

Sustainability Report 2017



MESSAGE FROM THE MANAGEMENT



WE ARE AES TIETÊ



SUSTAINABLE GENERATION



PERFORMANCE



RELATIONSHIPS



ANNEXES



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Message from the Management

Message from the President of AES Brasil

AES Brasil remains focused on being recognized by its customers and shareholders as the main partner of innovative energy solutions, working to generate value for all stakeholders that interact with its companies. In the year 2017 we achieved important results that bring us closer to the goals we set for our business.

AES Tietê has among its objectives to diversify its portfolio through growth in renewable generation. In 2017, we completed significant acquisitions of solar and wind generation assets under long-term contracts. The complementarity of generation sources, operational synergies and capital structure are important levers of value creation within our strategy.

Regarding solutions for customers, AES Tietê has positioned itself as a unique player in the market. Its capacity to plan and execute customized projects for customers is one important competitive differential for us to be able to take a position as leaders in an energy segment that is undergoing profound transformation.

Another important achievement for AES Brasil in 2017 was the migration from Eletropaulo to the Novo

Mercado, a segment of the B3 containing companies with special standards of corporate governance. With the transformation of preferential shares into ordinary shares, AES Brasil now holds 16.84% of the capital in the distributor, which no longer has a controlling shareholder. The new corporate structure will boost the growth of its investments, allowing the distributor to reach even higher levels of quality in providing services to the population of the metropolitan region of São Paulo.

Innovation is a key element in all of AES Brasil's businesses. When we incorporate technologies that provide greater efficiency and agility in daily activities, we are adding value to our business in relation to a society that is searching for new production models and a low carbon economy. This is the future of the energy sector and the path we should continue to take in 2018 and in the long term.

Julian Nebreda
CEO of AES Brasil

AES Tietê's portfolio diversification and its position as a unique player are important achievements of 2017 that bring us closer to the goals we set for our business

Message from the President of AES Tietê

AES Tietê is a company in transformation, investing and believing in innovation to grow and generate value sustainably for its shareholders. Keeping pace with the changes happening in Brazil's electricity industry, we have migrated from a business model focused on generating power at hydroelectric plants to one that delivers unique solutions to customers, with diversified energy sources and new technologies; leverages our capacity for growth.

In 2017, we completed the acquisition of the Alto Sertão II wind farm and the Boa Hora Solar Complex, in addition to an investment agreement for the construction of the Guaimbê Solar Complex. We also enabled the construction of the Água Vermelha Solar Complex, when we won the 25th New A-4 Energy Auction, focused on photovoltaic generation. These solar complexes will add about 300 MW in installed capacity in the State of São Paulo. The diversification of generating sources minimizes hydrological risks and directs us to meet our goal of achieving 50% of our EBITDA with non-hydroelectric power businesses by 2020.

On the services front, we have reinforced our commitment to forming partnerships and building innovative solutions to provide our customers with the utmost autonomy in managing the energy supply. Our teams in the commercial and market intelligence areas undergo continual training and keep an attentive eye on key trends, products and services that meet changing energy needs.

Our end-to-end work on projects, with capacity for planning and execution, guarantee development of customized and integrated systems, with distributed generation, purchase and sale of energy on the free market, cost reduction and energy efficiency being made possible. In addition, we strive to add value to our customers' production chains by offering solutions to fulfill global ambitions for more sustainable businesses that have less environmental impact.

It was with this vision that we structured an innovative product in 2017, Mãos na Mata, a reforestation project for degraded areas in the catchment basins of our reservoirs, and started to commercialize renewable energy certificates in the international standard I-REC Standard, which guarantees traceability of the energy consumed by customers. These two solutions add value directly to our customers' businesses, reducing carbon emissions from our operations.

We also made important advances in how we manage our assets, with the opening of a new Energy Generation Operations Center (COGE, its acronym in Portuguese). Located in the city of Bauru (São Paulo), the new space is equipped with the latest technology so that we can remotely operate and more agilely and efficiently work on our generation complexes. We also monitor our reservoirs from there in order to guarantee that areas of the Atlantic Forest restored with native species are being cared for.

These achievements were only possible with the dedication and efforts of our employees. We were once again ranked among the Best Companies to Work For in Brazil, recognition that attests to our commitment to building an ethical workplace that respects and values people, and we were selected for the 11th consecutive time to integrate B3's Corporate Sustainability Index, which reflects the company's commitment to good corporate governance, social responsibility, economic-financial management and environmental preservation practices.

We plan to invest an approximate total of R\$ 980 million by 2021 in programs to modernize and maintain hydroelectric plants, in addition to building new assets. We will face significant challenges in the coming years and we are confident that with the commitment of all of us that are part of AES Tietê, we will achieve our strategic objectives and our vision of being recognized by our customers and shareholders as the main partner of innovative energy solutions in a safe way sustainable, reliable and affordable.

Ítalo Freitas
CEO of AES Tietê

A photograph of two men in an office. The man in the foreground is out of focus, looking towards the right. The man in the background is in focus, smiling, and looking towards the camera. He has a beard and is wearing a light blue checkered shirt and a blue lanyard. He is sitting at a desk with a laptop. A green plant is visible in the background. A green wavy graphic with white dotted lines and dots is overlaid on the bottom half of the image.

**We are
AES Tietê**

We are AES Tietê

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

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

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

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

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

AES Tietê in numbers

428
company
employees

974
contract
employees



R\$ 1.9
billion
in gross operating
revenue

R\$ 3.8
million
invested in
social programs

12,148.5 GWh
of generated energy

13,175 GWh
of billed energy

3,354 MW
of installed
capacity*

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

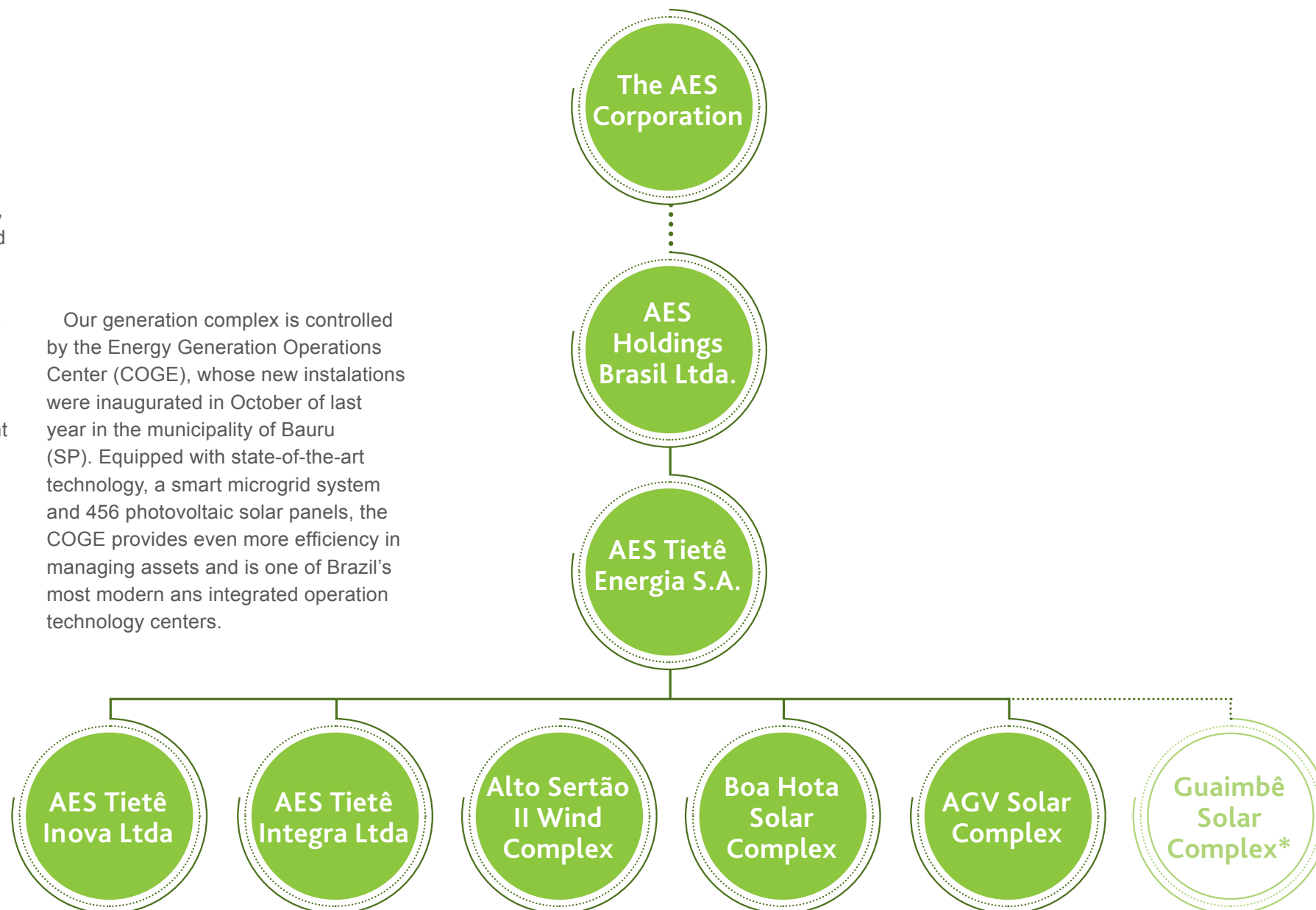
**We are an
integrated
energy
platform that
adapts to our
customers'
demands**

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

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

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

Corporate structure



* Investment agreement with Cobra Brasil

AES Brasil

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

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

AES ERGOS

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

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

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

729
employees

130,000
customers served
in the transactional
services line and
2 major clients in
utilities services

R\$ 75
million
in net
revenue

AES URUGUAIANA

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

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

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

639.9
MW
installed
capacity

Corporate governance

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

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

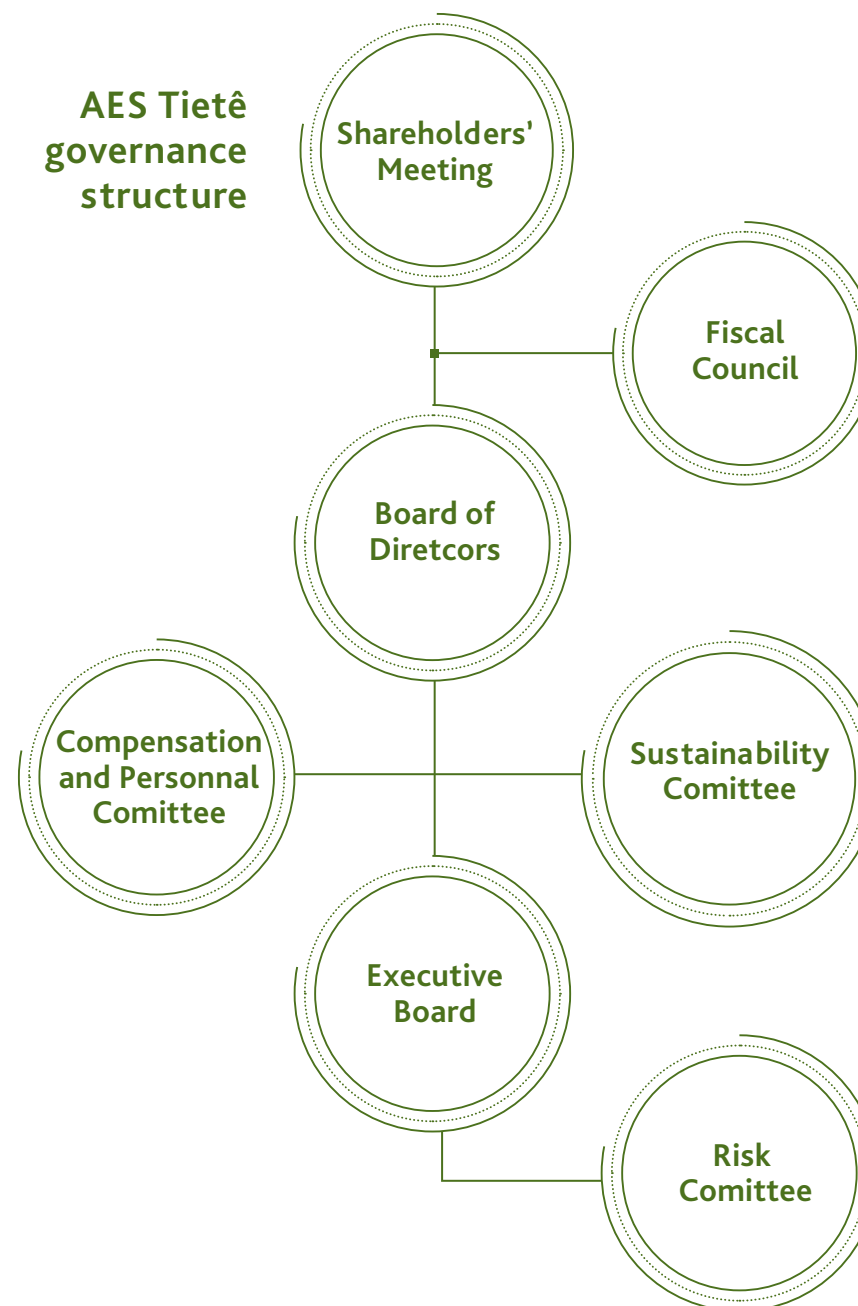
The units and shares of AES Tietê are traded in Level 2 of Corporate Governance of B3 SA. The units integrate the Brazil 100 Index, the Electric Energy Index and the Corporate Sustainability Index, demonstrating the company's commitment to the creation of a compatible investment environment with the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

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

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

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

AES Tietê governance structure



Ethical conduct

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

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

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

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

■ Education and training

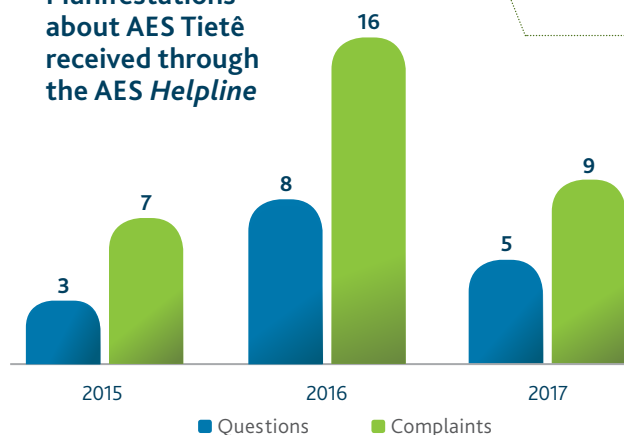
Training carried out along with other qualification actions related to topics such as compliance and anticorruption practices. This covers employees at every hierarchical level. Every year, our professionals refresh their knowledge on the AES Values Guide through training done online or in the classroom.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

■ Contract compliance

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

Pillars of the AES Brasil Ethics and Compliance Program

Manifestations about AES Tietê received through the AES Helpline



■ AES Helpline

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

Sustainability management

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

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

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

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

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

OUR COMMITMENTS

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



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



We have been signatories to the Global Compact since 2006.



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



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



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

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



Risk management

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

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

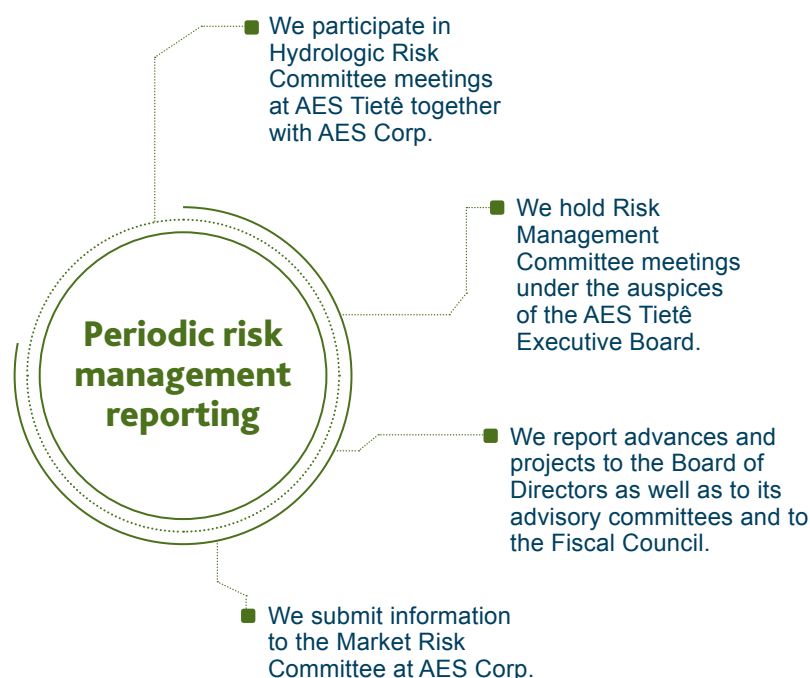
Each risk is continually monitored by one of our directors or managers (leader from the area managing the respective risk) and by managers of the causes (managers or coordinators) that could trigger their occurrence. To do this, we rely on key indicators that allow areas to manage these factors in a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

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

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

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

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



Risk categories monitored by AES Tietê



■ COMPLIANCE RISK

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



■ TECHNOLOGY RISK

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



■ STRATEGY RISK

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



■ FINANCIAL RISK

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



■ OPERATIONAL RISK

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



■ MARKET RISK

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



■ LEGAL RISK

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



■ REGULATORY RISK

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



■ ENVIRONMENTAL RISK

Represented by the chance of environmental damages due to human intervention in the environment.



■ CREDIT RISK

Risk of a counterparty causing a financial loss as a result of default on a contractual obligation.

Sustainable generation



Sustainable Strategic Planning

Throughout 2017, we made progress on aligning our Sustainable Strategic Planning with global sustainability challenges, deepening the relationship between the priority actions and indicators at our business with the 2030 Agenda proposed by the UN. We held a workshop to engage managers and employees from various areas, so as to discuss key indicators and actions for our strategic guidelines considering the 17 Sustainable Development Goals (SDGs). As a result, we mapped actions to be taken between 2017 and 2018.

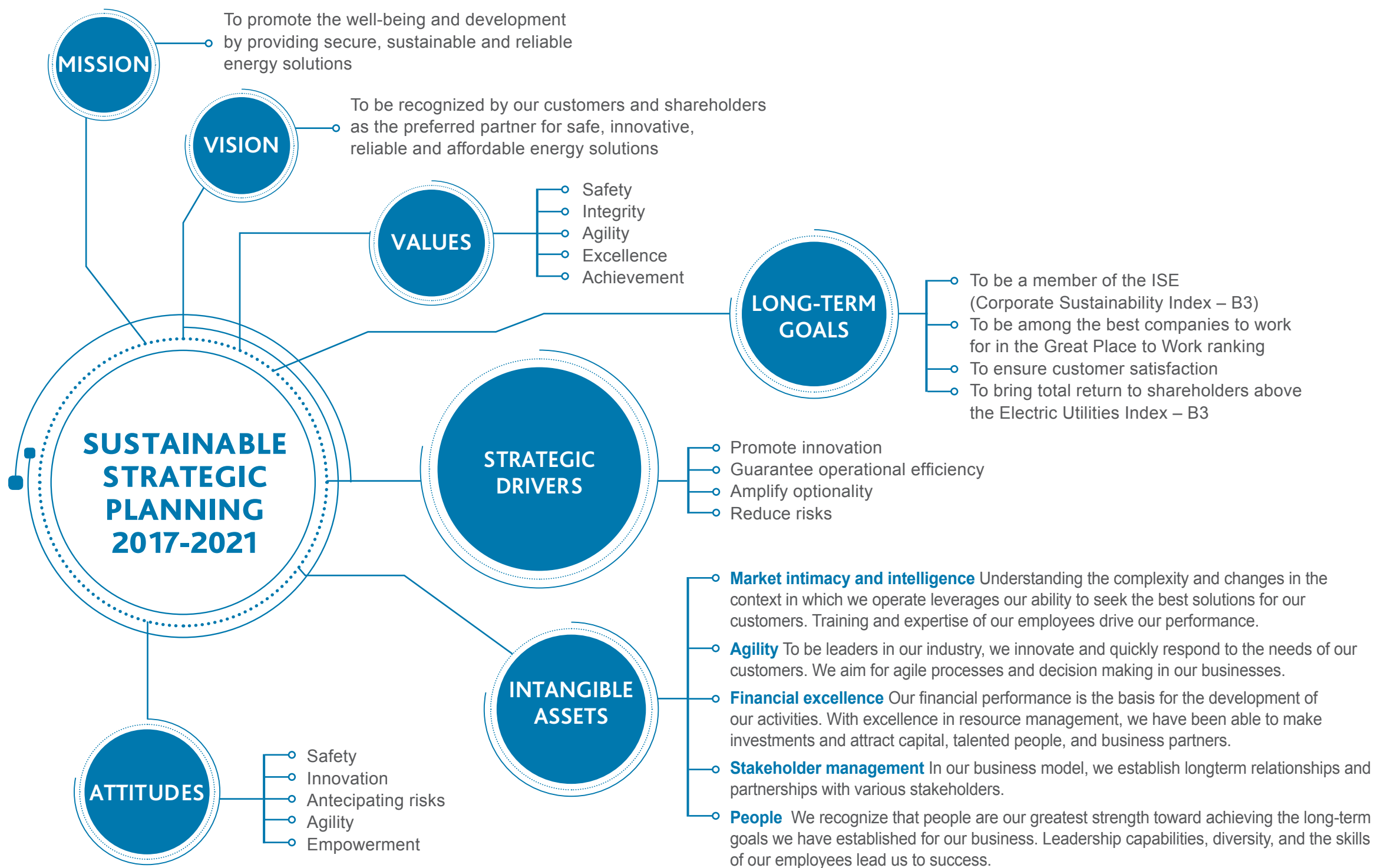
These reflections, as well as the management and monitoring initiatives resulting from engaging areas, have contributed to the effectiveness of Sustainable Strategic Planning and, ultimately, to the AES Brasil's vision of being recognized by customers and shareholders as their main partner in innovative energy solutions, in a safe, sustainable, reliable and accessible way.

Sustainable Strategic Planning is revised annually and consolidates our vision, targets and objectives on a five-year horizon, setting the direction for generating value for our activities and solutions. Our leaders are committed to spreading the strategy among all of our employees, as well as engaging our teams with projects that will make achieving targets feasible.

ACTIONS ALIGNED WITH THE SDG



Defined in 2015 by the United Nations Organization (UN), the Sustainable Development Goals (SDG) form an agenda of commitments of the several signatory nations to promote sustainable development globally with the horizon of 2030. Companies around the world, such as AES Tietê, have been incorporating the priorities of the SDG into their strategic planning. In the boxes with this style throughout the Report, we highlight several initiatives and practices that strengthen our alignment with this agenda. Get to know them in the next pages.



GOALS AND ACHIEVEMENTS 2017

Within our business mode, we are committed to the transparency and accountability of our performance. Below are some of the results achieved regarding goals that we undertook for our businesses in 2017 in relation to the company's social and environmental performance.

Prevent CO₂ emissions based on a reduction of **170 MWh** of electrical energy in relation to company consumption

In 2017, despite a 6% increase in the company's own electricity consumption, which reached 48,450 MWh, we cut consumption of over 2,000 MWh for feeders interconnected with the National Interconnected System (SIN, its acronym in Portuguese)

Reach a workplace satisfaction rate of 85%

We reached workplace satisfaction of 91%

Reforest 243 hectares

We reforested 301 hectares of border and permanent preservation areas

Have a LTI Rate* of less than 0.01 (company and contract employees)

We maintained a rate of 0.00 for company employees and had a rate of 0.31 for contract employees

Have Recordable Rate* of less than 0.64 (company and contract employees)

We maintained a rate of 0.00 for company employees and had a rate of 0.46 for contract employees

Zero fatal accidents with company and contract employees and the general population

There were no fatalities in our operations in 2017

*LTI and Recordable rates are calculated from criteria of the Occupational Safety and Health Administration (OSHA).

AWARDS AND RECOGNITION FOR OUR ACTIONS



Maintained in the Corporate Sustainability Index (ISE) portfolio of Brasil, Bolsa, Balcão - B3 (formerly BM&FBovespa) for the 11th year in a row.



Awarded as the most innovative company in the electricity sector by the Valor Inovação Brasil 2017 annual innovation special, published by *Valor Econômico* newspaper.



AES Tietê Investor Relations department was among the Top 3 Latin American Utilities in a ranking published by *Institutional Investor*, a specialized international publication.



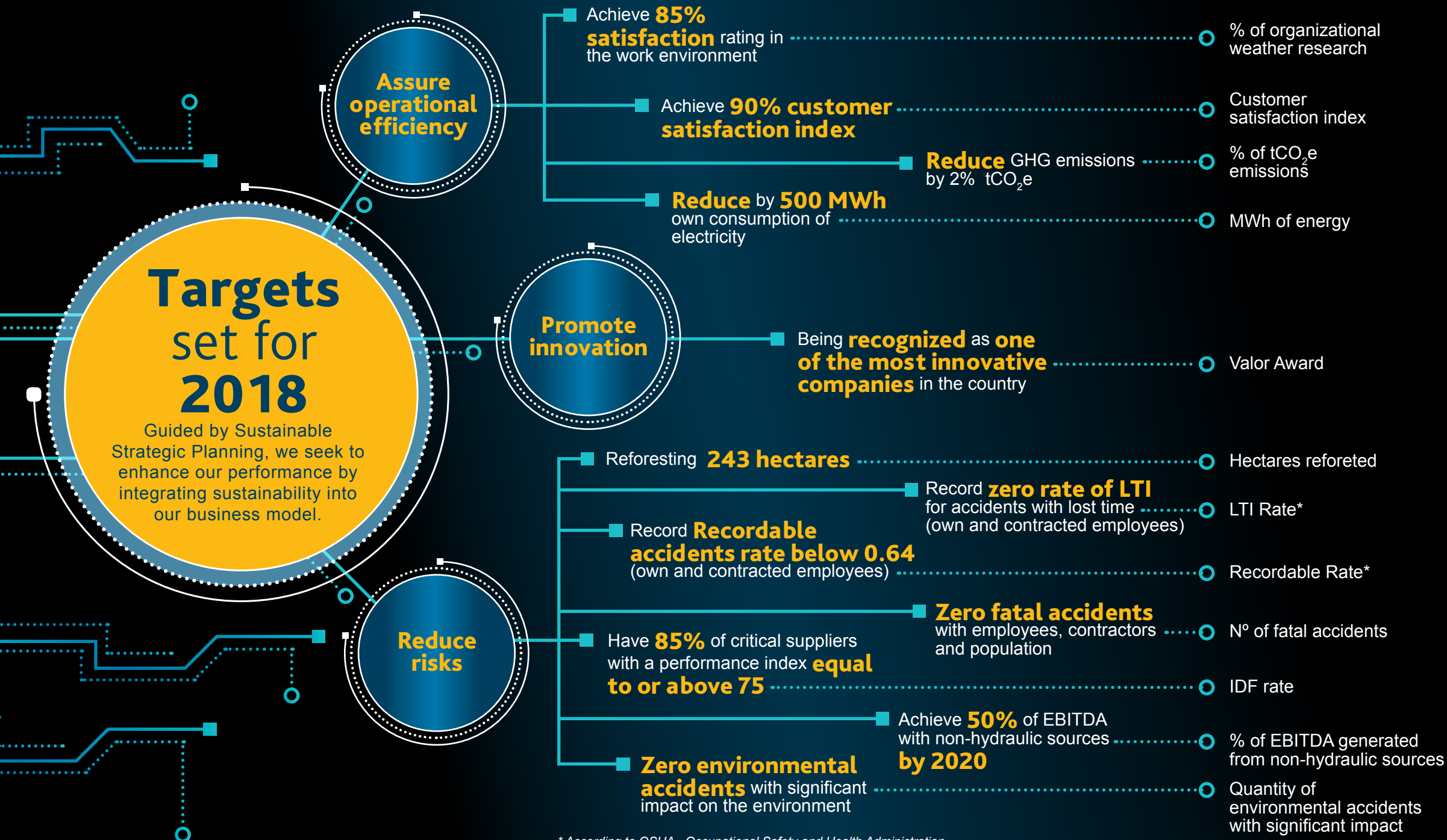
Awarded the Transparency Trophy by Brazil's National Association of Finance, Administration and Accounting Executives (*Associação Nacional dos Executivos de Finanças, Administração e Contabilidade - Anepac*) for clarity in reporting financial statements.



Named one of the 150 best places to work for two years running in a survey given by *Você S.A.* magazine.



Named for the eighth time and for the sixth consecutive year as one of the most sustainable energy sector companies by *Guia EXAME de Sustentabilidade*, a sustainability guide.



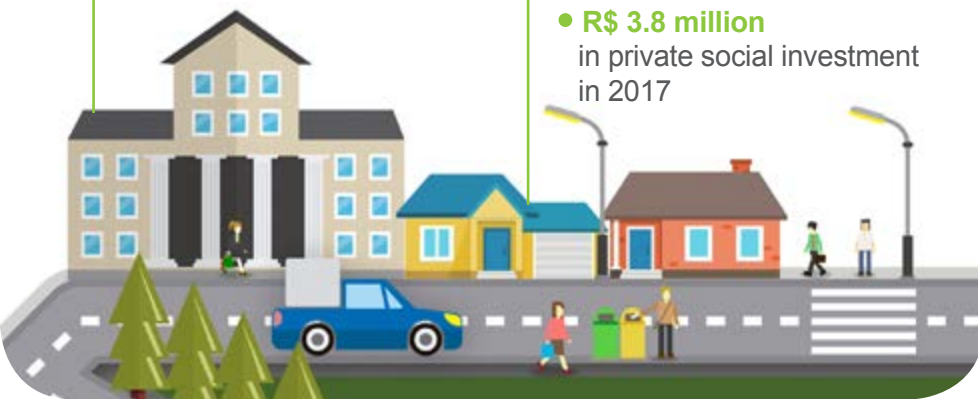
* According to OSHA - Occupational Safety and Health Administration.

Value creation model



- 301 hectares reforested

- R\$ 298.3 million in **net earnings** in 2017
- R\$ 3.8 million in private social investment in 2017



DISTRIBUTION OF ADDED VALUE OF 2017

- R\$ 330.7 million in taxes and industry charges
- R\$ 99.5 million to employees



- Among **the best companies to work for** (91% satisfaction rating in the work environment)
- **Zero fatal accidents** with employees, contractors and population

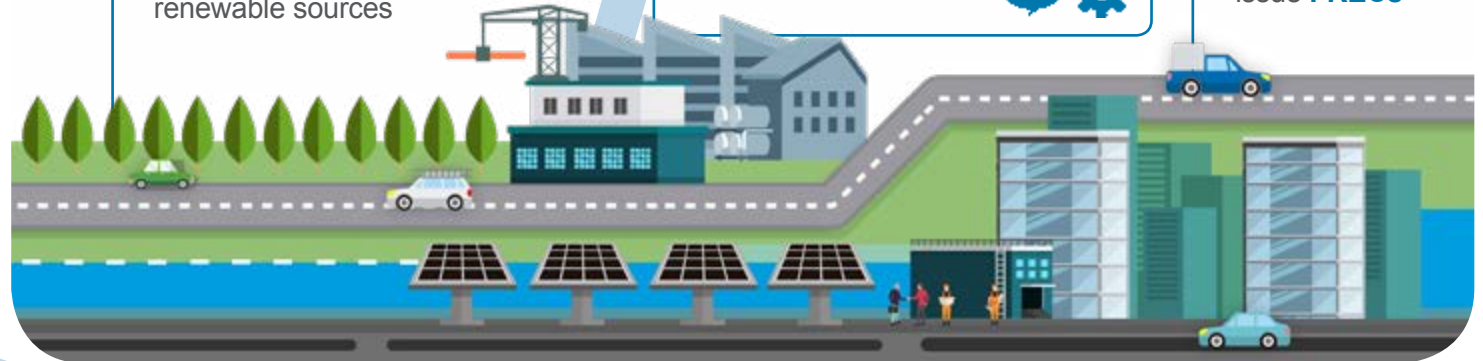
- OUR OPERATIONS**
- 3.3 k MW of installed capacity
 - 9 hydroelectric plants and 3 SHPs
 - 1 wind complex
 - 3 solar complexes under construction



- 89.6% in the Satisfaction Index for Perceived Quality (ISQP)
- 12.1 k GWh of energy **generates**, 100% from renewable sources



- Authorized to issue **I-RECs**

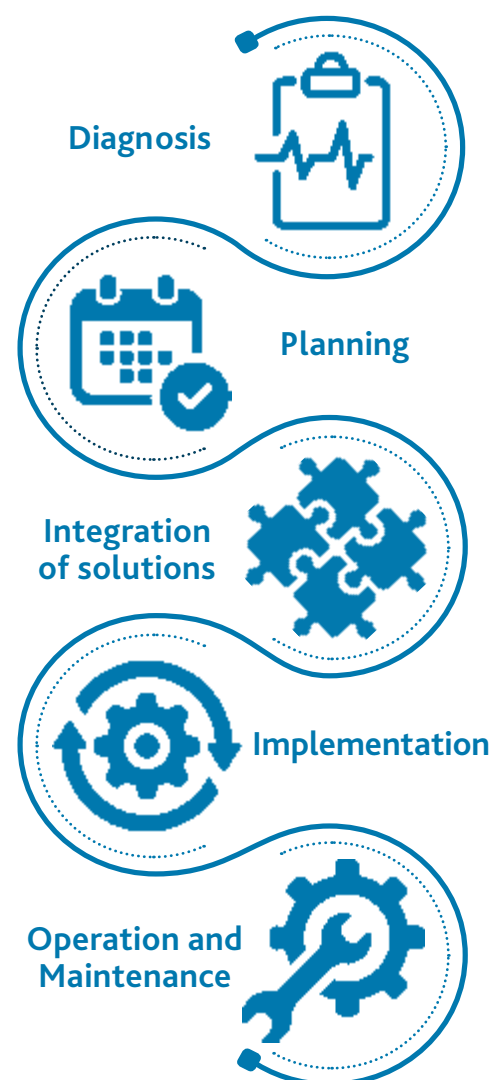


Solutions for customers

To guarantee satisfaction and meet our customers' needs, we operate as an integrated renewable solutions and new energy services platform. Our wide-ranging and diversified portfolio gives each of our customers the chance to pick the best way to meet their energy needs with flexibility, lower costs and sustainability integrated into their business. By offering renewable and customizable energy solutions, we seek to share the creation of a more flexible and sustainable business environment with our customers and, especially, to multiply the positive impacts of a low-carbon economy, also for its own customers.

Our teams are ready to work end-to-end to develop our energy solutions. We perform diagnoses, planning, integration, implementation, operation and maintenance of energy products and services. We moreover offer products such as renewable energy certifications using the international I-REC Standard, guaranteeing traceability of renewable energy consumed by our customers.

How we build customized solutions



We achieved 89.6% in the 2017 Perceived Rate of Quality Satisfaction

Customer satisfaction

Our strategic positioning and continual search for innovations has placed AES Tietê closer and closer to customers. Our teams are made up of specialists who possess different know-how, developing projects to meet specifications established and permanently updated in relation to industry innovations, regulatory aspects and possible operational impacts.

In addition to intellectual capital, the company's financial solidity is a differential recognized by the market. For example, we rely on our own

financing options for projects in different modalities. We are also a company with a history of ethics and credibility, geared towards innovation and transparency in relationships.

Throughout 2017, we augmented our commercial team's preparedness with a vast set of training initiatives. Over 1,000 man-hours were spent on training on multidisciplinary topics and with a focus on promoting a better experience for our customers, integrating flexibility and agility.

Furthermore, we continually monitor customer satisfaction through visits, internal surveys (Inbound Channel), specialized surveys and meetings with customers, including through the so-called "customer walk," a practice where all AES Tietê leaders (managers, directors, vicepresidentes and the CEO) accompany a sample of customer interactions and services.

In 2017, the Perceived Rate of Quality Satisfaction (ISQP, its acronym in Portuguese) was 89.6%. This result shows the integrated work of areas that carry out relations with our customers, providing customized service, as well as market actions done during the last year.

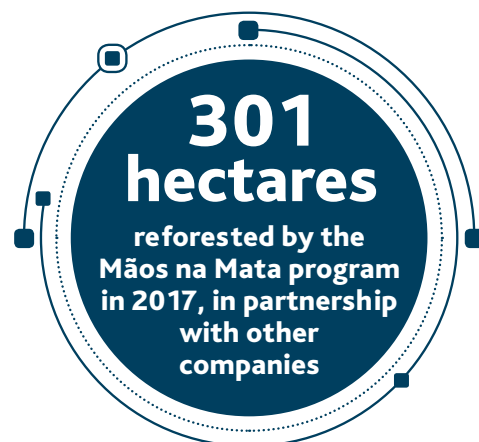
Sustainable solutions

All solutions offered to customers are sustainable because they are related to renewable energy generation or to reduce energy consumption. We also make it possible for customers to make sustainable commitments more tangible through two products: RECs, Renewable Energy Certificate, and Mãos na Mata program.

We are the first Brazilian company authorized to issue I-RECs in the international platform I-REC Standard, certificates that prove the generation of energy from renewable sources, guaranteeing the customers the traceability of the energy acquired. We therefore give our customers the chance to reinforce their commitment to sustainability, while also offering consumers products and services with a smaller carbon footprint.

Each REC is equal to 1 MWh of clean energy generated and placed into the electrical system. Certificates can be used by our customers in a range of international protocols that assess renewable energy use in buildings, for instance, in addition to giving them evidence of performance in relation to Scope 2 greenhouse gas emissions, according to GHG Protocol guidelines.

In Brazil, certification is provided according to the international I-REC Standard and is issued by Instituto Totum, through a joint initiative with the Brazilian Association of



Wind Energy (Associação Brasileira de Energia Eólica - ABEEólica) and the Brazilian Clean Energy Association (Associação Brasileira de Energia Limpa - Abragel), with the support of the Chamber of Electric Energy Commercialization (Câmara de Comercialização de Energia Elétrica – CCEE) and the Brazilian Association of Energy Commercialization Companies (Associação Brasileira dos Comercializadores de Energia – ABRACEEL).

Our portfolio also contains opportunities in the area of environmental preservation and reforestation with the Mãos na Mata program. This initiative counts on support from SOS Mata Atlântica, an NGO, and seeks partnerships with companies that need to offset environmental impacts. Mãos na Mata is focused on revitalizing areas of the Atlantic Forest and the Cerrado. To do this, the program offers customers a space for reforestation, in areas bordering AES Tietê reservoirs, providing the project with seedlings and taking responsibility for monitoring of areas.

ACTIONS ALIGNED WITH THE SDG



Our solutions contribute to expanding infrastructure and delivering sustainable energy services. The I-REC proves the generation of clean energy and Hands in the Woods engages our clients and partners in the restoration of forests, which collaborates with the protection of biodiversity and the fight against climate change.



Our Água Vermelha hydroelectric plant was certified in 2017 for the issuance of I-RECs and, for 2018, it has approximately 6.5 million certificates available, according to its energy generation forecast





Tailor-made solutions

Our experts map the customer's consumption profile to define the best strategy and implement the best solutions.

- **Energy commercialization**
Sale of energy in the free market, consultancy and support on the regulatory environment
- **Energy efficiency**
Projects focused on reducing consumption and natural resources
- **Electrical infrastructure**
Complete and customized consulting solutions for the implementation of infrastructure, such as substation, primary cabins, aerial and underground transmission lines, among others
- **Solar photovoltaic energy**
Projects, financing and operation of solar farms for remote and shared generation
- **Gas cogeneration**
Maintenance diagnosis solutions for energy production from natural gas, with turnkey as a business model
- **Renewable Energy Certificate (REC)**
Issuance of certificates proving the generation of energy from renewable sources
- **Large-scale renewable generation**
Renewable plant design tailored to the generation needs of each consumer
- **Reforestation**
Enables, through the Mãos na Mata program, the investment in the recovery of the Atlantic Forest and Cerrado as an action for environmental compensation
- **Microgrid**
System able to manage the different energy resources, coordinating the production of local electricity in order to guarantee the best possible use
- **Energy storage**
Solution to store battery power with Advancion technology

Expanded generation

Our strategic guidelines, in conjunction with the mission and vision of AES Brasil, have driven our growth through innovation, operational efficiency, expanded options and reduced risks. That is why we have committed to having 50% of our EBITDA come from non-hydraulic energy sources and long-term regulated contracts by 2020. In 2017, we made important investments to reach this goal, increasing our generation capacity through wind and solar plants.

In August of last year, we finalized acquisition of the Alto Sertão II Wind Complex, located in the southeast region of the state of Bahia.

In relation to solar generation, we acquired the Boa Hora Solar Complex, in September, 2017. Initially set to be built in Pernambuco, the transfer of this venture to the state of São Paulo was approved by Brazil's National Electrical Energy Agency (Agência Nacional de Energia Elétrica – ANEEL). Work on the facility in the municipality of Ouroeste should conclude in November 2018. Another asset under construction is the Guaimbê Solar Complex, as a result of an investment agreement with Cobra Brasil, expected to enter into commercial operation as of May 2018. This is the first large-scale solar plant in the state of São Paulo.

We were awarded the right to commercialize energy generated by the Água Vermelha Solar Complex (AGV Solar), to be built in the state of São Paulo, by the 25th New Energy Auction A-4/2017 (Auction A-4), in December 2017. The new AES Tietê asset will be located near the Boa Hora Solar Complex and the Água Vermelha hydroelectric plant in the municipality of Ouroeste, generating additional gains in synergy in construction, operation and commercialization. AGV Solar energy has been contracted for 20 years, starting in 2021.

In addition to the diversification of hydraulic risks, with these new assets, AES Tietê complies with 80% of the commitment to increase 398 MW in installed capacity in the State of São Paulo. We have plans to fully satisfy, over time, this commitment made by the company.

ACTIONS ALIGNED WITH THE SDG



Our generation expansion strategy contributes to ensuring access to sustainable energy and increasing the share of renewable sources in the Brazilian energy matrix.

Main investments

Alto Sertão II Wind Complex (BA)

The complex is made up of 15 wind farms, with 230 wind turbines and installed power of 386.1 MW. It has been operated under the administration of AES Tietê since August 2017. Last year, two farms in the Complex toppled records in the capacity factor during a period of critical hydrology.

● **R\$ 600 million investment**

Boa Hora Solar Complex (SP)

Initially set to be built in Pernambuco, transfer of the Boa Hora Solar Complex to Ouroeste, in the heartland of the state of São Paulo, was approved by Brazil's National Electrical Energy Agency (ANEEL), pursuant to a request made by AES Tietê after the acquisition. The installation works will start in 2018 and are expected to be completed in November 2018, with a total projected capacity of 91 MWp (75 MWca). This is the first solar plant built by the company.

● **R\$ 375 million investment**

Guaimbê Solar Complex (SP)

As a result of an investment agreement with Cobra Brasil, the Complex is currently under construction. The implementation works are the responsibility of Cobra Brasil and supervised by AES Tietê. The asset has a projected installed capacity of 180 MWp (150 MWac) and has commercial start-up estimated for May 2018. It is the first large solar power plant in the State of São Paulo.

● **R\$ 650 million investment**

AGV Solar (SP)

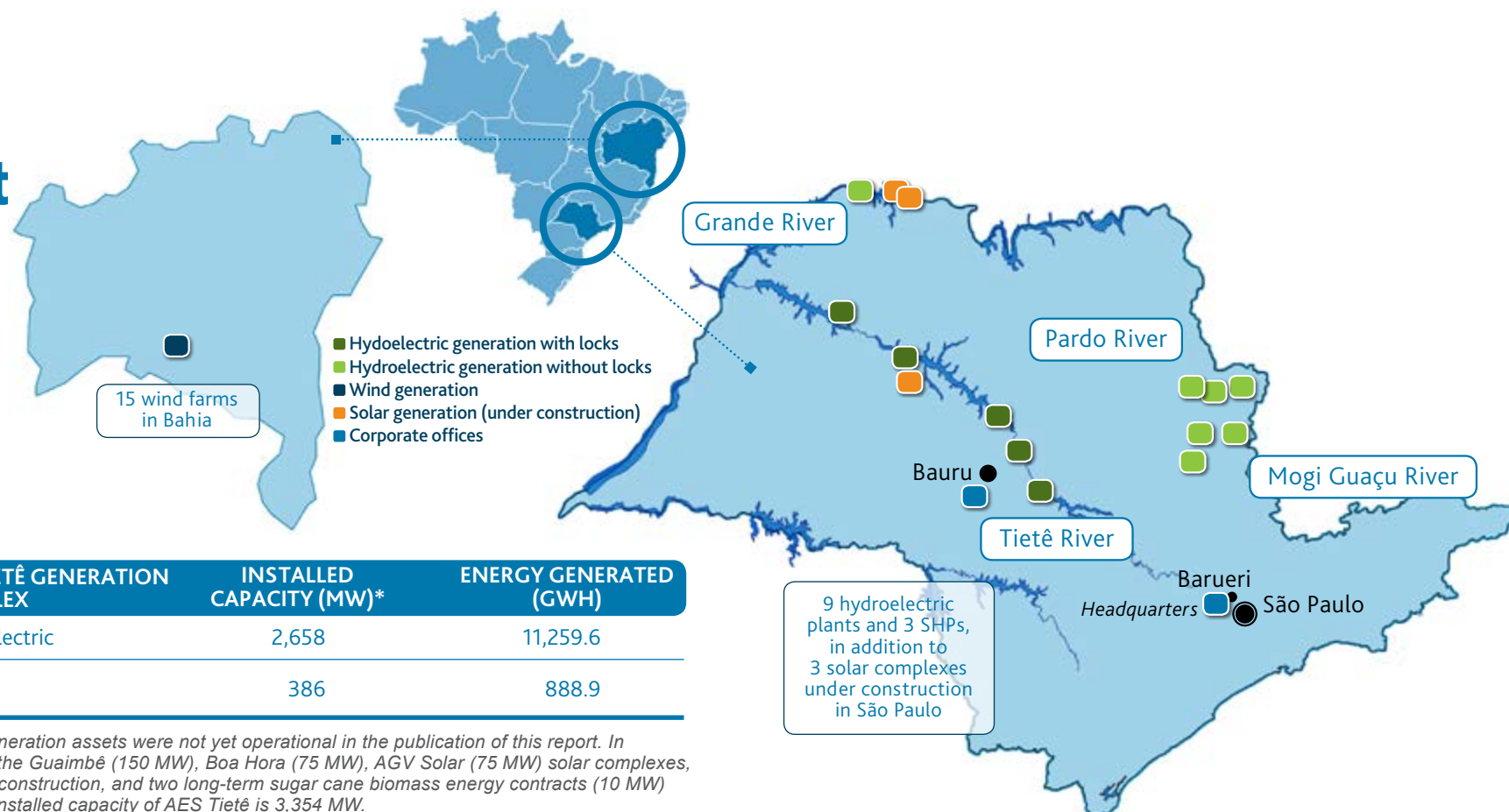
The Água Vermelha Solar Complex will be built near the Boa Hora Solar Complex and the Água Vermelha hydroelectric plant. The company intends to benefit from an early start of commercial operations at the asset in mid-2019, placing energy produced on the free market of incentivized resources until the contract granted within the regulated market takes effect. The current project has installed capacity of 94 MWp (75 MWca).

● **R\$ 280 million investment**

Asset management

Excellent management of our generation assets is fundamental to grow business sustainably. We were the first company in Latin America to receive ISO 55001 certification in 2015, which is a set of requirements for high-performance in asset management, and we were recertified in 2017, upholding the quality and upstanding nature of our operations and operation maintenance activities.

Our generation park contains 9 hydroelectric plants and 3 small hydro plants (SHPs) in São Paulo and one wind complex in Bahia. One of our main ongoing projects is modernization of these generation units, especially Água Vermelha, our largest hydroelectric plant. The new photovoltaic solar generation plants, in Ouroeste and Guaimbê, both in the interior of São Paulo, are scheduled to start operating in 2018.



AES TIETÊ GENERATION COMPLEX	INSTALLED CAPACITY (MW)*	ENERGY GENERATED (GWH)
Hydroelectric	2,658	11,259.6
Wind	386	888.9

*Solar generation assets were not yet operational in the publication of this report. In addition, the Guaimbê (150 MW), Boa Hora (75 MW), AGV Solar (75 MW) solar complexes, all under construction, and two long-term sugar cane biomass energy contracts (10 MW) the total installed capacity of AES Tietê is 3,354 MW.

CONTROL IN THE WATER AND IN THE AIR

Innovation and cutting-edge technology are also used in actions to monitor and maintain our plants' reservoirs. Activities such as inspections of surrounding areas and the lakes, assessment of dam structures, cleaning of turbine parts and more have been increasingly efficient and specialized with the use of robotic resources and drones.

We currently have two Unmanned Aerial Vehicles (UAVs), controlled remotely by computer and used to inspect the areas around plants. To cover

larger spaces, such as reservoirs and reforestation areas, we have another, larger UAV as well as a quadcopter drone to assist in inspection of dam structures.

These technological resources are equipped with cameras that record information online and supply easy to understand reports, making our operations more secure.

Other technological devices used in monitoring and maintenance actions at our assets include an unmanned robotic boat, which allows for monitoring of

reservoir water, and a remotely operated underwater vehicle (ROV). The result of a research and development project done in partnership with Universidade Estadual Paulista Júlio de Mesquita Filho's Bauru campus, the ROV is used to assess the cleanliness of water entering the turbine every three months, eliminating the need to turn off equipment for verification. This process is not only more efficient, but also contributes to the safety of operations, since it replaces the need to expose divers to this activity.

One of the biggest advances we made in the period was the opening of the new Energy Generation Operations Center (COGE), located in Bauru (SP). The operations center, which received an investment of around R\$ 21 million, is one of the most modern technology centers in Brazil dedicated to asset management.

At COGE, we centralize the control of the operation of all our plants in real time: plants, locks and plants of distributed generation. The wind farms are being incorporated into the operation center and in the future we will also have the solar plants. Management of operations and maintenance routines – such as controlling reservoir levels, water flow and production of generator units – are monitored and run remotely from the COGE. We also have a diagnostics center, controlled by a team of engineers who are responsible for monitoring, analyzing and preventing possible failures at generator units and in equipment, in addition to a latest-generation datacenter assuring the reliability of assets.

We also built a Digital Laboratory within the COGE building. This is a structure similar to the automation environment at the hydroelectric plants and it is used to validate backups for servers, routers and other information technology items. Approval of security updates to protect the sluice gate control system is also done at the lab. The environment is moreover used to develop new control logics for generator units and for technician training and familiarization with the new technologies being implemented at plants.

Construction of the new COGE facilities also represented a chance for us to apply innovative generation and energy use solutions, especially those developed for this facility. The building, which has 1,800 square meters of built-up area, is equipped with 456 photovoltaic solar panels, which are able to supply 30% of all energy consumed. There is also a microgrid pilot project aimed at analyzing and controlling the building's energy sources - solar system, generator and lighting system. This allows for improvements to be identified and enhances the performance of sources while lowering costs.

Cyber risk management

AES Tietê has a structured Cybersecurity Program through which it develops actions on five fronts:

- Continuous implementation of key controls;
- Threat and vulnerability management;
- Awareness of information security;
- Incident response plan;
- Management of the relationship with external entities.

These controls and joint actions contributed, in 2017, so that the company did not suffer any malware attack or infection affecting its operations.



ACTIONS ALIGNED WITH THE SDG



Portfolio diversification from renewable sources and asset management excellence contribute to reliable and modern access to energy services, increasing the share of renewable sources in the Brazilian energy matrix and energy efficiency. The use of new technologies in operations management, in turn, makes our operations more sustainable and with increased efficiency in the use of resources.

In 2018, we completed modernization of the Água Vermelha generation units. Investments in excess of R\$ 300 million were made in the project, from 2013 to 2017



Performance

Scenario

CLIMATE CHANGE

Decarbonization

Institutions around the world are pressuring companies and nations to minimize or even eliminate energy generated using fossil fuels.

Unstable rainfall

Longer draughts have a negative impact on the capacity to generate hydroelectric energy.

REGULATORY ENVIRONMENT

Revision of sectoral legislation

Updating of the legislation applicable to the electricity sector requires the adaptation of companies and other actors in the industry chain.

Distributed generation

The two-way flow of energy generation makes the operating context more complex, while simultaneously opening up new business opportunities.

ENERGY COSTS

Free power market

Companies are increasingly looking to acquire energy through free market bids, in an effort to lower costs from this natural capital input.

Settlement Price Differences (PLD)

The highest power generation costs are reflected in greater exposure for short-term commercialization in the market.

DIVERSIFICATION OF SOURCES IN THE ENERGY MIX

Intermittent sources

Portfolio diversification strategies through hydroelectric generation, wind, solar and other renewable sources are necessary to ensure the continuous supply of energy and to mitigate hydrological risks.

Energy storage

Advances in batteries for storing energy are among priorities for guaranteeing operational stability and new solutions for customers.

CUSTOMER EMPOWERMENT

Customization of solutions

With more power of choice, our customers expect to find a partner capable of understanding their real needs and proposing integrated solutions, from a project's start to its end

New technologies

Investments in R&D and a constant search for innovation are differentiating factors in the current electrical sector scenario. The focus is on making technologies feasible that enhance generation capacity and customer service.

Ministry of Mines and Energy public consultation

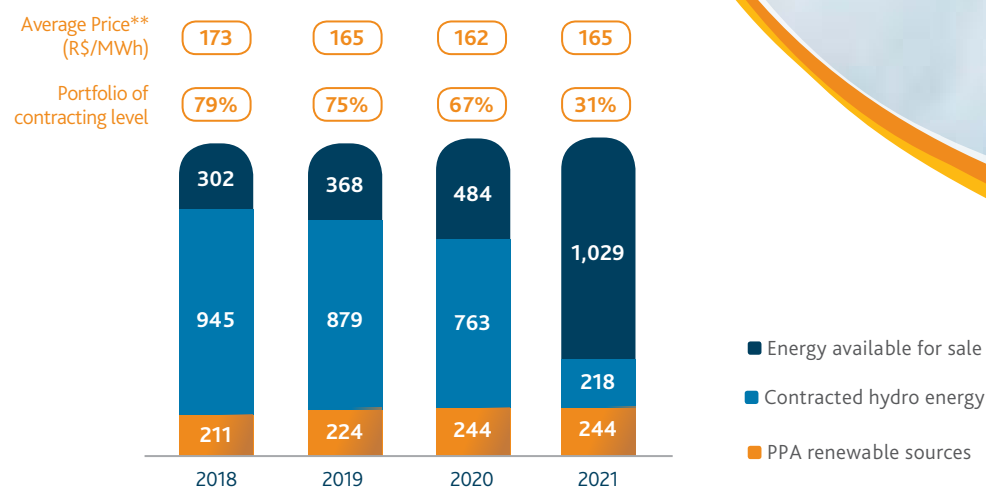
In July 2017, the Ministry of Mines and Energy (MME) opened up public hearings for enhancement of the legal and institutional framework and to propose instruments that seek the modernization of the electric sector. Public Consultation No. 33 (Ordinance No. 254/2017) presented proposals for instrumentation to improve the regulatory framework of the electricity sector. The results of this consultation were forwarded by the MME to the Presidency of the Republic.

For the generation segment, the main measures are related with compensating companies for costs of Out of Merit (OOM) Generation and for expansion of the Free Market, gradually lowering the minimum consumer access load in this contract environment as of 2020.

Hydrological risk

In 2017, given the unfavorable hydrological scenario, the company opted to anticipate market risks and to relax or reduce its volume of energy sold, in addition to renegotiating with some distributors and concluding short-term bilateral contracts, mitigating exposure to prices in the spot market. AES Tietê's portfolio contracted from 88% at the end of 2016 to 78% at the close of 2017.

Amounts contracted and availability for sale (aMW)*



*Considers conventional and incentivized energy, excluding losses and internal consumption.

** Actual values based on January, 2018 – considers MCSd for 2018.



Financial results

Gross and net revenue

In 2017, gross revenue at AES Tietê totaled R\$ 1.9 billion, 10.4% more than the year before. Net revenue, in turn, was up 10.7% for the period, at R\$ 1.7 billion. These evolutions were impacted, among other factors, by revenue coming from the Alto Sertão II Wind Complex and an increase in the Settlement Price Differences (average short-term price) for negotiations in the spot market and by higher revenue from selling energy in the free market.

Ebitda

Ebitda for the period was positively influenced by these factors and negatively impacted by the greater purchase of energy in the free and regulated markets. Annual consolidated Ebitda was R\$ 831.0 million, up by 3.2% year-over-year.

Net earnings

We closed 2017 with net earnings of R\$ 298.3 million, 16.8% lower than the R\$ 358.5 million obtained in 2016, given the factors mentioned above.

Indebtedness

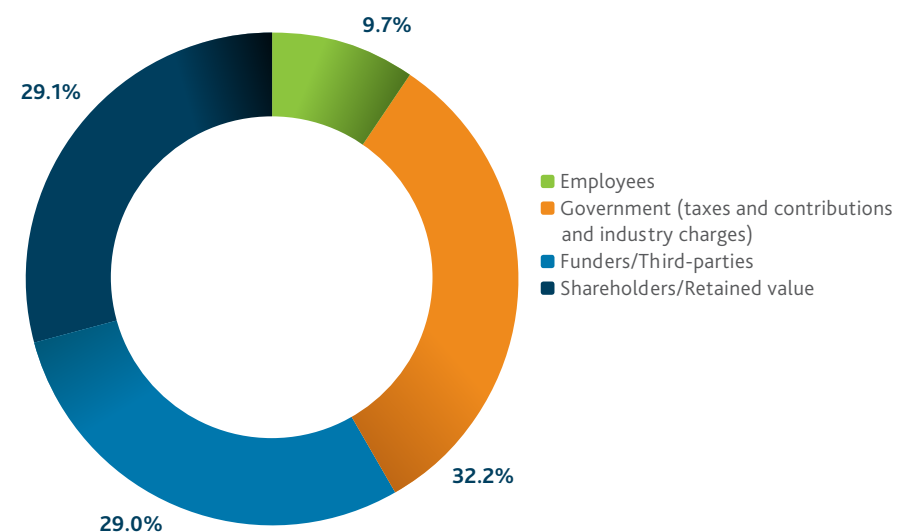
AES Tietê's gross debt totaled R\$ 3.6 billion on December 31, 2017, a 148.1% year-over-year increase. On this same date, cash and cash equivalents totaled R\$ 1.2 billion, an amount higher than the amount recorded in the same period of 2016 (R \$ 577.6 million). In order to guarantee healthy levels of indebtedness and maintain the dividend payment policy, the company established covenants for its debts, considering limits for the adjusted net debt to Ebitda ratio. The covenants of the company have a limit of 3.5x, and in case of acquisition of assets, the index assumes a limit of 3.85x during the period of 36 months or until the maturity date of the respective debt, whichever occurs first. At the end of the period, this ratio was 2.5x, within the established limit.

DAV

The value added distributed in 2017 totaled R\$ 1.0 billion. The amounts allocated to government, shareholders and retained value were lower in the annual comparison, due to the reduction in net income for the year. The increase in the amount distributed to funders and third parties, in turn, is mainly related to debt charges, due to the increase in funds raised to support the company's growth strategy.

DISTRIBUTION OF ADDED VALUE BY STAKEHOLDER (R\$ THOUSANDS)	2017	2016	2015
Employees	99,505	83,861	71,335
Government (taxes and contributions and industry charges)	330,730	386,889	444,627
Funders/Third-parties	297,840	224,475	209,656
Shareholders/Retained value	298,277	358,533	803,316
Total	1,026,352	1,053,758	1,528,934

Distribution of value added in 2017



Research and innovation

Promoting innovation is one of the guidelines for our strategy of creating value for investors, customers and society. Our action involves investments, partnerships and employee development to execute projects that drive the growth of our business and incorporate new technologies into the energy sector.

Our investment, managed by the Research and Development (R&D) area, totaled R \$ 7.8 million in 2017. These funds, managed and earmarked according to the regulations applicable to the national electrical sector, go mainly to management and development of projects that consider the offer of new energy solutions, as well as their viability regarding sales, access and sustainability.

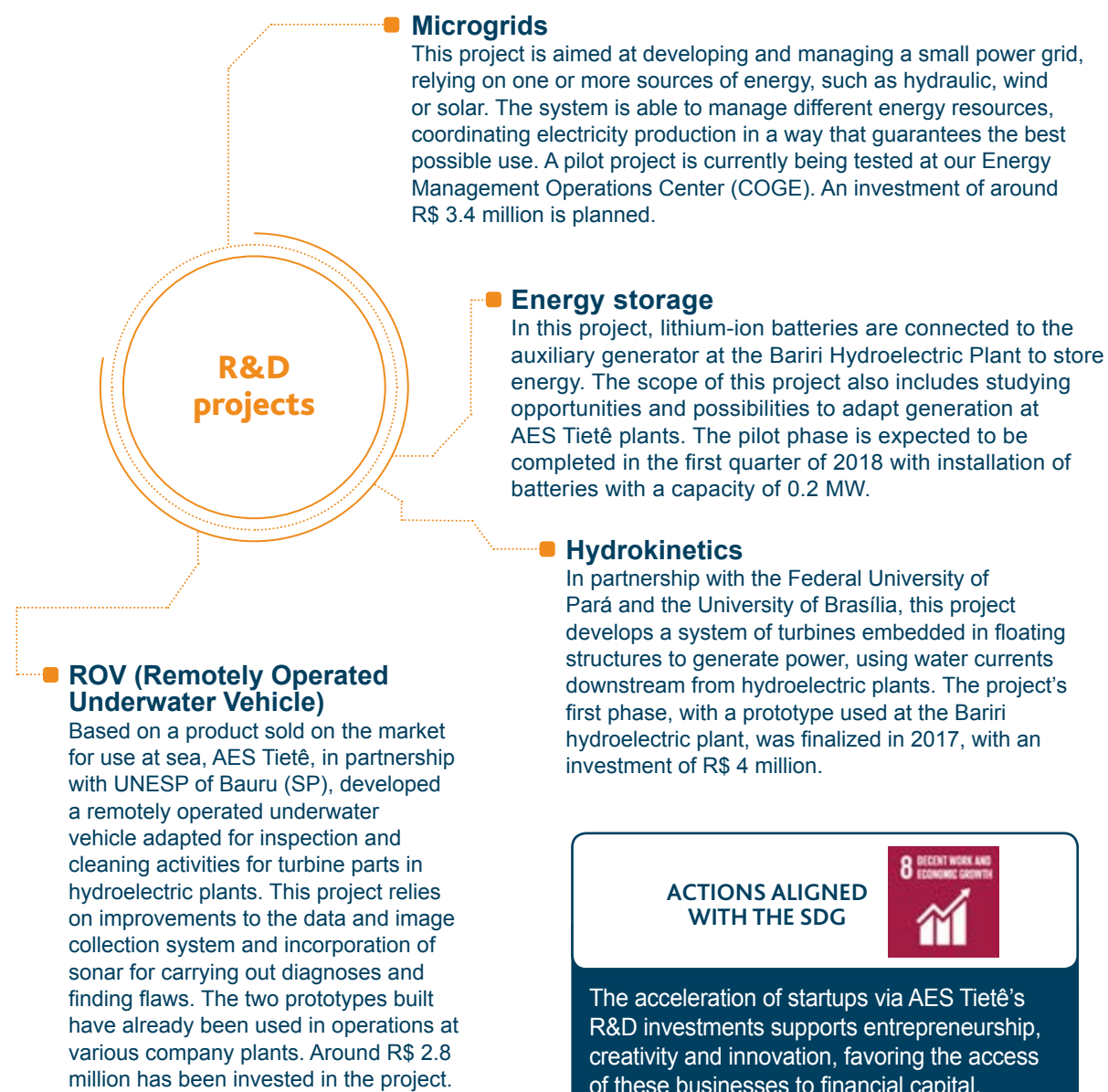
The last year was also notable for continuity and evolution of our project acceleration initiative, aimed at developing products, services or new business models in partnership with startups and other companies under the topics of the Internet of Things, Energy Storage, Energy Efficiency, Distributed Generation and Electric Vehicles.

The initiative has been developed with the support of the Liga Ventures accelerator and Senai since 2016, receiving 233 registrations and selecting eight finalists who were given advising during the last year. At the end, two projects were chosen for acceleration during 2018, through monitoring, mentoring and provision of funding.

The Newatt startup, of Belo Horizonte (MG), was selected for its project to create a non-invasive sensor. This device allows energy consumption for electronics to be measured and provides real-time information so that data stored in the cloud can be used to more efficiently manage energy.

The project submitted by Dayback, of Florianópolis (SC), invests in creating a small-scale wind turbine. The difference is that this equipment contains a solar thermal collector for initial activation, allowing for small-scale wind generation, even without the presence of stronger air currents. When used in a group, the device is able to become an alternative energy source by using winds that blow in urban environments.

See some of the R&D projects in development at AES Tietê



ACTIONS ALIGNED WITH THE SDG



The acceleration of startups via AES Tietê's R&D investments supports entrepreneurship, creativity and innovation, favoring the access of these businesses to financial capital.



Environmental management

Our power generation activities promote more than the provision of part of the energy supply needed for Brazil's growth and development. With integrated management that continually looks at the environmental and social impacts of operations, we generate value by conserving and recuperating natural areas, preserving biodiversity and supporting scientific research and studies.

Environmental compliance of operations and continual improvement, considering our performance beyond legal obligations, are guaranteed by our Integrated Management System (SGI, its acronym in Portuguese), which was recertified in 2017 according to the ISO 14001 (environmental management), 2015 version, and OHSAS 18001 (Occupational Health and Safety) standards. Using the SGI, we plan and develop processes that minimize

environmental impacts, guaranteeing adoption of conservation measures and rational use of environmental resources, promoting increased awareness among employees and the population.

The SGI furthermore supports earmarking of investments for research and development projects geared towards the environment; these investments are not only directed at company operations, but also go to communities in the municipalities where our assets are located. In 2017, investments in environmental management totaled R\$ 14.486 million.

A fundamental initiative, aligned with the demands of environmental laws and contributing to sustainable development, is the Reforestation Program. This activity contributes to conserving plant life, supplying the water table and preventing erosion and silting of reservoirs.

The program was implemented in 2001 and is aimed at recovering riparian forest areas along the banks of our hydroelectric plant's reservoirs, using forest restoration techniques. In 2017, 301 hectares, in partnership with other public and private institutions, were recovered by the program, which is greater than the 243 hectares / year goal foreseen in our Sustainable Strategic Planning.

In addition to reforestation actions, we maintained the Native Seedlings Production Program, producing 1 million seedlings annually, with a diversity of approximately 120 native species from the Tietê, Pardo, Mogi Guaçu and Grande river basins. The nursery is located at the Promissão hydroelectric plant, in the interior of São Paulo state. It serves the Reforestation Program and Mãos na Mata, a forestry incentive initiative in partnership with public and private institutions to recover and maintain areas of Atlantic Forest and Cerrado (learn more on page 22).

MICROCLIMATE FORMATION

At the VII World Conference on Ecological Restoration, held in Foz do Iguaçu (PR), in 2017, we presented preliminary results from a pioneering study on environmental restoration.

The result of a partnership with the Luiz de Queiroz College of Agriculture at the University of São Paulo (Esalq/USP), the "Methodology for Microclimate Formation Favorable to Establishing Biodiversity in the Area Surrounding Hydroelectric Reservoirs" project consists in the development of mechanisms for forming conditions conducive and favorable to establishing biodiversity, which increases the ecological effectiveness of the environmental recomposition process.

Protecting biodiversity

Investments made in biodiversity projects go beyond a commitment to protecting biomes and are also aimed at contributing to advancing studies and research whose results could be applied to public policies or institutional environmental conservation initiatives. This is the case of the Terrestrial Animal Life Monitoring and Conservation Program, for example, whose project to manage the puma in the Tietê River Basin, carried out in partnership with Instituto Pró-Carnívoros since 2013, has allowed for monitoring of the habits and conditions for survival of these animals.

In 2017, this partnership was expanded and also began to include a project to monitor the maned wolf, an endangered species in Brazil. The goal is to assess threats to the maned wolf's

survival in the areas of influence of plants located in the states of São Paulo and Minas Gerais in order to outline strategies aimed at conservation and management of this species in environments altered by human activity. In the first stage, captured animals are monitored using camera traps and radio collars.

Another important environmental initiative is our Fishing Management Program, promoting repopulation of fish in generator plant reservoirs located on the Grande, Tietê, Pardo and Mogi-Guaçu Rivers. Each year, 2.5 million fingerlings are released of streaked prochilod, dorado, small-scaled pacu, piapara, piracanjuba and tabarana fish, grown in hydrobiology and aquaculture stations at the Barra Bonita and Promissão plants. Repopulation contributes to reinforcing the food chain and boosting recreational and professional fishing in these regions.

There is a project to preserve the South American catfish, an endangered fish species, which is also geared towards the ichthyofauna and which continued to be carried out during the last year. The goal of the initiative, named "Barriga de Aluguel" (or Surrogate, in English), is to create biotechnology techniques so that a juvenile fish is generated with genetic characteristics preserved using an already fertilized egg from another, non-endangered species – the spotted pim.



ACTIONS ALIGNED WITH THE SDG



Our practices of environmental restoration and wildlife rescue and monitoring contribute to the protection of water-related ecosystems and combat deforestation and habitat degradation. Through research activities, we also seek to protect species of fauna threatened with extinction.

Climate change

Our work to offer energy solutions from clean and renewable resources contributes to strengthening a low-carbon economy and to mitigating climate change. Since 2015, we have publically committed to this topic through the **Declaration of Commitment to Climate Change**, available to all stakeholders on our Sustainability website. During the year, we reinforced our management of this topic by creating a Climate Change Sub-Committee, under the auspices of our Sustainability Committee, which supports the Board of Directors in defining strategies and risks associated with this topic (learn more on page 12).

We have used specifications from the Brazilian GHG Protocol since 2011 to estimate our greenhouse gas (GHG) emissions, making our GHG inventory available in the Public Emissions Record since 2012. We moreover monitor our own electricity consumption in order to estimate emissions prevented during operational activities. In 2017, our electricity consumption increased, reaching 174,000 GJ, 6% more year-over-year; however, we reduced consumption of feeders interconnected to the SIN by 2,000 MWh.

GHG EMISSIONS INVENTORY (tCO ₂ e)	2017*	2016	2015
Scope 1			
Emissions	279	374	299
Biogenic emissions	305	326	319
Scope 2			
Indirect emissions from energy consumption	529	688	1,260
Scope 3			
Other indirect emissions	220	125	95

*These figures are subject to change after the release of the updated Brazilian GHG Protocol Program tool.



ACTIONS ALIGNED WITH THE SDG



We annually define a goal of reducing our emissions of greenhouse gases, continually seeking to mitigate climate change.

Operational safety

Guaranteeing the safety of our employees, contractors and communities is a priority in managing our business in line with our corporate values and the Sustainable Strategic Planning. We follow the guidelines of the American OSHA standard in order to manage our performance and define investments and actions in line with the strategy of AES Corp., in addition to our operations being certified since 2011 according to the OHSAS 18001 standard. In 2017, our occupational health and safety

processes were recertified, as stipulated by the international standard, for all of our plants and for the São Joaquim and São José Small Hydro Plants.

Our Safety Program, supported by the AES Brasil Sustainability Policy, is set up to strengthen a culture of safety among our professionals and covers a range of initiatives focused on assessing workplace safety conditions and spreading good practices and preventive actions.

OSHA OCCUPATIONAL HEALTH AND SAFETY INDICATORS*	2017	2016	2015
LTI Rate - lost time injury (fatal accidents and typical accidents with loss of working days)			
Company employees	0.00	0.00	0.00
Contractors	0.31	0.37	0.00
Target	0.01	0.01	0.01
Recordable Rate – recordable incident rate (includes fatal accidents, LTI and typical accidents without loss of working days)			
Company employees	0.00	0.00	0.00
Contractors	0.46	0.75	0.00
Target	0.64	0.64	0.64

*Data reported according to the US Labor Department's Occupational Safety & Health Administration (OSHA) standard.

Notable among these are safety inspections, which increased over the last year with the adoption of an app that enables one to make assessments with more agility using their mobile devices. Moreover, safety lectures and the safety report are additional practices frequently adopted in our operations.

In 2017, we achieved the targets set for the year in relation to accidents with time off for company employees. Likewise, our rates for accidents without time off (Recordable Rate) were better than the target set. There were also zero fatal accidents in our operations.



ACTIONS ALIGNED WITH THE SDG



Care for the health and safety of our employees contributes to a healthy life and the promotion of well-being.



Last year, we focused our efforts on enhancing safety management for contractors that provide company services and account for 69% of our workforce. We consolidated processes favoring integration between operational and safety procedures, with a sequence of activities done throughout the year, such as quarterly meetings with safety technicians, managers and representatives from partner companies, in order to reinforce knowledge and awareness of the importance of safety.

Identification of risks in our operations is fundamental to safely carry out activities. Work instructions contain detailed descriptions of the stages of each procedure and the risks associated to it, as well as prevention and control measures to be taken by professionals before, during and after a task is completed. In 2017, we revised our routines, mapping risks and the control measures established in these documents and consolidating a new Work Procedures Manual at the company.

+ 15.5 thousand people were impacted by safety awareness initiatives and visits to the plants

Regarding the safety of communities located near our plants and reservoirs, we had another year without any reports of any kind of incident. During 2017, we maintained programs to raise awareness and provide environment education to the populace, especially educational campaigns on safety, the environment and respecting signage. This was done through far-reaching communication media in the municipalities where our facilities are located. We also promoted visits to plants and events to answer questions about our operations. During the year, 15,516 people were impacted by these initiatives.

Operational safety of the sluice gates we operate on the Tietê River is also a priority in our management. All of the units are already adapted for remote operation, done directly from the COGE, using monitoring systems and cameras that operate 24 hours a day. Remote operations are already done in Bariri, Ibitinga, Promissão and Nova Avanhandava. We are still awaiting authorization from regulatory agencies in Barra Bonita to migrate to this system. In 2018, we will continue to dialog with the organizations responsible for reinforcing the advantages and reliability for adoption of this technology on this waterway.

Monitoring of dams and reservoirs

GRI 102-11 | DMA Planejamento e resposta a desastres/emergências | 103-2

Dam safety at our hydroelectric plants and small hydro plants is done continually through monitoring of instruments installed in civil structures, in addition to using periodic visual inspections with the support of drones for underwater areas and aerially. This work is done by a specialized technical corps made up of civil engineers, water engineers, topographers and technicians. Technical reports are issued every two months on this monitoring, validating the structures' safety standing.

In line with the stipulations of National Electrical Energy Agency (Agência Nacional de Energia Elétrica – ANEEL) Resolution 696/2015, AES Tietê has developed and distributed an Emergency Plan of Action (PAE, its acronym

in Portuguese). This is a technical and administrative procedure to assist civil defense agencies in creating municipal contingency plans for services in situations involving dam emergencies.

Monitoring of reservoirs is done periodically and, in addition to controlling environmental conditions at these locations, it allows any irregular occupations on our 4,800 kilometers of border areas to be registered, including clandestine land sales.

This monitoring relies on support provided by multispectral imaging to detect changes in the areas under the company's concession. The RapidEye satellite, with 5 meters of resolution on 5 spectral bands, is used in this process

during specific months, facilitating visualization and relying on mechanisms to detect changes in quarterly imaging. This allows for analysis of the occupation dynamic around the reservoirs. After the change identification process is carried out on land, a report is drafted and made available to support and provide direction to inspection teams.

All cases of irregular occupation identified generate a Property and Environmental Inspection Report (RIPA, its acronym in Portuguese), which are made available through the Geocatalog system (GIS system that manages the entire cartographic database – maps, vectors and images) and information.





Relationships

Engagement with stakeholders

AES Tietê promotes permanent engagement with its stakeholders through the everyday relations of various company areas with stakeholders. Supported by a matrix of stakeholders, our teams guarantee transparent dialog and continued improvement in performance to meet the demands and expectations of employees, shareholders, suppliers, customers, the government, regulatory agencies, the press, electricity sector agents, organized civil society and communities.

Periodically, we conduct research with our strategic stakeholders, such as employees, customers and suppliers, to assess the level of satisfaction and identify their main demands. Routine contacts of teams with audiences occur through meetings, e-mails and telephone.

In order to create a system of contact with these publics, in 2017 we implemented the Simbiose tool as a pilot project in the Reservoir Management area. Using an online platform, we mapped key themes for interaction with outside representatives and over 300 people with direct relations with the company. In addition to allowing for knowledge management and formalization of the contact history of each of these individuals, Simbiose has

AES Tietê stakeholders



a simple and friendly interface allowing for visualization of levels of interest, influence and favorability regarding key themes identified. With this, decision-making to define plans of action and align the company's positions is much more streamlined and integrated. The lessons from this initial experience were incorporated into enhancing the system, which will also start to be made available to other areas of the company.

Agility in meeting external demands and transparency in communications, which are premises of our relations with society, were once again recognized. For the fourth straight year, AES Tietê was listed among the companies that best communicate with journalists, in the Electric Power category,

based on votes cast by over 25,000 journalists across Brazil. Another highlight was winning the Transparency Trophy for the second year in a row, in the Energy Sector Company category, awarded by Brazil's National Association of Finance, Administration and Accounting Executives (Anefac).

LOCAL DIALOG

The II Mining in Reservoirs Workshop, promoted by AES Tietê in June, brought together representatives from the government, local authorities and mining companies in the Bauru (SP) region to debate mining in areas near reservoir area borders. Collaboration between all of these local actors contributed to sharing challenges and expectations to carry out mining activities using best environmental preservation practices, according to legal and regulatory requirements.

Employees

Our commitment to promoting a fulfilling workplace that is appreciative of our employees is expressed in our values and is one of the publically-established goals in our Sustainable Strategic Planning. More than this, our practices are aligned with this vision and set AES Tietê apart in the market, once again placing us among the 150 Best Places to Work, as ranked by Você S.A. magazine. Participation in this ranking allows us to be able to continually enhance our personnel management practices.

Notable among priorities in this area in 2017 was training to qualify teams, carried out at AES University, which was set up in late 2016. In the area of operations, our attention was focused on identifying employees with critical knowledge for our business, who then went on to act as sponsors for other members to be able to share what they have learned over their careers in day-to-day activities.

Another source of relevant action was improvement of the process for surveying training needs, which supports the structuring of courses at AES University. In the last year, this identification of demands for team training was done face-to-face with leaders from every area of the company. The results are being incorporated into improvements in the training being offered for the next year.



AVERAGE TRAINING HOURS PER EMPLOYEE	2017	2016	2015
By gender			
Men	47.25	55.10	na
Women	8.17	6.14	na
By job level			
Executive Board	0.27	0.00	na
Division	21.20	11.16	na
Coordination	26.00	18.93	na
Administrative	46.13	4.48	na
Operations	38.13	82.89	na
Overall	39.03	46.31	52.81

ACTIONS ALIGNED WITH THE SDG



We ensure the decent work of our employees and contractors, as well as encouraging the inclusion of young people in the labor market through apprenticeship, internship and trainee programs. We reject any form of degrading work, guaranteeing our professionals all the labor rights provided for by Brazilian law.

Organizational climate and diversity

Stronger relations between leaders and their teams were intensified throughout the year and were fundamental for guaranteeing a clear understanding of the company's strategy and strengthening trustworthy relations in areas. The efficacy of this strategy was evident in the workplace satisfaction rate, which reached 91%, surpassing the target set at 85% and 10 percentage points higher than the result for the previous year. The work of the climate committees contributed to this result, since they support definition of action plans with each cycle and represent an important forum for listening to employee demands.

Also according to the climate survey, respondents indicated what their main priorities are for career opportunities and their appreciation of aspects connected to quality of life. Considering what we were hearing and connected to trends in gender equality, we increased parental leave to 20 days (before it was 5 days, as required by law). This measure will take effect for all employees starting in 2018.

To enhance our work on topics of gender equality and promotion of diversity, in 2017 we joined the Women's Empowerment Principles, established by UN Women and the Global Compact. Internally, we created the Diversity Committee, made up of men and women, discussing practices and ideas to promote equal opportunity and raise awareness on this topic.

The well-being and fulfillment of our people are fundamental, so we invest to make them feel good in the work environment. And that goes through ensuring the respect of their basic rights, without discrimination

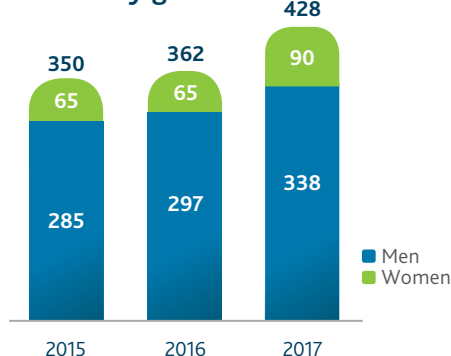
by race, color, gender, language, nationality or for any other reason like religion, sexual preference, political opinion or social condition. We guarantee treatment with respect and dignity with all the people with whom we relate, be they collaborators, residents of surrounding communities, suppliers, clients, service providers, among others.

ACTIONS ALIGNED WITH THE SDG



We are committed to eliminating all forms of discrimination and violence. By adhering to the Women's Empowerment Principles, we are in the process of creating a Diversity Subcommittee to advance the guarantee of equal opportunities for all without distinction.

Company employees by gender



WOMEN'S EMPOWERMENT PRINCIPLES



Suppliers

Our suppliers are a strategic public for the development of our business, which is why we prioritize transparency and integrity in the relationships we establish. In an effort to enhance all of our activities and control supply chain risks, we have developed the Sustainable Partners program since 2013, promoting improved practices by our partners, integration of sustainability in management and mitigation of risks.

Through Sustainable Partners, the performance of our critical suppliers is assessed using the Supplier Performance Index (SPI), a tool that allows managers to analyze deliveries and fulfillment of contracts, establishing action plans for situations that are not within the standards and quality levels established. In 2017, out of the 1,202 suppliers with whom we have commercial relations, 76 were assessed by the SPI in 11 different categories of products and services. Out of this group, only 13% had a score of less than 70, with action plans developed for these suppliers. No contracts were terminated due to nonconformities found in assessments.

Each sourcing category has its own form that must be filled out monthly by the contract manager in order to evaluate social, environmental, safety and operational criteria, as well as aspects such as ethics, compliance, respect for labor rights, validity of environmental licenses and more. Insofar as specific suppliers, products or services are incorporated into the Program, new criteria will be added to this assessment. That was the case in 2017, when criteria were included related to storage of materials in a specific questionnaire on material inventory management.

Also new during the period was implementation of an app that allows questionnaires to be completed using a smartphone or tablet. Contract managers gain greater agility and flexibility with this tool. In addition, we implemented and is in the test fase the **Supplier Portal**, where not only can information related to contracts be found, but also information on the progress of SPI performance.

Suppliers whose performance is above the targets set by the SPI are nominated annually for the Best AES Brasil Suppliers Award. In 2017, we held the seventh edition of the award.

RISK MANAGEMENT IN THE SUPPLY CHAIN

In order to establish suppliers' criticalness level, we have set up a matrix that considers possible risks (economic, social and environmental) for our business and the complexity of the activity in the market. Enhancement of this criticalness matrix is done continually, improving how we identify and manage risks in our chain.

In partnership with the Center for Sustainability Studies at Fundação Getulio Vargas (GVCes), a protocol was proposed for creating a materiality analysis for the supplier chain, applying new social and environmental criteria to categorize our most critical suppliers. We found that, with this improvement, there is a chance to concentrate more intensive oversight actions on partners with a greater associated risk, while using less intense actions for suppliers with lower levels. With this, we will achieve more effective results, in proportion to our investments of time and management resources at companies with different risk factors, making the company more efficient and giving it more power to act.



Local communities

Our goal is to promote development in relations with the communities in the regions where we operate. To do this, we make investments in using legal incentives for cultural activities and sports and company funds.

With the diversification of our portfolio, based on the acquisition of the Alto Sertão II Wind Complex in 2017, we worked to diagnose the potential and natural characteristics of the municipalities impacted by our operations in Bahia. Using this evaluation, future projects will be shaped according to the realities and needs of the region.

In 2017, our investments in social projects reached R\$ 3.8 million. Over 17,000 people were impacted by actions which not only promoted the development and growth of communities, but also increased the recognition of AES Tietê as a company that is committed to society and to generating sustainable value.

We work in communities on four fronts:

Citizenship

Projects developed with funds from Rouanet Act incentives bring culture and the arts to municipalities in the territory influenced by AES Tietê. Notable this year were outdoor film sessions with Cine na Praça (Movies in the Square), music, dance and theater classes and shows with the O Palco (The Stage) project and training for public school teachers to encourage in and out of the classroom, the rescue of the cultural memory of the communities by the students. We also support projects chosen by city councils that promote the rights of children, adolescents and the elderly.

Conscientious Entrepreneurship

In Promissão (SP), we performed a diagnosis of local productive groups aligned to the vocation of the region. Twelve groups were mapped and analyzed under aspects of income generation, business and collective work. With the results, the company studies opportunities to strengthen groups with greater potential to increase income and contribute to the local economy.

Innovation for Social Development

The Pulsar Project, created in partnership with Impact Hub and Centro Paula Souza, involved three State Technical Schools (ETECs, their acronym in Portuguese) in the city of São Paulo and 186 students ages 14 to 16. Focused on fostering entrepreneurial culture, the project trained participants in weekly workshops over three months, based on three pillars: impact on the community, entrepreneurial attitude and energy. Organized into groups, the students developed innovation projects for the power sector, which were presented at the end of 2017 in a “Demoday”, having awarded the best placed.

Another prominent initiative was a partnership with Artemísia, a pioneer in fostering support for social businesses in Brazil. This initiative will allow for acceleration of two startups geared towards development of energy solutions with a social impact. The businesses supported include development of smart meters for end consumers to identify opportunities to reduce power consumption in their homes (Greenant) and creation of solutions that democratize access to solar energy (Solstar). The partnership will also result in the Thesis of Social Impact on Energy, an unprecedented survey that will bring together the main social and low-income challenges related to energy in Brazil.

Volunteerism

Our employees are encouraged to contribute to developing their communities through Energia do Bem (Good Energy), our volunteer program. In 2017, one of the biggest new things within this context was face-to-face and online mentoring for low-income youth. Our professionals used these moments to share career lessons, supporting students who benefit from career guidance. A total of 31 young people participated in the mentoring projects. The actions such as the campaign to encourage reading and the day of mobilization in the community, with planting of fruit trees in Bauru (SP), were also promoted during the year. A total of 53 AES Tietê volunteers were engaged in various actions.

CLOSURE OF THE AES INSTITUTE

In 2017 our social work was developed in partnership with the AES Institute. Starting in 2018, due to changes in the strategy of the AES Brasil Group, the management of social and cultural initiatives will be carried out by the company, in a way that is even more connected with the positioning of AES Tietê.

PROJECT / INITIATIVE	AREA OF INFLUENCE	ESTIMATED NUMBER OF BENEFICIARIES	FUNDS INVESTED (R\$)	ORIGIN OF FUNDING
Instituto AES Management of the company's private social investment initiatives.	Regions where AES Tietê operates	Indeterminate	1,039,369	Company funds
CITIZENSHIP				
O Palco A project encouraging creativity and the arts as alternatives to social insertion for kids and adolescents.	Municipalities will be defined in 2018	The number of beneficiaries will be defined in 2018, based on execution of projects	300,000	Incentive funds – Rouanet Act
Todo lugar tem uma história para contar (Everywhere has a story to tell) Project to record memories based on the stories of residents' lives, done by primary schools with teachers and students.	Municipalities will be defined in 2018	The number of beneficiaries will be defined in 2018, based on execution of projects	300,000	Incentive funds – Rouanet Act
Cine na Praça Itinerante (Travelling Movies in the Square) Outdoor movie screenings in public squares and workshops held to revitalize squares with the involvement of young people and children.	Municipalities will be defined in 2018	The number of beneficiaries will be defined in 2018, based on execution of projects	300,000	Incentive funds – Rouanet Act
Vida de Criança (A Kid's Life) (Caio Vilela Fotografia) A photography exhibit and workshops dedicated to public school children, covering topics related to a healthy childhood.	Municipalities will be defined in 2018	The number of beneficiaries will be defined in 2018, based on execution of projects	104,871	Incentive funds – Rouanet Act
Projeto Guri na Estrada (Kid on the Road Project) Music shows and music practice workshops for public school students.	Municipalities will be defined in 2018	The number of beneficiaries will be defined in 2018, based on execution of projects	300,000	Incentive funds – Rouanet Act
ABDA - Associação Bauruense de Desportes Aquáticos (Water Sports Association of Bauru) Track and Field Project Training and maintenance of a track and field team, finding talent and providing the conditions needed to practice sports and take part in official championships at the state and national levels.	Bauru	The number of beneficiaries will be defined in 2018, based on execution of projects	321,000	Incentive funds – Sports Act
Municipal Councils on Children and Adolescent Rights Support for social projects registered, according to the priorities and rules established by the Council.	Bariri, Barra Bonita, Igarapu do Tietê, Mococa, Lins and Promissão	The number of beneficiaries will be defined in 2018, based on execution of projects	313,318	Incentive funds – FUMCAD (Child and Adolescent Rights Municipal Fund)
Municipal Councils on the Elderly Support for social projects registered, according to the priorities and rules established by the Council.	Caconde, Mococa and Promissão	The number of beneficiaries will be defined in 2018, based on execution of projects	326,218	Incentive funds – FMI (Municipal Fund for the Elderly)
Geração+ (Generation+) Mobilization of public school students and teachers to create a network geared towards sustainability values and ideas.	Municipalities will be defined in 2018	The number of beneficiaries will be defined in 2018, based on execution of projects	67,850	Company funds – via Instituto AES
Children's Educational Center Luz e Lápis Registered as a Public Interest Civil Society Organization (OSCIP), it caters to children, ages 1 to 5, from low income households or living at social risk.	There are two units located in the southern zone of the municipality of São Paulo, in the neighborhoods of S. Amaro and Guarapiranga	212 children	114,000	Company funds
Programa Empresa Amiga da Criança (Kid-Friendly Company Program) - Fundação Abrinq Non-profit organization whose mission is to promote advocacy for the rights and exercise of citizenship of kids and adolescents.	Brazil	Indeterminate	29,397	Company funds
INNOVATION FOR SOCIAL DEVELOPMENT				
Pulsar Project Training workshops and other activities focused on strengthening entrepreneurial culture with a social impact and for energy at technical schools in São Paulo, in partnership with Impact Hub and Centro Paula Souza.	São Paulo	186 participating students 1,120 students made aware of the project	75,000	Company funds – via Instituto AES
Negócios de impacto social em energia (Energy business with a social impact) Identification of energy business with a social impact, acceleration of entrepreneurs with business models geared towards the low-income population and creation of a thesis of social impact in energy. Project done in partnership with Artemisia.	Brazil	Indeterminate	100,000	Company funds – via Instituto AES
Path Festival Sponsor of the 2017 edition. Innovation and creativity event for professionals, students and companies that want to innovate how they think and act.	São Paulo	Indeterminate	11,732	Company funds – via Instituto AES
CONSCIENTIOUS ENTREPRENEURSHIP				
Diagnóstico de cadeias produtivas (Production chain diagnostics) Survey and analysis of production groups, focused on generating income for assessing the potential to expand and strengthen activities.	Promissão	Indeterminate	41,592	Company funds – via Instituto AES
VOLUNTEERISM				
Energia do Bem (Good Energy) Program Corporate volunteering initiatives with the goal of engaging employees in social transformation actions.	Regions where AES Tietê operates	Indeterminate	69,866	Company funds – via Instituto AES



Annexes

About the report

The AES Tietê 2017 Sustainability Report shows how material aspects of our business, results and lessons learned over the last year are managed, along with short-, medium- and long-term strategic perspectives and priorities. The document, published for the last 12 years, is the first to meet the requirements of the GRI Standards, a standard published in late 2016 by the Global Reporting Initiative (GRI). Just as with previous years, the Report considers Integrated Reporting principles, especially for the model for creating value in the financial, manufactured, natural, intellectual, human and social and relationship capitals.

Information was collected with the transversal involvement of company areas, considering the period of January to December 2017, and was subject to independent, verification, by KPMG Financial Risk & Actuarial Services Ltda., just as with previous years. The organizations covered by the scope of the Report are the same organizations on Accounting Statements (to know them, access the complete document on the [Investor Relations website](#)), guaranteeing alignment of information between these documents. Exceptions may arise in environmental and operational indicators, since control mechanisms of acquired assets are still being incorporated into corporate management routines. These limitations are indicated specifically in the indicators to which

they apply. AES Tietê's Board of Directors and Fiscal Council follow the process of preparing and assurance of the report.

In addition to this full version in PDF, in Portuguese and English, we also provide an **online version** to stakeholders with the main highlights and key aspects from the year. Our team is available by e-mail at sustentabilidade@aes.com if anyone is interested in obtaining more information or in sending comments regarding our Report.

Materiality Matrix

Since 2014, the content of our Report has been defined based on the themes of greatest interest to our stakeholders and which have the most impact on our strategy. Every year, we revise and update the list of material topics in order to continually guarantee alignment of our accountability with our stakeholders' demands and desires.

In 2016, this process included a wide-ranging process of direct employee consultations, analysis of surveys conducted throughout the year with the publics most critical to the business and incorporation of the topics of greatest interest to civil society and sustainability matters highlighted in international reporting references and initiatives aimed at

sustainable development. The identification of the boundaries of each material theme considered the relevance of the different operations to generate the impacts related to the theme. In this cycle, a review of the materiality matrix was done internally, aligning it with the new strategic position at AES Tietê. As a result, the theme of Customer satisfaction was included among the company's material topics.

MATERIAL TOPIC		REPORT CHAPTERS	GLOBAL COMPACT	SUSTAINABLE DEVELOPMENT GOALS
Ethics and governance*	Conducting our business in accordance with the highest standards of conduct and best corporate governance practices is fundamental to the trust of all our stakeholders and to the continuity of our operations.	We are AES Tietê	10	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Dialog channels*	The management of the relationship with our stakeholders occurs in a decentralized manner through the various areas with a direct interface with each type of public. In these activities, we cherish transparency and agility in order to ensure that the demands and reasonable interests of the stakeholders are met, strengthening their alignment with the company's strategy and value generation	Engagement with stakeholders	1 3 6	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
Financial performance*	The financial result of our operations ensures the availability of resources for new investments and expansions and is of interest to all our stakeholders, since it enables business growth and continuous improvement of the company's management.	Performance		7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH
Risk management and operational efficiency*	The ability to anticipate risks and the continuous evolution of efficiency gains contribute to the availability and integrity of our assets, compliance with our contracts and the ability to generate business value. This issue is of particular relevance to our customers, suppliers, employees, more directly linked to our value chain, and regulatory bodies, which establish regulatory limits for the indicators of availability of assets.	Sustainable generation	7 8 9	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION 15 LIFE ON LAND
Innovation	Investments in innovation are fundamental to the provision of renewable solutions and new energy services, which are at the heart of our strategy. The ability to make these investments is of particular relevance to our investors and players in the innovation ecosystem (research institutions, incubators and statutes).	Performance		8 DECENT WORK AND ECONOMIC GROWTH
Safety of teams and operations	Our commitment to the safety of employees and contractors and to the integrity of operations, especially hydroelectric generation plants, is non-negotiable. The policies and practices that we adopt for this theme are of interest mainly to our employees and contractors, in addition to meeting the demands of investors, government and civil society entities.	Performance	1	3 GOOD HEALTH AND WELL-BEING 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Protection of biodiversity*	The availability of natural resources is a necessary condition for the operation of our generation assets, so we invest in environmental recovery and protection of biodiversity, aligned with the desire of all our stakeholders for a more sustainable economic activity.	Performance	7 8	6 CLEAN WATER AND SANITATION 13 CLIMATE ACTION 15 LIFE ON LAND
Community development*	We share the value generated by our operations by boosting the socioeconomic and cultural development of communities close to our enterprises. This investment contributes to the institutional reputation and the building of a legacy in the regions where we operate.	Engagement with stakeholders	1	7 AFFORDABLE AND CLEAN ENERGY 10 REDUCED INEQUALITIES
Customer satisfaction*	Customers are at the center of our value creation model. The diversification of our generation portfolio and the development of new solutions and services in renewable energy are premises of our strategy and, therefore, of interest to all our stakeholders.	Sustainable generation	9	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION 15 LIFE ON LAND

*The boundaries of these material themes are restricted to AES Tietê's operations. Although in some topics other actors in our chain, such as suppliers and customers, contribute to our capacity to generate value, we do not have specific information on the management of these actors on each material topic.

Supplements to GRI disclosures

102-8 All company employees are contracted for an indefinite term and work full time. Our staff grew by 18% in 2017, due to adaptation of the corporate structure to the strategy of diversification of the generator park. Within this movement, women’s share of the total headcount went from 18% to 21%.
In asset maintenance activities, we have contract employees, which impacts the increase in our workforce according to programmed stoppage needs; however, there is no defined seasonality. At the end of 2017, we had 974 contract employees, compared to 895 at the end of 2016.

COMPANY EMPLOYEES BY GENDER*	2017	2016	2015
Men	338	297	285
Women	90	65	65

**Data regards the base date of December 31 of the respective years and does not consider board members and interns, since they do not have an established employment relationship with the company according to Brazilian law. The information was compiled from the active employees base in the ADP people management system.*

- 102-41** 100% of our employees are covered by collective bargaining agreements.
- 102-45** The following socio-environmental disclosures do not yet cover the operations of Alto Sertão II and the solar complexes under construction: 102-9, 302-1, 305-1, 305-2, 305-3, 304-2, 304-3, 304- 4, 308-2, 414-2 and EU30.
- 102-48** No information was shown again.

102-13 By participating in industry associations and civil society organizations, we contribute to progress in discussions of topics strategic to our business. Among electrical sector associations, we participate in the Brazilian Association of Electrical Energy Generator Companies (Associação Brasileira das Empresas Geradoras de Energia Elétrica - Abrage), the Brazilian Association of Independent Electricity Producers (Associação Brasileira dos Produtores Independentes de Energia Elétrica – Apine) and in the São Paulo State Energy Trade Association (Sindicato da Indústria da Energia no Estado de São Paulo – Sindiennergia). These organizations work to advocate for industry interests and to share information among their members. In the context of solar, wind and other renewable resources, our employees are involved in initiatives by the Brazilian Wind Energy Association (Associação Brasileira de Energia Eólica – Abeeólica) and the Brazilian Association of Photovoltaic Solar Energy (Associação Brasileira de Energia Solar Fotovoltaica – Absolar). Discussions in these forums are related to diversification of the generation portfolio in renewable resources and institutional positioning concerning this topic. We are also an active participant in the Amcham (American Chamber of Commerce), where we are able to increase our exchange of experiences and debate matters with other sectors, such as aspects of economic and legal context. In addition, we are members of the Energy and Climate Working Group of the Global Compact in Brazil, contributing to engage other companies in mitigating and adapting to climate change.

- 102-54** This report has been prepared prepared according to the GRI Standards: Core option.
- 103-2** The management approach of material topics is presented throughout the Report, including policies and other management mechanisms, where applicable.

205-3 In recent years, we have not had any confirmed cases of corruption among our employees or judicial processes related to this topic involving the company or any of our professionals. Under the scope of this type of complaint, we consider the AES Corp. definition of corruption: payments or other benefits received, promised or offered to government officials for the purpose of influencing decisions made by these officials, violating corporate policies and legal requirements or that have questionable aims.

302-1 In 2017, total energy consumption at AES Tietê was 181.7 TJ, 12% less than in 2016. Of this total, 174.5 TJ regards the company’s own consumption of electricity. The rest is related to fuel consumption, the percentage of which came from renewable resources in 2017 was about 60%.

ENERGY GENERATED FROM FUELS (GJ)	2017	2016	2015
Renewable sources			
Etanol	4,229.55	5,013.44	4,498.37
Total	4,229.55	5,013.44	4,498.37
Non-renewable sources			
Diesel	2,674.94	2,187.74	2,491.90
Gasolina	294.43	97.08	26.59
Total	2,969.37	2,284.82	2,518.50

308-2 Supplier assessment is done under the scope of the Sustainable Partners Program (learn more on page 42). Just as in 2016, three suppliers were considered critical in environmental aspects, since they provide waste management services, support for emergency situations and pest control. All scored above 75 on the SPI; therefore, they did not have significant negative impacts on the environment.

304-2 The impacts generated by our operations on biodiversity are continually mapped and mitigated using the Integrated Management System (SGI). At hydroelectric assets, the positive impacts of reforestation and reestablishment of animal life in rivers has contributed to increasing regional biodiversity. During maintenance stoppages at plants, fish get stuck in the generation units, spillways and sluice gates. This impact is minimized through actions such as deviation of schools of fish before stoppages and rescuing of fish, done at the facilities. Our plants were constructed before current laws were applicable, which establish that environmental impacts studies must be done prior to installing dams. That is why it is not possible to assess the habitats and biodiversity before dams were installed or compare the positive and negative effects of actions done with the implementation of reservoirs.

304-4 Monitoring of terrestrial animals is done at our units using samples taken according to the size of each reservoir. Each year, we perform four field studies, lasting five days each, applying methodologies appropriate for analyzing each of the animal groups covered in the study (herpetofauna, avifauna, and small, medium and large mammals).

SPECIES OF FAUNA ON LISTS OF THREAT OF EXTINCTION	2017		2016		2015	
	IUCN	ICMBIO	IUCN	ICMBIO	IUCN	ICMBIO
Critically endangered	0	0	0	0	0	0
In danger	2	3	0	0	0	0
Vulnerable	5	9	3	8	5	7
Almost threatened	12	0	0	0	0	0
Insufficient data	3	2	0	0	0	0
Total	22	14	3	8	5	7

403-2

HEALTH AND SAFETY INDICATORS FOR COMPANY EMPLOYEES*	2017	2016	2015
Number of accidents	1	0	1
Lost/debited days	0	0	0
Man-hours worked	903,493	653,754	636,246
Fatal accidents	0	0	0
Frequency rate**	1.11	0.00	1,57
Severity rate***	0.00	0.00	0.00

*Data restricted to operations at hydroelectric plants (Southeast region), since we did not have company employees at Northeast region operations in 2017. Data reported according to NBR 14.280. We do not have a breakdown by gender, based on the unavailability of man-hours worked in this format. We also do not have information available on occupational diseases and absenteeism.

**FR (frequency rate) = the number of accidents for every 1 million man-hours worked.

***SR (severity rate) = the number of days lost (due to time off resulting from occupational accidents) for every 1 million man-hours worked.

HEALTH AND SAFETY INDICATORS FOR CONTRACTORS BY REGION*	2017			2016	2015
	Northeast	Southeast	Overall	Overall	Overall
Number of accidents	1	5	6	6	4
Lost/debited days	4	7	11	105	0
Man-hours worked	105,266	1,203,537	1,308,803	1,108,438	1,416,910
Fatal accidents	0	0	0	0	0
Frequency rate**	9.50	4.15	4.58	4.51	2.82
Severity rate***	38	5.82	8	94	0

* Data reported in accordance with NBR 14.280, in the previous years our performance was restricted to the Southeast region, in 2017 the indicator includes the operations of the wind farm located in the Northeast. We do not have segmentation by gender, due to the unavailability of man-hours worked in this format. We also do not have information on occupational disease and absenteeism rates.

**FR (frequency rate) = the number of accidents for every 1 million man-hours worked.

***SR (severity rate) = the number of days lost (due to time off resulting from occupational accidents) for every 1 million man-hours worked..

404-3

Since 2007, we have evaluated deliveries and the potential of each employee on an annual basis through the Performance Management Program. For leadership in particular, this process is more focused on the Management Contract, which monitors the achievement of individual goals every six months, according to the company's objectives. To participate in the process, employees should have worked for at least three months at the company (if they are on leave, they should have worked for at least three consecutive months in the period). Board members, apprentices and trade unionists are not eligible.

PERCENTAGE OF EMPLOYEES WHO RECEIVED PERFORMANCE EVALUATION IN 2017

By gender

Men	96.2%
Women	93.3%

By job level

Executive Board	100.0%
Division	100.0%
Coordination	100.0%
Administrative	93.5%
Operations	96.2%
Overall	95.6%

413-1

All the plants are covered by private social investment initiatives and by the corporate action of Institutional Relations in surrounding communities. Current projects (hydroelectric plants) have existed for many years, some of them when Brazilian legislation has not yet provided for the current licensing requirements, so it is not possible to compile a percentage of plants where there is or has been a formal impact assessment process and development.

DMA Research and Development

INVESTMENTS IN R&D (R\$ THOUSAND)	2017	2016	2015
Alternative sources of electric power generation	2,455	189	3,032
Environment	1,466	1,442	3,133
Safety	508	989	0
Energy efficiency	56	0	0
Planning of electric power systems	33	316	1,194
Operation of electric power systems	0	392	0
Supervision, control and protection of electrical energy systems	2,458	409	11
Quality and reliability of electric power services	14	969	2,066
Others	840	1,988	697
R&D Management	409	465	626
Others	431	1,523	70
Total	7,829	6,695	10,131

EU18 In addition to the legally required training on health and safety, we periodically promote training for company and contractor teams. Notable among these practices is the Momento Ligado (Enlightened Moment), held weekly at operational units and monthly at headquarters, where we discuss events with company and contract employees that could have caused accidents, investigative procedures and identified causes of problems, focused on identifying improvements. This allows for 100% of company and contract employees to be continually trained on aspects of health and safety.

EU30 The reduction of the availability factor from 2016 to 2017 refers to a greater number of preventive maintenance, reinforcing the concepts of the Asset Management System applied by AES Tietê.

DURATION OF OUTAGE PER PLANT (HOURS)	2017		2016		2015	
	Planned	Unplanned	Planned	Unplanned	Planned	Unplanned
Água Vermelha	13,195.0	751.7	10,870.6	630.8	10,932.2	487.1
Bariri	286.1	536.0	509.5	648.5	7,898.6	111.2
Barra Bonita	7,137.4	339.9	3,601.6	2,786.1	2,430.2	1,848.5
Caconde	488.7	236.6	103.6	460.0	559.4	254.9
Euclides da Cunha	380.6	26.2	30.5	7,605.2	253.9	826.3
Ibitinga	262.3	664.2	548.7	857.2	1,345.9	429.2
Limoeiro	1,334.0	86.2	202.0	235.2	2,864.8	103.0
Nova Avanhandava	751.2	615.0	25.2	545.5	521.9	175.6
Promissão	913.9	459.9	1,247.0	307.9	1,186.6	834.5
PCH Mogi-Guaçu	1,259.4	145.0	110.9	1,605.6	2,121.4	1,887.7
PCH São Joaquim	7.8	2,805.9	0.0	2,457.5	0.0	2,096.0
PCH São José	4.7	15,687.9	0.0	13,055.2	744.0	11,413.6
Total	26,021.0	22,354.4	17,249.6	31,194.7	30,858.9	20,467.6

AVERAGE AVAILABILITY FACTOR PER PLANT (%)	2017	2016	2015
Água Vermelha	73.47%	78.18%	78.27%
Bariri	96.87%	95.61%	69.52%
Barra Bonita	78.66%	81.82%	87.79%
Caconde	95.80%	96.79%	95.35%
Euclides da Cunha	98.84%	78.27%	96.92%
Ibitinga	96.47%	94.66%	93.25%
Limoeiro	91.89%	97.51%	83.06%
Nova Avanhandava	94.80%	97.83%	97.35%
Promissão	94.77%	94.10%	92.31%
PCH Mogi-Guaçu	91.98%	90.23%	77.12%
PCH São Joaquim	67.88%	72.02%	76.07%
PCH São José	10.43%	25.69%	30.61%
Geral	82.91%	85.00%	84.18%

GRI content index

GRI STANDARD	DISCLOSURE	PAGE	OMISSIONS
General disclosures	102-1 Name of the organization	7	-
	102-2 Activities, brands, products, and services	7	-
	102-3 Location of headquarters	7	-
	102-4 Location of operations	55	-
	102-5 Ownership and legal form	9	-
	102-6 Markets served	7	-
	102-7 Scale of the organization	7, 25 and 30	-
	102-8 Information on employees and other workers	41 and 48	-
	102-9 Supply chain	42	-
	102-10 Significant changes to the organization and its supply chain	7 and 8	-
	102-11 Precautionary Principle or approach	13, 35 and 37	-
	102-12 External initiatives	12	-
	102-13 Membership of associations	48	-
GRI 102 General disclosures 2016	102-14 Statement from senior decision-maker	4 and 5	-
	102-15 Key impacts, risks, and opportunities	13 and 14	-
	102-16 Values, principles, standards, and norms of behavior	17	-
	102-17 Mechanisms for advice and concerns about ethics	11	-
	102-18 Governance structure	10	-
	102-40 List of stakeholder groups	39 and 46	-
	102-41 Collective bargaining agreements	48	-
	102-42 Identifying and selecting stakeholders	39 and 46	-
	102-43 Approach to stakeholder engagement	39 and 46	-
	102-44 Key topics and concerns raised	46	-
	102-45 Entities included in the consolidated financial statements	46 and 48	-
	102-46 Defining report content and topic Boundaries	46	-
	102-47 List of material topics	47	-
	102-48 Restatements of information	48	-

GRI STANDARD	DISCLOSURE	PAGE	OMISSIONS
GRI 102 General disclosures 2016	102-49 Changes in reporting	46	-
	102-50 Reporting period	46	-
	102-51 Date of most recent report	46	-
	102-52 Reporting cycle	46	-
	102-53 Contact point for questions regarding the report	46	-
	102-54 Claims of reporting in accordance with the GRI Standards	48	-
	102-55 GRI content index	52, 53, 54 and 55	-
	102-56 External assurance	46 and 56	-
GRI G4 Electric utilities sector disclosures	EU1 Installed capacity, broken down by primary energy source and by regulatory regime	25	-
	EU2 Net energy output broken down by primary energy source and by regulatory regime	25	-
Material topic Ethics and governance			
GRI 205 Anti-corruption 2016	103-1 Explanation of the material topic and its Boundary	11 and 47	-
	103-2 The management approach and its components	11 and 48	-
	103-3 Evaluation of the management approach	11 and 47	-
	205-3 Confirmed incidents of corruption and actions taken	49	-
Material topic Dialog channels			
GRI 308 Supplier environmental assessment 2016	103-1 Explanation of the material topic and its Boundary	42 and 47	-
	103-2 The management approach and its components	39, 42 and 48	-
	103-3 Evaluation of the management approach	42 and 47	-
	308-2 Negative environmental impacts in the supply chain and actions taken	49	-
GRI 414 Supplier social assessment 2016	103-1 Explanation of the material topic and its Boundary	42 and 47	-
	103-2 The management approach and its components	39, 42 and 48	-
	103-3 Evaluation of the management approach	42 and 47	-
	414-2 Negative social impacts in the supply chain and actions taken	42	-
Material topic Financial performance			
GRI 201 Economic performance 2016	103-1 Explanation of the material topic and its Boundary	16, 17, 21, 28, 29 and 47	-
	103-2 The management approach and its components	7, 16, 17, 18, 19, 21, 30 and 48	-
	103-3 Evaluation of the management approach	7, 16, 17, 18, 30 and 47	-
	201-1 Direct economic value generated and distributed	30	-
	201-2 Financial implications and other risks and opportunities due to climate change	24, 28, 29, 31 and 34	-

GRI STANDARD	DISCLOSURE	PAGE	OMISSIONS
Material topic Risk management and operational efficiency			
GRI 302 Energy 2016	103-1 Explanation of the material topic and its Boundary	25, 26, 32 and 47	-
	103-2 The management approach and its components	12, 13, 14, 32 and 48	-
	103-3 Evaluation of the management approach	25, 26, 32 and 47	-
	302-1 Energy consumption within the organization	49	-
GRI 305 Emissions 2016	103-1 Explanation of the material topic and its Boundary	25, 26, 32 and 47	-
	103-2 The management approach and its components	12, 13, 14, 32 and 48	-
	103-3 Evaluation of the management approach	25, 26, 32 and 47	-
	305-1 Direct (Scope 1) GHG emissions	34	-
	305-2 Energy indirect (Scope 2) GHG emissions	34	-
	305-3 Other indirect (Scope 3) GHG emissions	34	-
GRI G4 Electric utilities sector disclosures	EU30 Average plant availability factor by energy source and by regulatory regime	51	-
Material topic Customer satisfaction			
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	21 and 47	-
	103-2 The management approach and its components	7, 21 and 48	-
	103-3 Evaluation of the management approach	7, 21 and 47	-
Material topic Innovation			
GRI 404 Training and education 2016	103-1 Explanation of the material topic and its Boundary	40 and 47	-
	103-2 The management approach and its components	7, 31, 40, 41 and 48	-
	103-3 Evaluation of the management approach	7, 40 and 47	-
	404-1 Average hours of training per year per employee	40	-
	404-3 Percentage of employees receiving regular performance and career development reviews	50	-
GRI G4 Electric utilities sector disclosures	DMA Research and development	31 and 51	-
Material topic Safety of teams and operations			
GRI 403 Occupational health and safety 2016	103-1 Explanation of the material topic and its Boundary	25, 26, 35 and 47	-
	103-2 The management approach and its components	25, 26, 35, 37 and 48	-
	103-3 Evaluation of the management approach	25, 26, 35 and 47	-
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	35 and 50	-

GRI STANDARD	DISCLOSURE	PAGE	OMISSIONS
GRI G4 Electric utilities sector disclosures	EU18 Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	35 and 51	-
	DMA Disaster/Emergency planning and response	37	-
Material topic Protection of biodiversity			
GRI 304 Biodiversity 2016	103-1 Explanation of the material topic and its Boundary	32, 33 and 47	-
	103-2 The management approach and its components	32, 33 and 48	-
	103-3 Evaluation of the management approach	32, 33 and 47	-
	304-2 Significant impacts of activities, products, and services on biodiversity	32, 33 and 49	-
	304-3 Habitats protected or restored	32 and 33	-
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	49	-
Material topic Community development			
GRI 413 Local communities 2016	103-1 Explanation of the material topic and its Boundary	43 and 47	-
	103-2 The management approach and its components	43 and 48	-
	103-3 Evaluation of the management approach	43 and 47	-
	413-1 Operations with local community engagement, impact assessments, and development programs	43 and 50	-
GRI G4 Electric utilities sector disclosures	EU25 Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases	35	-

Address oh Headquarters

AES Tietê Energia S.A.
Av. Dr. Marcos Penteado de Ulhôa Rodrigues, 939,
Torre II, Barueri (SP)

Credits

Commercial and External Relations Vicepresidency
Ricardo Cyrino (Vicepresident)

Overall coordination
José Antônio Martins (Institutional Relations,
Communication and Sustainability Manager)

Content Coordination
Andrea Santoro (Institutional Relations,
Communication and Sustainability Specialist)

GRI consulting, editorial coordination and design
usina82

Photography
AES Tietê and AES Corp. collections
(cover Shutterstock)

KPMG Financial Risk & Actuarial Services Ltda.
Rua Arquiteto Olavo Redig de Campos, 105, 6º andar - Torre A
04711-904 - São Paulo/SP - Brasil
Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP - Brasil
Telefone +55 (11) 3940-1500, Fax +55 (11) 3940-1501
www.kpmg.com.br

Limited assurance report issued by independent auditors

To the Board of Directors, Shareholders and Stakeholders
AES Tietê Energia S.A.
Barueri - SP

Introduction

We have been engaged by AES Tietê Energia S.A. (AES Tietê or “Company”) to apply limited assurance procedures on the sustainability information disclosed in AES Tietê’s 2017 Sustainability Report, related to the year ended December 31st, 2017.

Responsibilities of AES Tietê’s Management

The Management of AES Tietê is responsible for adequately preparing and presenting the sustainability information in the 2017 Sustainability Report in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards, and the “Electric Utilities Sector Supplement”, as well as the internal controls determined necessary to ensure this information is free from material misstatement, resulting from fraud or error.

Independent auditors’ responsibility

Our responsibility is to express a conclusion about the information in the 2017 Sustainability Report based on a limited assurance engagement conducted in accordance with Technical Communication (TC) 07/2012, which was prepared based on NBC TO 3000 (Assurance Engagements Other Than Audits and Reviews), both issued by the Brazilian Federal Accounting Council - CFC and equivalent to international standard ISAE 3000, issued by the International Federation of Accountants and applicable to Non-Financial Historical Information. These standards require compliance with ethical requirements, including independence ones, and the engagement is also conducted to provide limited assurance that the information disclosed in the AES Tietê’s 2017 Sustainability Report, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with NBC TO 3000 (ISAE 3000) consists mainly of questions and interviews with the Management of AES Tietê and other professionals of the Company involved in the preparation of the information disclosed in the 2017 Sustainability Report and use of analytical procedures to obtain evidence that enables us to reach a limited assurance conclusion about the sustainability information taken as a whole. A limited assurance engagement also requires additional procedures when the independent auditor acknowledges issues which may lead them to believe that the information disclosed in the 2017 Sustainability Report taken as a whole could present material misstatement.

The selected procedures were based on our understanding of the issues related to the compilation, materiality and presentation of the information disclosed in the 2017 Sustainability Report, on other engagement circumstances and also on our considerations regarding areas and processes associated with material sustainability information disclosed where relevant misstatement could exist. The procedures consisted of:

- (a) Engagement planning: considering the material aspects for AES Tietê’s activities, the relevance of the information disclosed, the amount of quantitative and qualitative information and the operational systems and internal controls that served as a basis for preparation of the information in the AES Tietê’s 2017 Sustainability Report. This analysis defined the indicators to be checked in details;

- (b) Understanding and analysis of disclosed information related to material aspects management;
 - (c) Analysis of preparation processes of the 2017 Sustainability Report and its structure and content, based on the Principles for Defining Report Content and Quality of the GRI Sustainability Reporting Standards;
 - (d) Evaluation of non financial indicators selected:
 - Understanding of the calculation methodology and procedures for the compilation of indicators through interviews with management responsible for data preparation;
 - Application of analytical procedures regarding data and interviews for qualitative information and their correlation with indicators disclosed in the 2017 Sustainability Report;
 - Analysis of evidence supporting the disclosed information;
 - Visits to AES Tietê’s offices for application of these procedures, and items (b) and (c);
 - (e) Analysis of whether the performance indicators omission and justification are reasonable to be accepted associated to aspects and topics defined as material in the materiality analysis of the Company;
 - (f) Comparison of financial indicators with the financial statements and/or accounting records.
- We believe that the information, evidence and results we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

Scope and limitations

The procedures applied to a limited assurance engagement are substantially less extensive than those applied to a reasonable assurance engagement. Therefore, we cannot provide assurance that we are aware of all the issues that would have been identified in a reasonable assurance engagement, which aims to issue an opinion. If we had conducted a reasonable assurance engagement, we may have identified other issues and possible misstatements within the information presented in the 2017 Sustainability Report.

Nonfinancial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate or estimate these data. Qualitative interpretation of the data’s materiality, relevance and accuracy are subject to individual assumptions and judgments. Additionally, we have not examined data related to prior periods, evaluated the adequacy of the company’s policies, practices and sustainability performance, nor future projections.

Conclusion

Based on the procedures carried out, described earlier in this report, we have not identified any relevant information that leads us to believe that the information in AES Tietê’s 2017 Sustainability Report is not fairly stated in all material aspects in accordance with the GRI Sustainability Reporting Standards, and the “Electric Utilities Sector Supplement”, as well as its source records and files.

São Paulo, February 26th, 2017

KPMG Assessores Ltda.
CRC 2SP034262/O-4 F-SP

Eduardo V. Cipullo
Accountant CRC 1SP135597/O-6

KPMG Financial Risk & Actuarial Services Ltda.

Ricardo Algis Zibas
Director