the Period/Earnings per Share

INDEBTEDNESS

DEBT	AMOUNT	MATURITY	IN R\$ MILLION
			NOMINAL COST
1 st issuance of debentures	309.0	April, 2015	CDI + 1.20% p.a.
2 nd issuance of debentures	503.6	May, 2019	CDI + 0.79% p.a.
3 rd issuance of debentures	308.8	Mar, 2020	108.2% CDI
2 nd issuance of Promissory Notes	501.0	Dec, 2015	CDI + 1.20% p.a.

Gross debt of AES Tietê totaled R\$ 1,623.0 million on December 31, 2014, an amount 45.3% higher than the Company's gross debt position on December 31, 2013, due mainly to the 2nd issue of promissory notes of the Company, issued on December 22, 2014, maturing within 1 year.

In 2014 the cash equivalents totaled R\$ 501.4 million, compared to R\$ 456.7 million in 2013. Thus, the net debt at the end of 2014 was R\$ 1,121.6 million, 70% higher than the final position of 2013 (R\$ 0.660 million), due mainly to the 2nd issuance of promissory notes.

The funds raised through the 2nd issue of promissory notes were used to refinance debt, strengthening of working capital and the Company's investments.

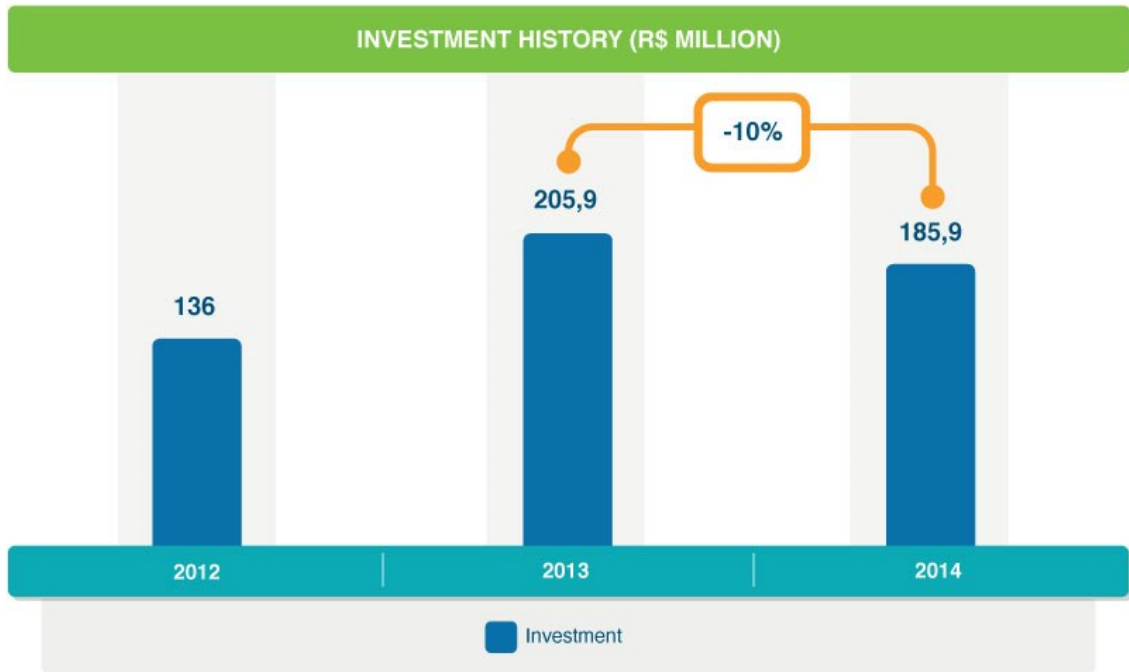
INVESTMENTS

Investments in 2014 totaled R\$ 185.9 million, 9.7% less than the amount invested in 2013 (R\$ 205.9 million). The Company's decision for these investments aims to improve its operating conditions and ensures availability of its generating facilities, resulting in productivity gains, efficiency and increased revenue in the coming years.

MAJOR INVESTMENTS IN 2014:

- R\$ 159.8 million - maintenance and modernization; and
- R\$ 5.8 million - IT projects.

INVESTMENT HISTORY (R\$ MILLION)



In 2014, AES Tietê invested R\$ 185.9 million, total 10% lower than the amount invested in 2013 (R\$ 205.9 million) in line with the projected value for the year 2014, which was of R\$ 185.5 million, mainly allocated for modernization and preventive maintenance of Água Vermelha, Barra Bonita and Bariri plants, in order to maintain their operating conditions and ensure the availability of power generation.

EFFICIENT USE OF ENERGY RESOURCES

AES Tietê believes that the efficient use of energy resources means combating electrical power losses resulting from technical and commercial reasons, or inappropriate consumption. The company focuses its efforts in planning and development activities that make the most efficient performance of their assets, through processes and technologies that provide the best use of these resources in the generation.

SUSTAINABILITY PLATFORM *

COMMITMENT

RESULTS

Reduce internal consumption of electric power by 20% by 2016



The consumption of electric power in 2014 was 19,211.52 MWh.

**Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

INTERNAL ENERGY CONSUMPTION

GRI G4-EN3

ELECTRIC POWER

AES Tietê's internal electric power consumption, derived from auxiliary services and offices, was 19,211.52 MWh in 2014.

	2012	2013	2014
Total consumption of electric power (MWh)	25,189.07	26,962.27	19,211.52*

**The difference from 2013 is mainly due to occasional problems in some meters that did not record the total consumption. For 2015, improvements will be made in the measurement.*

ENERGY CONSERVATION PROJECT

From AES Corp.'s global initiative, in 2014, AES Tietê began to study opportunities to reduce its electricity consumption in order to increase net physical guarantee and provide more MW for commercialization. The company assesses available technologies with potential to reduce consumption by 3% by 2019, such as more efficient engines for power plants and replacement bulbs. In 2015, a survey of all electric engines in the plants will be conducted to determine replacement opportunities for older engines for newer, more efficient engines.

FUEL

In addition to electricity, fuel used in the company's vehicle fleet and generators are important energy resources and also receive special attention in the search for greater efficiency. In fleet management, AES Tietê monitors, prioritizes and encourages the consumption of renewable fuel where economically viable.

The amount of energy corresponding to the consumption of fuel in 2014 is equivalent to 6,763,15 GJ¹.

FUEL'S CONSUMPTION (LITERS)

TYPE OF FUEL	2013	2014
Diesel	35,272.50	57,791.07
Gasoline	-	764.31
Ethanol	252,444.97	219,933.36



¹ Conversion factors were used from the 2014 National Energy Balance. GJ = Gigajoules

EFFICIENT USE OF NATURAL RESOURCES

SUSTAINABILITY PLATFORM *

COMMITMENTS

RESULTS

Recycle, reclaim or reuse 95% of AES Tietê		In 2014, the waste recycling, reclaiming or reuse rate reached 98%.
Reduce water consumption by 10%, CO ₂ emissions by 10% and prioritize the use of renewable fuel on the vehicle fleet by 2016		Compared to 2013, water consumption decreased by 8.4%. The consumption in 2014 was 65% lower than in 2011. Because of the electricity matrix factor, the CO ₂ emissions volume increased. The prioritization of the use of ethanol in the fleet was maintained in 2014.

**Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

The need for the efficient use of natural resources became a more powerful theme in 2014 as a result of the unfavorable drought conditions. Water is a priority natural resource in Brazil, key for the society's wellbeing and for power generation – a resource which must be preserved. During the year, AES Tietê intensified its natural resource management initiatives and other resources in its processes, in addition to the actions focused on reservoir management aimed at environmental preservation ([Sustainable Use of Reservoirs](#)).

AES Tietê owns an Environmental Management System (SGA – Sistema de Gestão Ambiental), focusing on the prevention, mitigation and control of environmental impacts caused by its operations. To achieve the best results, the company invests in the standardization of operational processes of the activities that pose greater risks to the environment.

Supplier management regarding the environmental aspect, environmental legislation in the production chain, policies and best practices in environmental management, and the prevention of environmental impacts and accidents are part of the system's scope, as well as the minimization of impacts on communities who live around AES Tietê's operations.

The actions are guided by AES Brasil Group's Sustainability Policy, which promotes activities in accordance with environmental regulations, aimed at conserving resources and minimizing impact, as well as AES Corp.'s environmental policy and the guidelines as set out by ISO 14001:2004 certification. In 2014, a maintenance audit (integrated with the Health and Safety Management System) was held by ABS Quality Evaluations, the result of which was "zero non-compliance".

In 2014, the company invested R\$14.7 million in environmental protection and environmental management, 16% more than in 2013.

GRI EN31

INVESTMENT AND EXPENSES IN ENVIRONMENTAL PROTECTION (R\$ THOUSANDS)	2013	2014
Environmental licensing and environmental programs	8,934	10,843
Operational management	326	486
Environment Management System (SGA)	1,455	1,083
R&D projects	1,986	2,321
Total	12,701	14,733

GRI EN29

AES Tietê did not receive any fines regarding the environment in 2014.

WASTE MANAGEMENT

GRI EN23

The company's waste disposal practices are in accordance with the National Policy on Solid Waste. Hazardous waste receiving companies are approved and periodically audited.

Main non-hazardous waste: paper, plastic and scrap metal.

Main hazardous waste: contaminated oil; absorbent blankets, personal protective equipment (PPE) and different types of packaging contaminated with oil, among others.

The total volume of non-hazardous waste was 281% more than in 2013, as this indicator is directly related to the number of maintenance that are held in the plants.

NON-HAZARDOUS WASTE (T)	2012	2013	2014
Recycling	194.2	156.9	467.42
Sanitary landfill	15.7	13.6	11.5
Total	209.9	170.5	478.9

HAZARDOUS WASTE(T)	2012	2013	2014
Recycling	181.7	65.3	82.8
Incineration	0	0	0.00
Sanitary landfill	6.5	2.1	4.97
Processing and decontamination of lamps	44.62	40.13	38.02
Other	0	19.8	-
Total	232.8	127.3	125.8

GRI EN24

DURING THE YEAR, THERE WERE NO LEAKS OR SIGNIFICANT SPILLAGES.

WATER CONSUMPTION

GRI EN8, EN27

The drought in AES Tietê's hydroelectric power plant concession area in 2014 demonstrated the importance of continuous and preventive measures to minimize the use of water in its operations.

By the Environmental Management System, AES Tietê performs control of water consumption in power plants for bathrooms, kitchen and cleaning. Compared to 2013, water consumption decreased by 8.4%, reflecting the awareness due to lack of water and actions to remedy leaks.

WATER CONSUMPTION BY SOURCE (M³)	2012	2013	2014
Surface water	946	1,905	2,675.10
Underground water	56,277	47,725	42,512.19
Water supply companies	450	843	1,073
Total	57,673	50,473	46,260.29

GREENHOUSE GAS EMISSIONS AND OTHER SUBSTANCES THAT DESTROY THE OZONE LAYER

GRI G4-EN15, G4-EN16, G4-EN17, G4-EN20

Since 2013, the management of greenhouse gas emissions (GHG) became part of the Climate Change Impacts Governance System, developed by AES Brasil in order to assess the vulnerability points and propose climate adaptation measures for all Group companies.

According to the commitment made by the Sustainability Platform, the AES Brasil Group aims to reduce CO₂e emissions by 10% by 2016, based on 2011 data. However, since the estimate includes the indirect emissions from own consumption and losses, in the case of distributors – conducted based on the Brazilian electricity matrix emission factors – the inventory of the business has been directly impacted by the increased use of thermoelectric power stations in SIN (Interconnected National System) to meet the growing demand for energy in the country during the drought that affected part of the Brazilian territory, which caused an increase in the Group's volume of greenhouse gas emissions.

RESULTS

Considering the sources directly controlled by AES Tietê (scope 1¹), in 2014, the equivalent of 231,2 tCO₂e² was released, due mainly to the consumption of fuel by the vehicle fleet, leaked emissions from the replacement of SF₆ gas and carbon gas extinguishers.

Indirect emissions (scope 2), corresponding to the energy consumption for activities related to the organization, amounted to the equivalent of 1,641,9 tCO₂e in 2014, calculated based on monthly emission factors of the national electricity matrix.

¹ Scope 1 - direct emissions of greenhouse gases; Scope 2 - indirect emissions of greenhouse gases from energy and Scope 3 - Other indirect emissions of greenhouse gases. Source: "Specifications of the Brazilian GHG Protocol Program" available at <http://www.ghgprotocolbrasil.com.br/especificacoes-do-programa-brasileiro-ghg-protocol?locale=pt-br>

² tCO₂e - tons of equivalent carbon dioxide. Corresponds to emissions of six gases / family of greenhouse gases (CO₂, CH₄, N₂O, HFCs, PFCs e SF₆).

Emissions in 2014 were the highest on record since 2006, the first year of publication of such data by the Brazilian government. This increase over previous years is due to the change in the hydrological climate and the consequent increase in the activation of thermoelectric plants to ensure the national energy supply.

The variability of the Brazilian electricity matrix's emissions makes the monitoring of reduction targets unfeasible in respect to energy consumption and losses compared with the volumes of emissions between periods.

In order to demonstrate AES Tietê's efforts for the reduction of greenhouse gases, the company proposed, along with academic institutions, to estimate the reduction in percentage terms, projecting energy consumption for the current year against 2011 and, in sequence, compared to the actual data.

This monitoring of the reduction target was adopted by Rules and Parameters, such as accounting methodology of scope 2 emissions in the Emissions Trading System, an FGV/GVces (Getúlio Vargas Foundation - Center for Sustainability Studies) initiative.

AES Tietê's greenhouse gas emissions volume (in tCO₂e) is presented in the table below:

EMISSIONS OF GREENHOUSE GAS BY SCOPE	2012	2013	2014 *
	TCO ₂ E		
Direct emissions (E1)	135	164	231
Direct emissions (E2)	486	720	1,642
Subtotal (E1 + E2)	621	884	1,873
Indirect emissions (E3)**	265	0	118
Total	886	884	1,991

* Until the publication date of this report, the national electricity matrix emission factors referring to November 2014 and December 2014, haven't been published by the government. Values from the corresponding months of 2013 were used.

** Because the scope 3 (other indirect emissions) is optional, it is not part of the company's established reduction target. However, the monitoring of emission sources in the value chain is achieved and, to ensure transparency is maintained, this information is published in the Public Registry of Emissions.

Emissions of ozone-depleting substances from recharging of 10 kg of R22 in the company's air conditioning units were not significant in 2014.

OZONE-DEPLETING EMISSIONS IN TONES OF CFC-11 EQUIVALENT	2012	2013	2014
Total	0.004	0	0

DEVELOPMENT AND VALORIZATION OF EMPLOYEES

The AES Brasil Group is committed to attract, develop and retain its talent pool. It seeks to provide an ethical and inclusive work environment, which values diversity and promotes personal and professional development. Also, the Group engages employees with its culture of sustainability, which is based on ethics and the company’s values.

AES Tietê has 343 own employees and 1,153 subcontractors.

In 2014, AES Tietê invested R\$35.5 million in its workforce through health and safety actions, initiatives to develop professionals, benefits and others.

SUSTAINABILITY PLATFORM *

COMMITMENTS	RESULTS
Reach above 85% of satisfaction rate in AES Brasil work environment by 2016	The satisfaction rate at AES Brasil was 79% in 2014, while at AES Tietê it was 90%.

**Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

As set out in the revision of the Sustainable Strategic Planning for 2015-2019, all AES Brasil’s companies – aligned with AES Corp.’s targets – now have a new goal: to be among the best companies to work for according to the “Great Place to Work” rankings.

In 2014, AES Brasil held an event called "SPARK14", which brought together all the Group's leadership to promote discussion and the creation of action plans on issues related to culture and the organizational environment. We also created environment committees segmented by board to make it possible to work through specific issues of each area, which will allow us to implement more assertive actions. Organizational climate committees segmented by departments were also created to make it possible to work through specific issues of each department, which will allow for more assertive actions.

AES TIETÊ EMPLOYEE PROFILE

GRI G4-10; G4-LA1

EMPLOYEES BY POSITION AND GENDER		2013		2014	
		M	F	M	F
Employees	Directors	2	1	3	1
	Management	16	4	15	5
	Coordination	25	2	25	3
	Administration	57	46	57	50
	Operational	184	0	184	0
	Total employees	284	53	284	59
Contractors	Outsourced	1,082		1,144	
	Apprentices	5	2	1	3
	Interns	4	1	3	2
	Total contractors	1,094		1,153	
Total		1,431		1,496	

ATTRACTING TALENT

COMPENSATION

AES Tietê's policy includes, as a fixed compensation, a nominal salary, benefits and additional compensations. Variable compensation is based on the assessment of individual performance and on the company's results, and is paid through the Profit Sharing Program.

The lowest salary paid by AES Tietê in 2014 was R\$ 1,913.00 – 2,64 times the national minimum salary during the same period, which was R\$724.00. In regard to equality in compensation between genders, in administrative positions, men received a salary 10% higher than women.

AVERAGE COMPENSATION FOR WOMEN IN RELATION TO MEN	2012	2013	2014
Directors	72.93%	82.40%	78%
Management	117.62%	94.70%	97%
Coordination	129.06%	112.50%	112%
Administration	79.41%	84.60%	91%
Operational	-	-	-

BENEFITS

The benefits offered to all company employees are:

- Meal vouchers;
- Food vouchers;
- Food vouchers for holidays;
- Transport vouchers;
- Life insurance;
- Healthcare;
- Dental care;
- Childcare facilities (creche);
- Complimentary salary in the case of work related accidents or sickness;
- Participation in private pension plans;
- Employee assistance program “Conte com a gente” (Count on us).

TRAINEE PROGRAM

In place at the company since 2010, AES Brasil’s Trainee Program lasts two years and was structured in six months segments. During this period, the company invests in the training of the young people so that they have a systemic and strategic vision, based on two fronts: Technical and Behavioral. Although the number of students per year is not fixed, it is usually about 15 vacancies per program. In 2014 alone, additional 11 trainees were hired, totaling 20 at the end of the year.

Since 2010, 90% of AES Brasil trainees completed the program and 30% from the first group have already taken their first leadership position in the company.

INTERNSHIP PROGRAM

AES Brasil's Internship Program was created in 2013 with the objective of developing trainees – young professionals in their penultimate and final year of college – and preparing them for positions that require a college degree, i.e., analysts and trainees.

In 2014, the program – which covers a six-month selection process and a training platform – was redesigned to expand the development of trainees and to bring focus on "Junior" positions, which are the company's entry positions.

TURNOVER

GRI G4-LA1

In 2014, there were 23 employee dismissals. Included in this were 5 women and 18 men. In the same period, 27 employees were hired, including 16 men and 11 women.

The voluntary turnover rate (when there is termination of the employment contract by the employee) was 2.90%, a smaller number than reported in 2013 (5.33%).

The rate of young people hired as trainees at AES Tietê was approximately 90%.

DEVELOPMENT AND RETENTION OF TALENT

GRI G4-LA9; G4-LA10

In 2014, 22,269 hours of operational training and development were recorded, with 64.91 hours per employee on average.

OPERATIONAL TRAINING

AES Brasil conducts systematic operational training across all areas.

In 2014, AES Brasil's effectiveness evaluation training tool was refined. This assessment is performed by a leader, who verifies whether the knowledge acquired by the employee is being applied in his/her activity and provides input for review and improvement of training.

KNOWLEDGE MANAGEMENT

At AES Brasil, knowledge management is carried out through a process of mapping out critical knowledge, through which the company aims to increase – along with other areas – fundamental

knowledge for business processes, which can bring a relevant impact to the company's operations if the employees who have this knowledge leave the organization or are absent. Knowledge was mapped across six thousand cases, with 460 cases selected as being more strategic; 40% of which had been achieved through training (internal, external, practical or rotary) in 2014. The others will be addressed throughout 2015 and 2016.

MAINTENANCE AND OPERATION TECHNICIANS BANK FOR HYDROELECTRIC POWER PLANT

GRI EU14

Created in partnership with the National Service of Industrial Education (Senai – Serviço Nacional de Aprendizagem Industrial), this program aims to prepare professionals for work in the operation and maintenance of hydroelectric power plants. Faced with the shortage of skilled labor and geographical dispersion, AES Tietê was a pioneer in this area, creating a course and offering apprenticeship positions within its own plants.

SPECIALIST PROJECT

Created to train employees to be experts in a particular area, the project allows “sponsors” – engineering professionals or employees with specialist expertise who are willing to share their knowledge and create content – to conduct training, and improvements to existing technical training of their coworkers. In total, there were nine specialties defined as critical to the business, with the development of at least two employees per specialty.

GROWTH AND DEVELOPMENT

PERFORMANCE MANAGEMENT

Performance Management aims to analyze the performance of employees, promoting their development. At AES Tietê, the Performance Management cycle consists of three steps:

- Reaching goals;
- Biannual 360º feedback;
- Performance evaluation.

GRI G4-LA11

Todos os colaboradores (100%) passam por um tipo de avaliação de desempenho regular na AES Tietê, abrangendo ambos os gêneros e todas as categorias funcionais.

RECOGNITION

To stimulate a meritocratic culture and the retention of talent, AES Tietê recognizes the effort and the contribution of its employees to the company's success through the following initiatives:

Reconhecimento Dinâmico (Dynamic Recognition) Program: once a month, the company recognizes employees who have excelled in the execution of projects and actions, achieving results above the company's expectations. Recognition is made through the delivery of a gift certificate in the amount of R\$200.00.

Pé na Estrada: An event held with AES Brasil's President, which recognizes employees who exemplify the Group's values.

SIGA LIVRE

AES Brasil's employees can refer to Siga Livre, a program that offers clear and direct information on the hierarchical levels and the knowledge and experience necessary to perform each function within the Group.

INTERNAL SELECTION

At AES Brasil, before a position is opened for the whole workforce, the manager assesses whether there are any professionals on their team who is ready to take the job and, if so, an internal promotion is offered. If not, the internal recruitment is done in other areas. If no AES Group employees have the profile required for the job, the position is opened for external recruitment. In 2014, 43% of open positions were filled by people from within AES Brasil.

PLANT MAINTENANCE

In 2014, 11 promotions were made and 38 salaries were increased on merit or position.

Created in 2014, employees in this position use technology (PDA) to check the instruments in the plants. Monitoring of the machines, which is done through the Generation and Locks Operation Center (COGE – Centro de Operações da Geração e Eclusas), is carried out by a maintenance staff. If there is need for maintenance, the COGE team joins the maintenance team to solve the problem. By the end of 2014, there were 33 operators/maintenance staff working at AES Tietê's plants.

BEHAVIORAL TRAINING

Behavioral Training is targeted at professionals who occupy positions that require college degrees. The topics of the training are related to the moment experienced by the organization and organizational skills required of all employees. In 2014, the themes were:

- Decision making and initiative
- Time management
- Capacity to work in Adverse Environment
- Results and Communication orientation

Each training course has at least 20 vacancies and those interested register at the Training Portal. Because they reflect the company's needs, these training courses have a lot of interest and vacancies are filled quickly.

LEADERS ACADEMY

With the aim of training AES Brasil's supervisors, coordinators, managers and directors in concepts and skills that fundamental to achieve the company's strategic objectives, the Leaders Academy – launched in 2013 – provides development paths based on the Sustainable Strategic Planning in business and organizational skills of leadership needs.

All programs are mandatory. The modules offered in 2014 were:

- Compensation
- Effective Planning
- Sustainability Training
- Coordinators and Managers Development Program
- Supervisors Development Program
- Assertive Communication
- Positive Leadership
- Leadership Development Program – module II
- Client Focus
- Productivity in the Electric Power Sector

Some of the topics were conducted internally, by directors, for example. For other programs, external partners were hired as consultants.

In 2014, 431 managers participated in at least one Leadership Academy module and, by April 2015, it is expected that all 549 AES Brasil's leaders will have completed their development paths.

SUSTAINABILITY EDUCATION

The Sustainability Education Program has been a commitment since 2012, included in the Sustainability Platform, and aims to develop skills, abilities and attitudes necessary for AES Brasil to reach its commitment of sustainable development. The program was designed in phases to cover all employees and topics ranging from strategy, to the basic concepts and communication around sustainable practices and attitudes incorporated into AES Brasil's processes.

In the first phase of the program, implemented in 2012, 100% of employees were trained on AES Brasil's sustainability strategy with the support of a Learning Map. In 2013, the conceptual phase began, with specific activities for the development of leadership and Working Groups directly involved in the implementation and dissemination of the strategy. Nine workshops were held for leaders and two events for employees. The second phase continued in 2014 when 12 specific workshops with up to 70% of AES Brasil Group's leaders, a workshop for the trainees and four thematic events with the participation of more than 400 people of the Group addressing climate change, innovation, elections and integrated reporting with the presence of renowned experts. At AES Tietê, the education program reached 244 leaders in 10 workshops, and 385 employees in four events.

The third phase of the Education Program will begin in 2015 and its mission is to update all employees on the AES Brasil Group's new strategy and includes the expansion of training for technical and administrative staff, as well as workshops for the leadership team, which can help put sustainability into practice and engage their teams. Other initiatives in the program are cycles of lectures, processes solution workshops and the sharing and communication about AES Brasil's projects and the sustainability practices.

POTENTIAL MANAGEMENT

Focused on the development of higher-level employees (and with more than a year of working for the company), the program aims to make a complete map of potential talent – which are indicated by managers, directors and Vice-Presidents. In 2014, more than 24 AES Brasil's professionals were indicated, of which 17 were selected. All nominated employees participated in a potential evaluation process, which resulted in a Development Plan. Of the 17 people who went through the program, 10 have already assumed leadership positions.

INTERNAL COMMUNICATION

AES Brasil believes that an open and transparent communication with its workforce – as well as being an important tool in the engagement of employees towards the company's strategy – is one of the keys to retaining talent. The "Rede Ligado" brings together all internal communication channels and has specific tools for operational, administrative and leadership employees. Among other initiatives, the network includes:

- **Revista Ligado:** reformulated in 2014, Revista Ligado is a monthly publication that brings issues relevant to all of the company's workforce such as strategies, safety, people, behavior, changes in the regulation of the electric power sector, among other topics.
- **Momento Ligado:** a channel created to promote dialogue between leaders and their teams. On a weekly basis, the internal communication team sends a summary of all relevant facts to the company's leaders, so that they are shared during meetings with all the teams. In addition, Momento Ligado provides a presentation to the teams of the conversation held between the President and the leaders.
- **Pé na Estrada:** the cycle of events held annually in all of the Group's companies, providing a dialogue between the president and employees to talk about the company's strategy, goals and results, providing an exchange of experience.

In 2014, an employee survey was conducted, with 81.58% reporting being satisfied or completely satisfied with the internal communication channels.

STORIES THAT TRANSFORM

In 2014, the Stories that Transform campaign was launched, consisting of testimonials from employees in videos, telling their personal and professional stories relating to AES Tietê, demonstrating how they experience the values and the brand every day and how these behaviors are reflected in interactions with other stakeholders. Click [here](#) to see the stories.

DEVELOPMENT AND VALORIZATION OF SUPPLIERS

For AES Tietê, suppliers are business partners and are key to achieve strategic objectives and sustainability. Each year, the company advances in its initiatives of evaluation, development, relationship, valorization and communication with its supply chain aiming at shared gains.

In 2014, the company maintained business relationships with approximately 1,400 suppliers, including small, medium and large national and multinational companies, product manufacturers and service providers.

SUPPLIER BASE

G4-12

Around 80% AES Tietê's contractor base is made up of regional suppliers and service providers.

In addition, approximately 65% of the amount allocated to suppliers is paid to companies that perform major maintenance, and provide appropriate equipment to ensure the availability of the plants machines, as well as management of reservoir banks and reforestation services.

SUSTAINABILITY PLATFORM *

COMMITMENTS

RESULTS

Implement the 2014 Development and Improvement of Suppliers Management Program



The Program was launched in 2013 and implemented in 2014 in AES Brasil companies.

Have 100% of strategic services providers trained in sustainability by 2016



The Sustainable Partnership Program started training activities for sustainability, which reached several suppliers of materials and services in 2014, through the dissemination of concepts and the exchange of best practices in specific events and lectures. These actions will be potentiated in 2015 and 2016 and directed to strategic service providers.

Implement the Program of Development of Small and New Suppliers by 2014



The Sustainable Partnership Program implemented actions to develop and hire small and new suppliers. These actions cover from conducting training events to the simplification of internal rules to facilitate access to these suppliers. In addition, monitoring of the amount of small and medium-sized suppliers, and the amounts spent on these companies became part of the supplier management process.

Adopt process of prioritizing suppliers of materials and services that have good social and environmental practices by 2016



New social and environmental criteria were included in the procurement policy of AES Brasil and are considered from planning the purchase and required in the assessment of offerings.

**Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

SUSTAINABLE PARTNERSHIPS

The Sustainable Partnerships program was created in 2013 and consolidated in 2014 aiming to unify the management of all initiatives from the suppliers of AES Brasil. Its main objective is the formation and strengthening of healthy and lasting relationships with the supplier base. Learn about the program by watching the video below:

<https://youtu.be/ZiqvV2xf0uw>

Part of the benefits of the Sustainable Partnerships program is the management of suppliers, with intelligence gained through the cross-analysis of most strategic companies for AES Tietê's business. The main tool for the management of suppliers is the Supplier Performance Index (IDF – Índice de Desempenho do Fornecedor), which was created in 2011 and brings together a set of technical, social and environmental criteria that are evaluated monthly by contract managers. Technical, environmental and safety inspections are also held periodically in order to assist the company to anticipate operational, image and reputation risks, that may be caused by any improper suppliers.

From this information, a final score is generated that will determine what action AES Tietê may take in relation to the performance of suppliers. These measures range from action plans for the low performance to the recognition for the best performances.

CRITERIA FOR EVALUATING THE IDF:

SOCIAL CRITERIA	SAFETY CRITERIA	ENVIRONMENTAL CRITERIA	OPERATIONAL CRITERIA
Workers' rights	Prevention of accidents	Adequate infrastructure	Management system
Compliance and ethics	Employees' Health	Control of chemical products	Production capacity
Environment and Quality of Life at Work	Production process	Pollution Control System	Technical testing
People management	Emergency management	Environmental licenses and permissions	Infrastructure
	Risks of the working environment	Environmental liabilities	

In 2014, Internal Committees of Suppliers were created to meet quarterly to review information about the suppliers and make decisions on critical cases.

AES Tietê's IDF was 77.94 in 2014, higher than the target of 75.00.

In order to facilitate access and engage suppliers in a continuous improvement process, the registration and contracting processes were simplified, which had been a major constraint for small suppliers. At AES Tietê, the decentralized procurement process now has an electronic list of small suppliers able to participate, while contracts for more specific purchases were also signed, such as buffet services. These suppliers were trained in internal safety, environment, social responsibility and ethical standards.

In addition, the Sustainable Partnerships also offer support and development actions like the organization of three events which brought together 96 AES Brasil Group's suppliers in 2014. Among the events was a workshop on market trends, and an exchange of best practices between the best suppliers during the year, and also two events on the "Sustainability as a Competitive Edge for Small and Micro Enterprises" theme, with the presence of Ricardo Voltolini¹. At AES Tietê, 28 suppliers participated in the events.

All these actions were developed from research and meetings with suppliers since 2012.

¹ CEO of Sustainable Ideas: Strategy and Intelligence Sustainability, founder of the Sustainable Leadership Platform and author of *Conversations with Sustainable Leaders* (Senac-SP / 2011) and *Schools of Sustainable Leaders* (Elsevier / 2014)

AES BRASIL'S BEST SUPPLIERS AWARD

Awarded based on the IDF, the Award for AES Brasil's Best Suppliers recognizes their best practices, considering safety, environment, social responsibility, quality, management, productivity, relationships and contract terms. In 2014, 185 companies were eligible for the award, of which 39 were finalists and 13 were awarded. In 2014, the winners of the award in 2013 participated in a workshop to share best practices. The initiative will be repeated in 2015. Click [here](#) to see the winners.

RESEARCH WITH SUPPLIERS

In 2014, AES Brasil conducted an online survey with more than 90 suppliers covering the perceptions and demands of these companies regarding the business relationship. When asked about practices that AES Brasil could implement to improve the relationship, about 15% cited the importance of personal meetings and 11% indicate the need for more monitoring and evaluation, such as training courses and feedback sessions.

90% of suppliers consider AES Brasil a transparent company

COMMUNICATION

Connected Suppliers: a quarterly publication created to promote greater transparency and fairness in the relationship with suppliers, discussing relevant topics such as business opportunities, changes in the AES Tietê supplier policies, among others. The content is based on the results of research conducted with suppliers in 2014 and is sent by email to 100% of the supplier base. Click here to find out more about the publication.

Exclusive e-mail: the e-mail address parceriassutentaveis@aes.com was created to facilitate direct communication between AES Tietê and contracted companies.

IDF website: in 2014, the Supplier Performance Index webpage, in the company's website, started to undergo a reform. The IDF 2.0 website will be released in 2015 and will allow more interactivity between AES Tietê's contract managers and suppliers, regarding things such as indicator queries, historical data, charts and other information.

TRAINING OF CONTRACT MANAGERS

In 2014, AES Brasil revisited the roles and responsibilities of contract managers and initiated a training grid. The first training action covered the review of the IDF criteria, which reached 80% of contract managers. This initiative will remain active in 2015 and will be expanded to include other important topics for training.

COMBATING CHILD AND SLAVE LABOR

In addition to the contractual terms and the consultation of the Ministry of Labor's "Dirty List" (record of labor exploiters analogous to slavery) in order to make sure that their suppliers were not listed, AES Brasil performs positive action to educate its suppliers, dealing with the events, sending communicated guidance and requesting declarations that they do not adopt these practices. Since 2010, AES Tietê has held an annual procedure to map the regions with the highest incidence of child labor and sends a statement calling attention to suppliers based in these regions, so they can check their operations and value chain.

PRE-QUALIFICATION OF SUPPLIERS

As part of the development of sustainable asset management, from 2015 AES Tietê will perform pre-qualification of suppliers, as well as market mapping. The goal is to reduce risk and operational dependence on suppliers with very specific knowledge, and ensure greater efficiency and productivity to processes.

Click [here](#) to see AES Brasil Group's actions related to contractual compliance with potential business partners, service providers or suppliers.

DEVELOPMENT AND VALORIZATION OF COMMUNITIES

Organizations and individuals rely on electricity for their development and for their wellbeing. This is the primary reason for the existence AES Tietê. Therefore, the company performs a set of initiatives aimed at the communities located in the concession area and to society in general, to increase the degree of satisfaction and trust of its stakeholders and contribute to sustainable development in these localities.

In order to promote the continuous improvement of social work and to ensure maximum alignment with the business strategy and the Sustainability Policy, the relationship and the commitments of AES Tietê with communities are guided by Corporate Social Responsibility Management System (SGRSC – Sistema de Gestão de Responsabilidade Social Corporativa), which meets the regulations and external standards applicable to AES Group's businesses in Brazil, such as ISO 26000 and AA 1000.

The initiatives for communities are grouped into three pillars of the Private Social Investment Policy (aligned with the corporate value creation model):

- **Education, Culture, Sport and Health¹;**
- **Inclusive Professional Training;**
- **Social Influence.**

The evaluation system is composed management activity indicators, impact measurement of impact on the public and investment per project, and also conducts surveys with the benefit of gaining feedback of satisfaction and meeting the expectations of each stakeholder.

In 2014, R\$10.8 million were invested and allocated to social projects, of which R\$8.9 million came from incentivized funds and R\$1.9 million from own funds.

SUSTAINABILITY PLATFORM *

COMMITMENTS

Participate in the development and implementation of three public policies aimed at sustainability by 2016

Identify and recognize best practices towards a sustainable society by 2014

RESULTS

In 2014, partnerships were held with municipal governments in public policies aimed at social inclusion, environment and conscious consumption.

The target was not met by 2014. The company will consider this initiative as a possible action of the Consumo Mais Inteligente program, from 2015 onwards.

**Due to the review of the Sustainable Strategic Planning, the commitments of the Sustainability Platform with deadline in 2015 or 2016 will be reviewed, being 2014 the last year of monitoring and 2011 taken as base year.*

¹ the health component was incorporated into the AES Brasil Private Social Investment Policy in 2014 in order to include opportunities to contribute to organizations and high-impact projects in this theme, while optimizing the use of tax incentives for the company and the society ² The methodology "Local Footprint" uses the Input-output model created by Nobel Economics Wassily Leontief and is applied internationally to measure and simulate the operation of national and regional economies

EDUCATION, CULTURE, SPORT AND HEALTH

CULTURE AND CITIZENSHIP HOUSE

AES Brasil's main social project, the Culture and Citizenship House promotes cultural and sports activities for children and young people in seven units located in the states of São Paulo and Rio Grande do Sul. In 2014 241,701 people participated in cultural, sports activities and lectures given in the municipalities of Caconde, Barra Bonita, Lins and São José do Rio Pardo.

https://youtu.be/S5K_8FvdMbU

FULL-TIME SCHOOL

To increase its contribution to the improvement of basic education and to promote public policies, the Culture and Citizenship House, in 2014, signed an agreement with the Municipality of Lins for the care of 270 children in between their 2nd to 5th year of school, in the afterschool period.

Currently, Culture and Citizenship House's students attend the institution twice a week. However, the agreement is aimed at meeting from Monday to Friday for sport and arts activities, as well as working towards the development of literacy (reading, writing and interpretation) and mathematics, in an integrated and multidisciplinary way.

In 2015, the goal is to sign similar agreements with other governments.

SOCIAL ECONOMIC ASSESSMENT

GRI G4-EC8

In order to assess the generation of value of the supported projects, the Agires Institute – a social non-profit organization responsible for the Culture and Citizenship House project – commissioned an economic impact evaluation based on the "Local Footprint" methodology², which was adapted to assess direct, indirect and induced impact between 2008 and 2013 by one of the Houses, located in the municipality of Barra Bonita (SP).

For that matter, it was necessary to understand the costs of the activities and how the budget used by the House of Culture and Citizenship, over six years, resulted in the generation of economic wealth. In addition to the aggregate amount of R\$6 million directly generated by the House during this period, a knock-on effect of this wealth generated in the local and national economy, in search of a comprehensive and complete measurement of social and economic footprint was also considered.

PARAMETERS FOR THE STUDY

The study covers the following levels of analysis;

1. The direct impact of the House in terms of added value generated and jobs created and maintained;
2. The indirect impact of the House in their primary, secondary, tertiary suppliers, etc., and so on until the end of the supply chain.
3. The induced GDP impact of the House, with factors including:
 - The impact relating to consumption expenditure of households directly or indirectly related to the activities of the House; and
 - The impact of the operating costs of public and administrative bodies that benefit from the direct and indirect tax revenues.

RESULTS

Between 2008 and 2013, the socioeconomic impact of the House translates, at local and national level, into value creation indicators such as GDP, creation and/or maintenance of jobs, government revenue, compensation and key economic sectors impacted by activities. Check out the main impact of data collected by the study:

- Every employment opportunity generated by the House at Barra Bonita creates or maintains over 3.84 jobs in the Brazilian economy;
- The creation of 139 one year employment contracts in 2008-2013, linked to the activities of the House in Barra Bonita allowed it to create more 533 one year employment contracts in 2008-2013, if considering the indirect and induced impacts of the House in Brazil (suppliers, dependent families, use of collections generated ...).
- Every year, on average, between 370 and 585 people were economically dependent on the activities of the House.
- The creation of wealth, direct, indirect and induced of the House resulted in a contribution to public revenue (federal, state and municipal) of R\$5.69 million.

By way of illustration, this represents a contribution capacity, based on the Federal Government's budget structure, including social benefits such as:

- 208 annual pensions;
- 1,159 yearly bolsa-família payments;
- 136 annual unemployment security payments.

ENERGIA DO BEM

Energia do Bem (Good Energy) is AES Brasil's volunteer program that, in 2014, involved 1,106 employees, through two components:

- **Agindo para Transformar (Acting to Transform):** activities aimed at education on the efficient and safe use of electricity;
- **Distribuindo Energia do Bem (Good Energy Distribution):** promotion of campaigns for blood donation, clothing donation, Christmas, and financial contributions to the Centro Educacional Infantil Luz e Lápis, maintained by AES Eletropaulo, an AES Brasil Group company.

In 2014, AES Brasil held an event to recognize and value the Energia do Bem's volunteers for the first time. Seven employees and three leaders were recognized for their role and contribution to the program.

The employees of AES Brasil can apply for volunteer positions, offered by the company's partner institutions, through the website www.energiadobem.com.br

IN 2014, 4,845 PEOPLE BENEFITED FROM THE ENERGIA DO BEM PROGRAM.

<https://youtu.be/FrnfBBSd9Eo>

CANTOS E ENCANTOS

The Cantos e Encantos project aims to stimulate conscious attitude through information, communication and interactive actions with a focus on culture, education and welfare, at events open to communities in the municipalities in AES Tietê's concession area. In 2014, the project involved 22,700 people from communities in Barra Bonita, Caconde, Promissão, Ibitinga, Ouroeste and São José do Rio Pardo, in six events.

MAIN PRIVATE SOCIAL INVESTMENTS IN 2014

GRI G4-EC4, G4-EC8

LINE OF ACTION: EDUCATION, CULTURE, SPORT AND HEALTH

PROJECT	DESCRIPTION	AREA OF INFLUENCE	ESTIMATED NUMBER OF BENEFICIARIES	FUNDS INVESTED	ORIGIN OF FUNDS
Casa de Cultura e Cidadania	The main social project of AES Brasil, the Casa de Cultura e Cidadania aims to transform the lives of thousands of children, young people and adults through activities related to art, culture, citizenship and quality of life, especially for low income communities.	Barra Bonita, Caconde, Lins e São José do Rio Pardo	241,701 benefited, through participation in regular courses, lectures and presentations	R\$7,549,743.05	R\$1,597,800.00 of own funds and, R\$4,761,553.64 of incentivized funds by Rouanet's Law and R\$1,190,389.41 resources encouraged by the Sports Act
Consumo Mais Inteligente	Safety campaign in radio and newspaper that is aimed to raise awareness about the risks involved in swimming close to the company's reservoirs	All of the company's border area	Surrounding communities	R\$150,000.00	Own funds
Energia do Bem	AES Brasil's voluntary program, which aims to engage and provide support to the company's employees and their families who wish to voluntarily contribute to the development of communities in which the Group is located.	Applicable to all units of AES Tietê	1,106 employees involved 4,845 beneficiaries	R\$10,600.00	Own funds
Conselhos Municipais dos Direitos da Criança e do Adolescente (CMDCA)	Support for social projects chosen by CMDCAs, social diagnosis and training of members of the Councils	Barra Bonita, Birigui, Buritama, Caconde, Ibitinga, Igarapu do Tietê, Lins, Mococa and Promissão	Undetermined (with the new process implemented in 2015, it will be possible to estimate the number who benefit)	R\$1,190,389.41	Incentivized funds – FUMCAD (Fundo Municipal dos Direitos da Criança e do Adolescente)
A.C.Camargo Cancer Center	Expansion of tumor bank structure for research on treatment, prevention and early diagnosis of cancer	São Paulo	14 thousand patients	R\$396,736.40	Incentivized funds – PRONON (Programa Nacional de Apoio à Atenção Oncológica)
Instituto Arte de Viver Bem	Support for women with breast cancer	São Paulo	350 thousand women directly, 5 million indirectly, through prevention campaigns	R\$ 207,932.32	Incentivized funds – PRONON (Programa Nacional de Apoio à Atenção Oncológica)
Fundo do Idoso	Support for registered social projects, in accordance with the priorities and standards set by the Board	Mococa	Not estimated	R\$1,190,389.41	Promoted funds – Fundo do Idoso

LINE OF ACTION: INCLUSIVE PROFESSIONAL TRAINING

PROJECT	DESCRIPTION	AREA OF INFLUENCE	ESTIMATED NUMBER OF BENEFICIARIES/BENEFICIADOS	FUNDS INVESTED	ORIGIN OF FUNDS
Professional training for hydroelectric power plant	Training course for graduates from technical courses for an internship at AES Tietê. Learn more about the projects in the Development and Valorization of Employees Chapter	Not determined	18	R\$22,000.00	Own funds

LINE OF ACTION: SOCIAL INFLUENCE

PROJECT	DESCRIPTION	AREA OF INFLUENCE	ESTIMATED NUMBER OF BENEFICIARIES/BENEFICIADOS	FUNDS INVESTED	ORIGIN OF FUNDS
GVces – Fundação Getulio Vargas Business Initiatives	Business initiatives are linked to GVces designs that work in the size of the supply-side economics and companies together to dialogue and construction tools, solutions, strategies and policies	Brazil	Not estimated	R\$25,000.00	Own funds
Fundação Abrinq	Mobilize society towards issues relating to the rights of children and adolescents. AES Tietê is recognized as Child Friendly Company	Brazil	Not estimated	R\$12,057.00	Own funds
Sustainable Brands	Building a business and international learning community remaining focused on sustainability discussions.	An event in Rio de Janeiro	600 people	R\$45,000.00	Own funds



IBASE SOCIAL BALANCE SHEET

Annual Social Balance Sheet / 2014							 <small>www.ibase.br</small>		
Company: AES Tietê S.A.									
1 – Calculation basis	2014 value (thousands of reais)			2013 value (thousands of reais)					
Net revenues (RL)	3.205.007			2.336.933					
Operating income (RO)	750.500			1.362.175					
Gross payroll (FPB)	75.351			76.084					
2 – Internal social indicators	Value (thousands of reais)	% on FPB	% on RL	Value (thousands of reais)	% on FPB	% on RL			
Food	3.572	4,74%	0,11%	3.623	4,76%	0,16%			
Compulsory social charges	15.596	20,70%	0,49%	14.800	19,45%	0,63%			
Pension plan	2.651	3,52%	0,08%	4.603	6,05%	0,20%			
Health	3.534	4,69%	0,11%	4.926	6,47%	0,21%			
Occupational health and safety	1.169	1,55%	0,04%	2.624	3,45%	0,11%			
Education	0	0,00%	0,00%	0	0,00%	0,00%			
Culture	0	0,00%	0,00%	0	0,00%	0,00%			
Professional qualification and development	804	1,07%	0,03%	887	1,17%	0,04%			
Nursery and nursery allowance	56	0,07%	0,00%	56	0,07%	0,00%			
Profit sharing	8.136	10,80%	0,25%	7.366	9,68%	0,32%			
Other	0	0,00%	0,00%	0	0,00%	0,00%			
Total – Internal social indicators	35.518	47,14%	1,11%	38.885	51,11%	1,66%			
3 – External social indicators	Value (thousands of reais)	% on RO	% on RL	Value (thousands of reais)	% on RO	% on RL			
Education	1.373	0,18%	0,04%	2.116	0,16%	0,09%			
Culture	6.359	0,85%	0,20%	9.150	0,67%	0,39%			
Health and sanitation	1.795	0,24%	0,06%	0	0,00%	0,00%			
Sport	1.190	0,16%	0,04%	1.868	0,14%	0,08%			
Fight against hunger and food security	0	0,00%	0,00%	0	0,00%	0,00%			
Other	82	0,01%	0,00%	0	0,00%	0,00%			
Total contributions	10.800	1,44%	0,34%	13.134	0,96%	0,56%			
Taxes (excluding social charges)	224.388	29,90%	7,00%	431.969	31,71%	18,48%			
Total – External social indicators	235.188	31,34%	7,34%	445.103	32,68%	19,05%			
4 – Environmental indicators	Value (thousands of reais)	% on RO	% on RL	Value (thousands of reais)	% on RO	% on RL			
Investments in the company's production/ operation	12.412	1,65%	0,39%	10.715	0,79%	0,46%			
Investments in programs and/or external projects	2.321	3,08%	0,07%	1.986	0,15%	0,08%			
Total environmental investments	14.733	19,55%	0,46%	12.701	0,93%	0,54%			
In relation to the definition of "annual goals" to reduce waste, the consumption in general in the production/operation and improve the effectiveness in the use of natural resources by the company	<input type="checkbox"/> no goals <input type="checkbox"/> compliance between 0 and 50% <input type="checkbox"/> compliance between 51 and 75% <input checked="" type="checkbox"/> compliance between 76 and 100%		<input type="checkbox"/> no goals <input type="checkbox"/> compliance between 0 and 50% <input type="checkbox"/> compliance between 51 and 75% <input checked="" type="checkbox"/> compliance between 76 and 100%						
5 – Personnel indicators	2014			2013					
Number of employees at the end of the period	343			337					
Number of admissions in the period	27			28					
Number of outsourced employees	1.144 (**)			1.082					
Number of interns	5			5					
Number of employees above 45 years	103			96					
Number of women in the company	59			53					
% of head positions held by women	17%			14,00%					
Number of black employees in the company	26			23					
% of head positions held by black employees	4%			4%					
Number of employees with disabilities or special needs	9			10					
6 – Significant information on business citizenship	2014 value (thousands of reais)			2013 value (thousands of reais)					
Relation between the highest and lowest compensation in the company	23.21			20.69					
Total number of labor accidents	0			0					
The social and environmental projects developed by the company were defined by:	<input type="checkbox"/> executive officers	<input checked="" type="checkbox"/> executive officers and directors	<input type="checkbox"/> all employees	<input type="checkbox"/> executive officers	<input checked="" type="checkbox"/> executive officers and directors	<input type="checkbox"/> all employees			
The security and hazard standards in the work environment were defined by:	<input checked="" type="checkbox"/> executive officers and directors	<input type="checkbox"/> all employees	<input type="checkbox"/> all + Cipa	<input checked="" type="checkbox"/> executive officers and directors	<input type="checkbox"/> all employees	<input type="checkbox"/> all + Cipa			
Trade union liberty, free collective negotiation and internal representation of employees by the company:	<input type="checkbox"/> do not participate	<input type="checkbox"/> according to the ILO rules	<input checked="" type="checkbox"/> promote and comply with ILO	<input type="checkbox"/> do not participate	<input type="checkbox"/> according to the ILO rules	<input checked="" type="checkbox"/> promote and comply with ILO			
The pension plan includes:	<input type="checkbox"/> executive officers	<input type="checkbox"/> executive officers and directors	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> executive officers	<input type="checkbox"/> executive officers and directors	<input checked="" type="checkbox"/> all employees			
The profit sharing includes:	<input type="checkbox"/> executive officers	<input type="checkbox"/> executive officers and directors	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> executive officers	<input type="checkbox"/> executive officers and directors	<input checked="" type="checkbox"/> all employees			
In the section of suppliers, the same ethics and social and environmental responsibility adopted by the company:	<input type="checkbox"/> are not considered	<input type="checkbox"/> are suggested	<input checked="" type="checkbox"/> are required	<input type="checkbox"/> are not considered	<input type="checkbox"/> are suggested	<input checked="" type="checkbox"/> are required			
In relation to the employees' participation in voluntary work programs, the company	<input type="checkbox"/> do not participate	<input type="checkbox"/> support	<input checked="" type="checkbox"/> organize and promote	<input type="checkbox"/> do not participate	<input type="checkbox"/> support	<input checked="" type="checkbox"/> organize and promote			
Total number of claims and concerns by consumers:	in company 0	in Procon 0	in Justice 0	in company 0	in Procon 0	in Justice 0			
% of claims and concerns served or resolved:	in company 0%	in Procon 0%	in Justice 0%	in company 0%	in Procon 0%	in Justice 0%			
Total value added to be distributed (in thousand of R\$):	In 2014: 1,020,127			In 2013: 1,636,903 (*)					
Distribution of value added (DVA):	37,5% government	6,4% employees	44,1% shareholders	36,5% government	4,3% employees	53,8% shareholders	5,4% third parties		
7 – Other information	(*) change in value due to some reclassifications made in the current year								
	(**) the value differs from that published in the Management Report due to later adjustments made.								



ABOUT THIS REPORT

GRI: G4-28, G4-31

For the ninth consecutive year, AES Tietê is publishing a sustainability report as guided by the Global Reporting Initiative (GRI), which addresses the company's main achievements between the dates of January 1 to December 31, 2014. For the first time, the company followed the G4 – the latest version of the guidelines launched by GRI in 2012 – joining the “Essential” option.

Another important advance of this report is the application of the principles of Integrated Reporting, an initiative that the company has been undertaking since 2012. While the integrated report is the result of integrated management, it also stems from a shared vision for leadership throughout different areas of the company. Over the last few years, we have focused on the internal dissemination of concepts relating to creating and protecting sustainable value.

As an example of the maturity of efforts to promote thinking and integrated management, we developed and included in this report a value creation model, which describes the essentials for the sustainability of the business and how the company creates value for its customers in each of them, considering the short, medium and long term, and taking into account the business's relationship with the external environment (see the value creation model here - link). We also developed a model of value creation for the Transforming Consumers into Customers project (check here).

Included in this report's content is information about the contribution of capital to support AES Tietê's business in tangible and intangible ways, for different audiences.

To ensure alignment to business strategy and the relevance of information for readers of this report, the definition of the content and performance indicators to be reported were based on the principles of materiality, both operated with GRI guidelines and the Integrated Reporting framework (here's how the material issues have been identified - link).

In 2014, AES Tietê again presented its report in an online format (in addition to PDF), allowing greater connectivity between the topics discussed and easier navigation between chapters.

If you have questions, suggestions and criticisms about the report's content, it can be forwarded to the company's Sustainability Management team by email to: sustentabilidade@aes.com.

ANALYSIS OF MATERIALITY

GRI G4-18, G4-19, G4-20, G4-21

In order to get an updated materiality matrix on the issues that should be prioritized in the definition of the sustainability report content, and also to better comply with the G4 version of the GRI in 2014, the company revised its materiality analysis process.

In this action, there was an effort to integrate management tools with company practices and information from different areas of the company, aiming to seek greater integration of processes in the construction of the materiality matrix.

The content definition process was carried out according to the following steps:

Step 1: initial definition of the issues based on:

- Mapping requirements and expectations of the ten stakeholders;
- Context of sustainability to AES Tietê in the year, based on the analysis of risks and environmental, social and governance opportunities involving different areas of the company.

Step 2: materiality analysis of issues:

- Establishment of priority topics for the readership and for AES Tietê;
- Consolidation of issues and prioritization according to the relevance of each, from qualitative and quantitative analysis and discussions, generating the materiality matrix.

Step 3: review and validation of the list of priority issues for the report:

- Review of the materiality matrix, in order to make the prioritization more consistent among the most consistent issues;
- Discussion and validation with senior leadership of the company.

MATERIALITY MATRIX

Relevance to Stakeholders	5					<ul style="list-style-type: none"> - Ethics and transparency - Resource management discipline 	
	4				<ul style="list-style-type: none"> - Shareholders and investor relations - Biodiversity, use of reservoirs and hydro resources 	<ul style="list-style-type: none"> - Weather conditions/hydrology - Safety - Attraction, development and retention of employees 	
	3		<ul style="list-style-type: none"> - Socioeconomic development 		<ul style="list-style-type: none"> - Development and relationship with suppliers 	<ul style="list-style-type: none"> - Return on investment 	
	2	<ul style="list-style-type: none"> - Relationship with the press 	<ul style="list-style-type: none"> - Social and environmental impacts management - Relationship with communities - Relationship with the press 		<ul style="list-style-type: none"> - Competitive price - Plant's performance - Generation and/or sale capacity 	<ul style="list-style-type: none"> - Regulation compliance 	
	1	<ul style="list-style-type: none"> - Sustainable and operations education 	<ul style="list-style-type: none"> - Public policies promotion 	<ul style="list-style-type: none"> - Relationship with clients - Government relations - Stakeholder engagement 	<ul style="list-style-type: none"> - Governance 		
		1	2	3	4	5	
		Relevance to AES Tietê					

PRIORITIZED ASPECTS:

Impacts occurring inside the organization. Impacts occurring inside and outside of the organization.

In this report, the prioritized issues are addressed more specifically through the chapters and make up the five themes of the Sustainability Platform, which were used as the basis for the organization of the content.

Listed below are the issues, with links to the respective chapters in which they are discussed:

ASPECTS	CHAPTERS – REPORT 2014
Ethics and transparency	All; Governance
Resource management discipline	Efficient Use of Financial, Energy and Natural Resources
Weather / hydrology	Context; Sustainable Power Generation
Safety	Safety
Attraction, development and retention of employees	Development and Valorization of Employees
Return on investment	Efficient Use of Financial Resources
Shareholders and investors relations	Strategy – Stakeholder Engagement
Biodiversity, use of reservoirs and water resources	Context; Sustainable Power Generation
Development and relationship with suppliers	Development and Valorization of Suppliers



GRI INDEX

GRI Content Index for 'In accordance' – Core

GENERAL STANDARD DISCLOSURES

DESCRIPTION	WHERE TO FIND / REPLY
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STRATEGY AND ANALYSIS

G4-1	Message from the CEO	Message from the CEO
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ORGANIZATIONAL PROFILE

G4-3	Name of the organization	Name of the organization: AES Tietê
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G4-4	Primary brands, products, and services	About the Company – Profile
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G4-5	Location of the organization's headquarters	Barueri, São Paulo
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G4-6	Countries where the organization operates and where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	About the Company – Profile
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G4-7	Nature of ownership and legal form	Privately held company with stocks listed on the BM&FBovespa
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G4-8	Markets served	About the Company – Profile
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G4-9	Scale of the organization	About the Company – Profile
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G4-10	Total workforce by employment contract, gender and region	Development and Valorization of Employees
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G4-11	Percentage of total employees covered by collective bargaining agreements	100%
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G4-12	Describe the organization's supply chain	Development and Valorization of Suppliers
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G4-13	Significant changes during the reporting period	There were no significant changes in the period.
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G4-14 Report whether and how the precautionary approach or principle is addressed by the organization
Governance – Risk Management

G4-15 List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses
<http://aesbrasilsustentabilidade.com.br/pt/compromissospublicos>

G4-16 Memberships of associations (such as industry associations) and national or international advocacy organizations
Strategy – Stakeholders

EU1 Installed capacity, broken down by primary energy source and by regulatory regime
About the Company – Profile

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17 List all entities included in the organization’s consolidated financial statements or equivalent documents
The sustainability report covers the same entities included in the consolidated financial statements of the company.

G4-18 Explain the process for defining the report content and the Aspect Boundaries
About the Report –Analysis of Materiality

G4-19 List all the material Aspects identified in the process for defining report content
About the Report –Analysis of Materiality

G4-20 For each material Aspect, report the Aspect Boundary within the organization
About the Report –Analysis of Materiality

G4-21 For each material Aspect, report the Aspect Boundary outside the organization
About the Report –Analysis of Materiality

G4-22 Effect of any restatements of information provided in previous reports
Restatements in previously published information and indicators are shown in the explanatory notes throughout the report.

G4-23 Significant changes from previous reporting periods in the Scope and Aspect Boundaries
There were no significant changes from previous reporting periods in the scope and aspect boundaries.

STAKEHOLDER ENGAGEMENT

G4-24	List of stakeholder groups engaged by the organization	Strategy – Stakeholders
G4-25	Basis for identification and selection of stakeholders with whom to engage	Strategy – Stakeholders
G4-26	Organization’s approach to stakeholder engagement	Strategy – Stakeholders
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Strategy – Stakeholders

REPORT PROFILE

G4-28	Reporting period (such as fiscal or calendar year) for information provided	About the Report
G4-29	Date of most recent previous report	February, 2014
G4-30	Reporting cycle	Annual
G4-31	Contact point for questions regarding the report or its contents	About the Report
G4-32	‘In accordance’ option the organization has chosen; GRI Content Index; reference to the External Assurance Report	GRI Content Index
G4-33	Organization’s policy and current practice with regard to seeking external assurance for the report	The Portuguese versions of the Sustainability Report underwent external assurance by KPMG.

GOVERNANCE

G4-34	Governance structure of the organization, including committees of the highest governance body	Governance – Governance Structure
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ETHICS AND INTEGRITY

G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Governance
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SPECIFIC STANDARD DISCLOSURES

DESCRIPTION

WHERE TO FIND / REPLY

ECONOMIC CATEGORY

ECONOMIC PERFORMANCE

G4-DMA Management approach	Efficient Use of Financial Resources
G4-EC1 Direct economic value generated and distributed	Efficient Use of Financial Resources
G4-EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change	Sustainable energy generation – Commitments and Performance / Capacity expansion
G4-EC4 Financial assistance received from government	Development and Valorization of Communities - Main private social investments in 2014
EU6 - Management approach to ensure short and long-term electricity availability and reliability	Sustainable energy generation – Power plants management
EU8 - Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	Innovation and Excellence for Customer Satisfaction – Commitments and Performance

INDIRECT ECONOMIC IMPACTS

G4-EC8 Significant indirect economic impacts, including the extent of impacts	Development and Valorization of Communities - Education, Culture, Sport and Health / Main private social investments in 2014
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ENVIRONMENTAL CATEGORY

ENERGY

G4-DMA Management approach	Efficient Use of Energy Resources
G4-EN3 Energy consumption within the organization	Efficient Use of Energy Resources - Internal Consumption of Electric Power

WATER

G4-DMA Management approach	Efficient Use of Natural Resources
G4-EN8 Total water withdrawal by source	Efficient Use of Natural Resources – Water Consumption

BIODIVERSITY

G4-DMA Management approach	Sustainable energy generation – Sustainable use of reservoirs
G4-EN11 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Sustainable energy generation – Sustainable use of reservoirs
G4-EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Sustainable energy generation – Sustainable use of reservoirs
G4-EN13 Habitats protected or restored	Sustainable energy generation – Sustainable use of reservoirs

EMISSIONS

G4-DMA Management approach	Efficient Use of Natural Resources - Greenhouse gas emissions and other substances that destroy the ozone layer
G4-EN15 Direct greenhouse gas (GHG) emissions	Efficient Use of Natural Resources - Greenhouse gas emissions and other substances that destroy the ozone layer
G4-EN16 Energy indirect greenhouse gas (GHG) emissions	Efficient Use of Natural Resources - Greenhouse gas emissions and other substances that destroy the

ozone layer

G4-EN17 Other indirect greenhouse gas (GHG) emissions

Efficient Use of Natural Resources - Greenhouse gas emissions and other substances that destroy the ozone layer

G4-EN20 Emissions of ozone-depleting substances (ODS)

Efficient Use of Natural Resources - Greenhouse gas emissions and other substances that destroy the ozone layer

EFFLUENTS AND WASTE

G4-DMA Management approach

Efficient Use of Natural Resources

G4-EN23 Total weight of waste by type and disposal method

Efficient Use of Natural Resources – Waste Management

G4-EN24 Total number and volume of significant spills

Efficient Use of Natural Resources - Waste Management

PRODUCTS AND SERVICES

G4-DMA Management approach

Efficient Use of Natural Resources

G4-EN27 Extent of impact mitigation of environmental impacts of products and services

Efficient Use of Natural Resources - Water consumption

COMPLIANCE

G4-DMA Management approach

Efficient Use of Natural Resources

G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

Efficient Use of Natural Resources

OVERALL

G4-DMA Management approach

Efficient Use of Natural Resources

G4-EN31 Total environmental protection expenditures and investments by type

Efficient Use of Natural Resources

SOCIAL CATEGORY – LABOR PRACTICES AND DECENT WORK

EMPLOYMENT

G4-DMA Management approach Development and Valorization of Employees

G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender Development and Valorization of Employees

EU14 - Programs and processes to ensure the availability of a skilled workforce. Development and Valorization of Employees – Development and retention of talent

EU16 - Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors. Safety – Workforce Safety

EU17 - Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities Safety – Workforce Safety

EU18 - Percentage of contractor and subcontractor employees that have undergone relevant health and safety training Safety – Workforce Safety

OCCUPATIONAL HEALTH AND SAFETY

G4-DMA Management approach Safety

G4-LA5 Percentage of total workforce represented in formal joint management–worker health and safety committees Safety – Workforce Safety

G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities Safety – Workforce Safety

TRAINING AND EDUCATION

G4-DMA Management approach Development and Valorization of Employees

G4-LA9 Average hours of training per year per employee Development and Valorization of Employees – Development and retention of talent

G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings Development and Valorization of Employees – Development and retention of talent

G4-LA11 Percentage of employees receiving regular performance and career development reviews

Development and Valorization of Employees – Development and retention of talent

SOCIAL CATEGORY – PRODUCT RESPONSIBILITY

ACCESS

G4-DMA Management approach

Sustainable energy generation – Power plants management

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

Sustainable energy generation – Power plants management

CUSTOMER HEALTH AND SAFETY

G4-DMA Management approach

Safety

EU25 - Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases

Safety – Population safety

SOCIAL CATEGORY – SOCIETY

ANTI-CORRUPTION

G4-DMA Management approach

Governance – Ethics and Compliance

G4-SO3 Total number and percentage of operations assessed for risks related to corruption and the significant risks identified

Governance – Ethics and Compliance

DISASTER/ EMERGENCY PLANNING AND RESPONSE

G4-DMA Management approach

Safety

EU21 - Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans

Safety – Population safety



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