AES Tietê

SUSTAINABILITY
REPORT 2018

CONTENT

INTRODUCTION

GRI 102-10 | 102-45 | 102-46 | 102-49 | 102-50 | 102-52 | 102-53 | 102-54 | 102-56

For the 13th consecutive year, we have published our Sustainability Report in order to present our management approach and the results of the priority aspects of our business in 2018. In line with continuous improvement, this document, for the second time, meets GRI Standards: Core option - the most current standard of the Global Reporting Initiative (GRI) - and includes the Integrated Reporting principles developed by the International Integrated Reporting Council (IIRC). Thus, we communicate, in a transparent manner, our value creation model in financial, manufactured, natural, intellectual, human, social, and relationship capitals.

The information - collected through the collaboration of our various areas - demonstrates the restructuring we underwent in 2018, beginning with the sale of Eletropaulo by AES Corp., the addition of new businesses, and other milestones in our cultural transformation. The data includes all of our businesses and subsidiaries, in line with our **Financial Statements**, with exceptions justified in their respective indicators.

As in previous years, this Report was independently verified by KPMG Financial Risk & Actuarial Services Ltda. and reviewed by the Board of Directors and the Audit Committee. Questions and suggestions regarding the content are welcome and may be sent to the email gerencia.relacoes.institucionais@aes.com.

READING GUIDE

Our Report is interactive and allows readers to browse through topics of their greatest interest during reading. In addition, it includes hyperlinks, for visiting our website and viewing complementary documents.

Throughout the publication, we describe our actions and the results achieved, in line with our strategy and commitment to the Sustainable Development Goals (SDG), especially SDG 7 - Ensure access to affordable, reliable, sustainable and modern energy for all, and SDG 13 - Take urgent action to combat climate change and its impacts. We also added icons that show how we create value in each of the six topics of the IIRC, as shown below.

MANUFACTURED CAPITAL | INTELLECTUAL CAPITAL | FINANCIAL CAPITAL | HUMAN CAPITAL | NATURAL CAPITAL | SOCIAL AND DEVELOPMENT CAPITAL

In addition to this full document, available in Portuguese and English, we provide an online version, with a summary of our performance in both languages, and a video that highlights our positioning and contributions to our stakeholders, always with the goal of catering to their interests quickly, directly, and transparently.

MATERIALITY MATRIX

GRI 102-42 | 102-43 | 102-44 | 102-46 | 102-47

The Report reflects our management and internal performance, related to the topics most important to stakeholders, formally surveyed in 2014. We then made annual revisions to include changes in our operations and in the energy sector. However, in this cycle, we chose to report the same indicators as the previous document, which cover the focus of our performance during the period. We intend to take another survey in 2019, after consolidating the reformulations in progress in 2018, due to our restructuring.

ETHICS AND GOVERNANCE*

Conducting business in accordance with the highest standards of conduct and best corporate governance practices is key to business continuity and gaining the trust of our stakeholders.

DIALOG CHANNELS*

Management of stakeholder relations occurs in a decentralized manner, in the various areas, with a direct interface with each type of stakeholder. In these activities, we value transparency and agility to ensure that we respond to the demands and interests of stakeholders, strengthening their alignment with strategy and value creation.

FINANCIAL PERFORMANCE*

The financial result of our operations ensures the availability of resources for investment and expansion - an interest of our stakeholders - since it allows for the growth of our businesses and the continuous improvement of our management.

RISK MANAGEMENT AND OPERATIONAL EFFICIENCY*

The ability to anticipate risks in our operations and continuous gains in efficiency contribute to the availability and integrity of our assets, compliance with our contracts, and the ability to create business value. The topic is material for clients, suppliers, and employees most directly linked to our value chain, as well as regulatory agencies, which establish regulatory limits for asset availability indicators.

INNOVATION

Investments in innovation are fundamental to providing renewable solutions and new energy services, which are at the heart of our strategy. The ability to make these investments is relevant to investors and players in the innovation ecosystem (research institutions, incubators, and startups).

EMPLOYEE AND OPERATIONAL SAFETY

Our commitment to the safety of employees and contractors and the integrity of operations is non-negotiable. The policies and practices adopted for this topic are of special interest to our employees and contractors, in addition to meeting the demands of investors, the government, and civil society entities.

PROTECTION OF BIODIVERSITY *

The availability of natural resources is a condition for the operation of our power generation assets. That is why we invest in environmental recovery and protection of biodiversity, aligned with the desire of our stakeholders for more sustainable economic activity.

COMMUNITY DEVELOPMENT*

We share the value created by our operations by boosting the social, economic, and cultural development of communities near our projects. This investment contributes to the institutional reputation and to building a legacy in the regions where we operate.

CLIENT SATISFACTION*

Clients are at the heart of our value creation model. The diversification of our generation portfolio and the development of solutions and services in renewable energy are premises of our strategy and, therefore, of interest to our stakeholders.

**The boundaries of these material topics are restricted to our operations and those of our subsidiaries. Although some players in our chain, such as suppliers and clients, contribute to our ability to create value, we do not have specific information concerning management of these players in each material topic.*

MESSAGE FROM THE CEO

GRI 102-14

We are AES Tietê, a company that incorporates innovation and sustainability into business management. We are attentive to the ongoing changes in the energy sector, in order to address the needs and expectations of our stakeholders, which has led us to successfully overcome the main challenges of the year, demonstrating our commitment to value creation and return to shareholders.

The year 2018 was marked by the consolidation of our new strategic positioning, with the diversification of our generation portfolio: we completed the acquisition of the Guaimbê Solar Complex, the largest in the State of São Paulo, with 150 MW installed capacity and initial operations in September 2018, and we started the construction of the Ouroeste Solar Complex, with commercial operations of the first solar park planned for 1Q2019.

We also celebrated the agreement to expand generation entered into with the São Paulo State Government, which reaffirms our effort and commitment to this topic. The agreement, which is to be completed in six years, has already been addressed in nearly 80% through the diversification of our portfolio in the state.

In order to mitigate the effects of the water shortage risk, we invested in the area of Market Intelligence and adopted new models for forecasting water availability and for commercial transactions, in addition to a differentiated and assertive seasonality strategy.

Given the country's political and economic scenario throughout the year, we reinforced our financial discipline and reaffirmed that our growth is oriented to acquisition or development of projects with a return in line with the risk.

In the area of safety related to dams, we continue to monitor and inspect them regularly to ensure their strength. Our dams are consolidated structures, designed, built and maintained according to strict technical engineering standards adopted by the energy sector. Our dams are regularly monitored through instruments and undergo inspection and assessment by specialized technical teams.

The differentiated nature of our teams, that are agile and motivated, contributed to our performance. After the disposal of Eletropaulo by AES Corp., we moved our headquarters to São Paulo, to an area that allowed our employees to work closer together and leaders to be even more accessible and involved. We worked to eliminate unnecessary hierarchies since we believe in the results obtained by collaborative work. All this once again placed us among the 150 Best Companies to Work, prepared by Guia Você SA.

Our work to strengthen market recognition as a company that supplies solutions in energy services and products led us to intensify our focus on clients. We are partners of this audience and our goal is to increase our business competitiveness and to simplify their life. To this end, we invest in technologies, such as microgrid and storage batteries - in which we are pioneers in Brazil - and in our cultural and digital transformation.

Creation of social and environmental value is another driver of our activities. We prepared a new sustainability strategy, aligned with the Sustainable Development Goals (SDGs), and maintained our investments in environmental preservation and social-economic development programs in the communities where we operate. As a result, we were considered one of the most sustainable companies in the country by Guia Exame de Sustentabilidade (Exame Sustainability Guide). Our accountable and transparent operation focused on aspects of compliance was also recognized, for remaining in B3`s Corporate Sustainability Index (ISE) for the twelfth consecutive year.

We share these achievements with our stakeholders, especially investors and shareholders - who have supported our growth in recent years -; with our employees, who have been with us during this restructuring phase and whose collaborative work allows us to remain confident in the success of our sustainable growth strategy; with suppliers, for their partnership and the quality of their deliverables; and with clients, for their trust in our work.

Ítalo Freitas
CEO of AES Tietê and AES Brasil

WE ARE

AESTIÊTE

PROFILE

GRI 102-1 | 102-2 | 102-4 | 102-5 | 102-6 | 102-7 | 102-10

We are an integrated energy platform, which allows us to meet a wide variety of client demands in different segments with efficiency, sustainability, availability, reliability, and innovation. For this audience, we provide autonomy in deciding the most appropriate way to meet energy needs, in addition to acting as partners: from diagnosis to the integration of solutions, implementation, operation, and maintenance of projects. Thus, our operations involve from trading of energy generated by our hydroelectric, wind and solar power plants to the development of small-to-large sized renewable energy solutions.

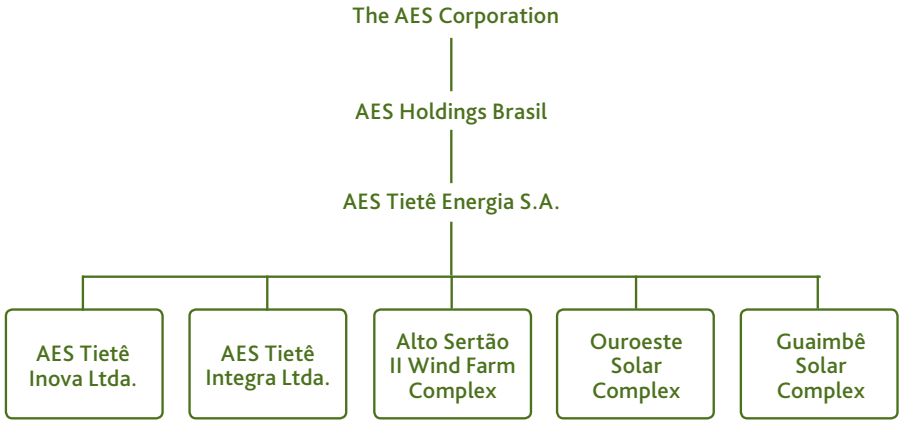
We are a part of Grupo AES Brasil and are controlled by AES Holdings Brasil Ltda., the investment arm of The **AES Corporation** (AES Corp.) in the country, one of the leading groups in the electric power sector, with operations in 15 countries with a power generation, distribution and storage portfolio, and shares listed on the New York Stock Exchange. Another important shareholder is BNDESPar, a wholly-owned subsidiary of the National Bank for Economic and Social Development (BNDES). Our complete shareholder structure may be found on our **Reference Form**.

We have been operating for almost two decades in Brazil, where we are among the largest power generation companies. Our hydropower complex is composed of nine plants and three small hydroelectric plants (PCHs) in the State of São Paulo (SP), which, together, have a capacity of 2,658 MW. The concessions of the hydroelectric plants and of the Mogi Guaçu PCH extend to 2029 and the São José and São Joaquim PCHs are authorized to operate until 2032. We also contribute to the diversification of the national energy matrix and to combating the effects of climate change by including, and prioritizing, non-hydroelectric renewable sources. In August 2017, we strengthened our portfolio with the Alto Sertão II Wind Farm Complex, with an installed capacity of 386 MW, located in the municipalities of Caetité, Guanambi, Igaporã, and Pindaí in the state of Bahia.

In 2018, seeking sustainable growth, we completed the acquisition of all shares of the Guaimbê Solar Complex, in the city of Guaimbê in the State of São Paulo, with 150 MW of installed capacity already in commercial operation.

Since 2017, we have also owned the Ouroeste Solar Complex, located in Ouroeste (SP), with two solar power plants and operations starting in two phases: the first includes the Boa Hora Solar Power Plant, with 69 MW and operation scheduled to begin in the first quarter of 2019, and the second includes the AGV Solar Power Plant, with an installed capacity of 75 MW and whose commercial operation is also scheduled for 2019.

Ownership Structure



WE ARE AMONG THE MOST MODERN IN BRAZIL

Our assets are controlled remotely by the Power Generation Operations Center (COGE), already fit to integrate our future plants. Inaugurated in 2017 in Bauru (SP), it is one of the most modern in the country: it generates its own solar power, with an installed capacity of 117 KWp, composed of 456 solar photovoltaic panels, using the entire roof area of the building, operated by an intelligent microgrid system. This renewable source provides up to 30% of the energy consumed. It also houses a digital laboratory to simulate the automation environment of hydroelectric power plants, allowing for tests and adjustments prior to implementation in the real operating environment.

By joining different technologies and sustainable practices, COGE provides our operations with safety, efficiency, and reliability, ensuring the quality of the electricity produced and delivered to clients.

OUR NUMBERS

GRI 102-7 | 302-1

3,348 MW
*OF INSTALLED CAPACITY**

454
EMPLOYEES

843
CONTRACTORS

10,659 GWh
OF GENERATED ENERGY

R$ 437.2 MILLION
IN TOTAL INVESTMENTS, INCLUDING ASSET MAINTENANCE AND MODERNIZATION

246.5
HECTARES OF REFORESTED AREAS

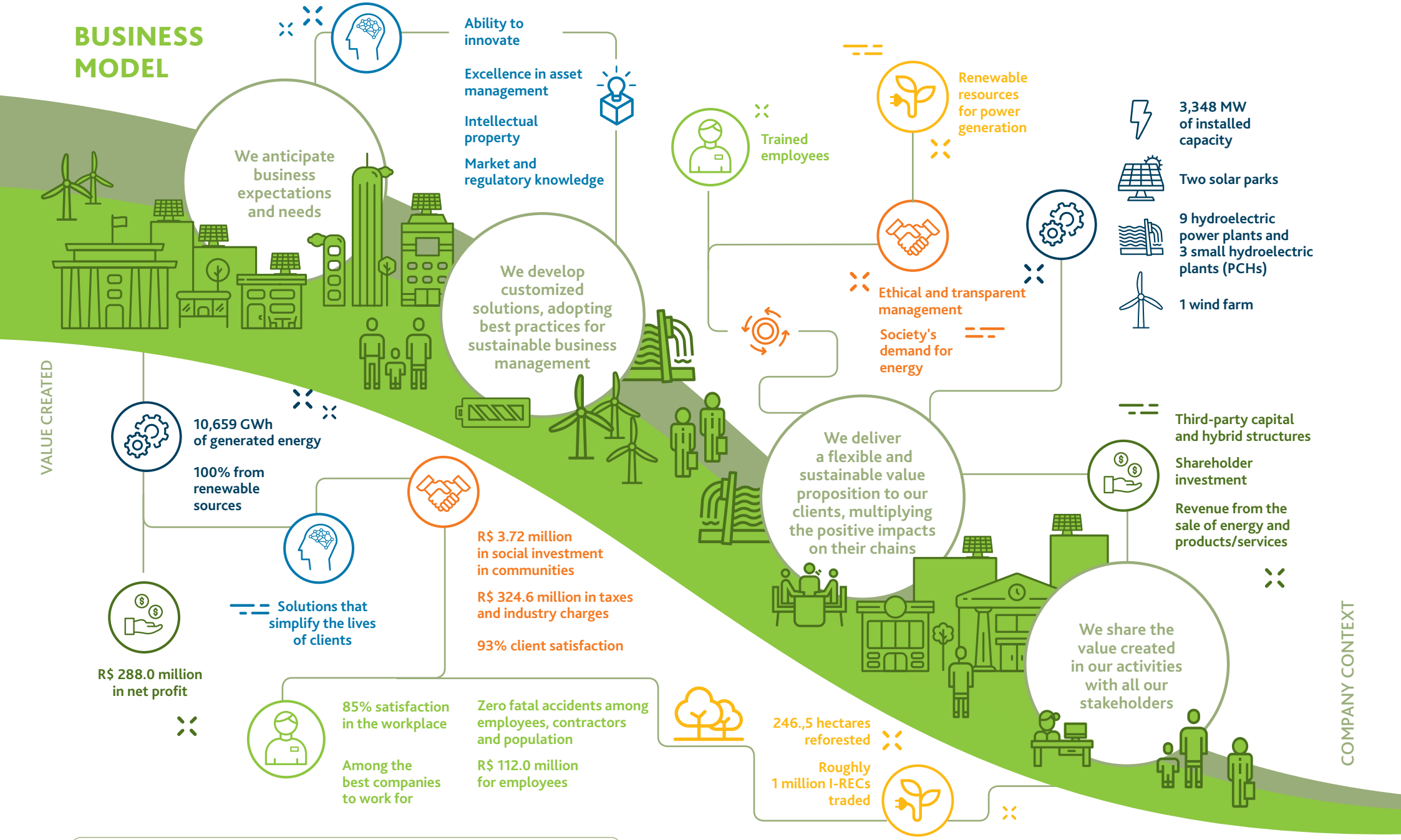
11,954 GWh
OF BILLED ENERGY

R$ 3.72 MILLION
INVESTED IN SOCIAL PROGRAMS

R$ 2.1 BILLION
OF GROSS OPERATING REVENUE

**Considers the Ouroeste Solar Complex (144 MW) under construction, whose installed capacity was changed given the change in the project.*

BUSINESS MODEL



MANUFACTURED CAPITAL | INTELLECTUAL CAPITAL | FINANCIAL CAPITAL | HUMAN CAPITAL | NATURAL CAPITAL | SOCIAL AND DEVELOPMENT CAPITAL

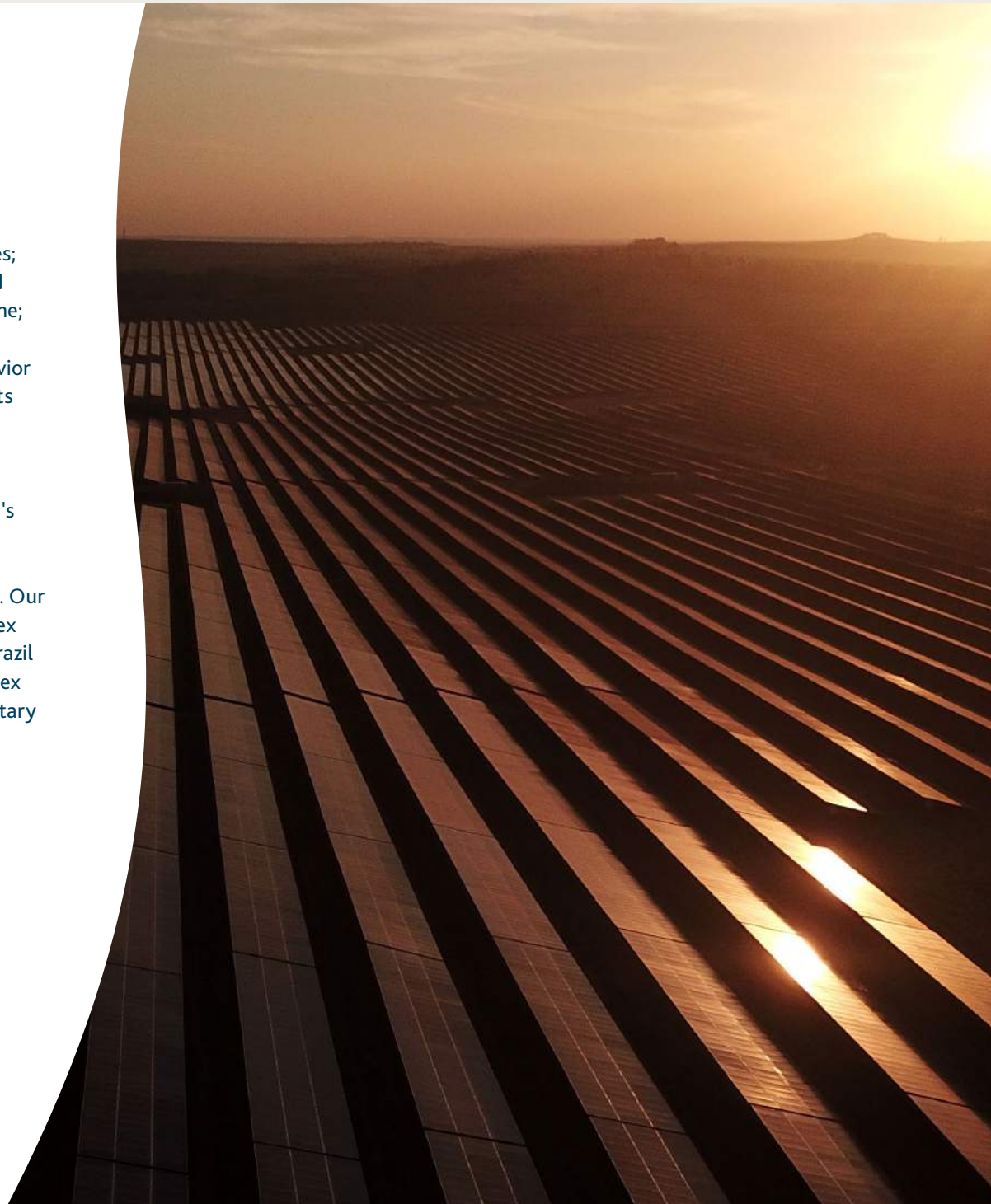
CORPORATE GOVERNANCE

Our corporate governance model is based on ethical, responsible principles of transparency and efficiency, with integrity and social and environmental responsibility in the decision-making process for creating value for all of our stakeholders. We have a decentralized management structure, with close and active leaders, as well as a close relationship between shareholders, administrators, independent auditors, and members of the Audit Committee.

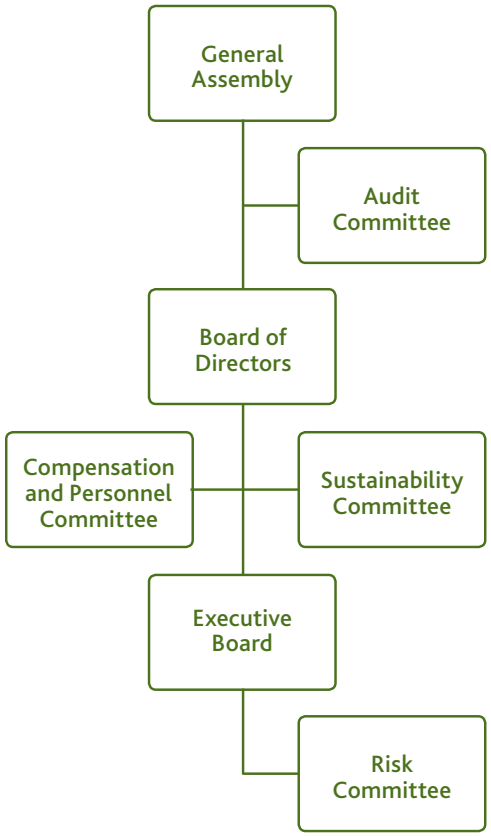
We have adopted best practices in governance, which comply with B3's Level 2 Corporate Governance, under which our units and shares are traded. Among the main practices are:

- Segregation of duties of the Chairman of the Board of Directors and of the CEO, aiming to avoid conflicts of interest in supervising and evaluating the performance of the Executive Board;
- The Board of Directors, comprised of at least 20% independent members (currently, two members);
- Members of the Board of Directors appointed by minority shareholders;
- Board members elected by employees;
- Maintenance of a whistleblowing and consultation channel, the AES Helpline;
- Efficient control and supervision mechanisms to ensure that the behavior of the executives reflects our interests and those of shareholders; and
- Transparent accountability.

Since 2007, we have participated in B3's Corporate Sustainability Index (ISE), which joins companies committed to sustainability in their business models. Our units also comprise the Electricity Index (IEE - Índice de Energia Elétrica), the Brazil Index (IBrX 100), and the Dividend Index (IDIV). We also have American Depositary Receipts (ADRs) traded on the North American market.



Governance Structure



The composition and responsibilities of the governing bodies are available on our **Investor Relations website**.

Governance Structure

GRI 102-18

Our governance bodies are the General Assembly, the Board of Directors, the Executive Board, and the Audit Committee. The General Assembly is responsible, among others, for electing the members of the Board of Directors and for approving both the financial statements and the social capital increase. The Board of Directors is composed of 11 members (two of them independent and one representative of the employees) and their respective alternates, elected for a term of two years, and is responsible for establishing our planning and strategic guidelines to be followed by the Executive Board, formed by two statutory directors, including the CEO.

The Audit Committee, which is responsible for representing the shareholders in management supervision, is non-permanent and instated annually, has five full members and respective alternates (two of them elected by minority shareholders).

The governance bodies are supported by a Compensation and Personnel Committee, set up in 2017, a Sustainability Committee, and a Risk Committee.

SYNERGY TO QUALIFY THE BUSINESS GRI 102-10

In 2018, AES Corp. reorganized its units around the world, and included the South America business unit, which has shared rich business information with the companies in our group. We have already realized gains, for us and the other countries, by sharing best experiences in operational, regulatory, personnel, and asset management issues.

ETHICAL CONDUCT

GRI 102-16 | 102-17 | GRI 103-1 | 103-2 | 103-3 | 205-3

Commitment to ethics and integrity is part of our daily work and reflects how we do business worldwide. We follow a set of values that define ethical conduct in all our business activities and relationships. Our **AES Values Guide** - From Words to Actions, defines "the responsibilities we have towards each other, our business partners and suppliers, our clients, our shareholders, and our communities." This document is our Code of Conduct, approved by AES Corp.'s Board of Directors and in force since 2007.

The guidelines set out in our Code apply to all AES companies worldwide. We do not condone bribery, tipping, illicit commissions, or any other improper payment, even if it means losing a business opportunity. In this way, we aim to maintain an ethical and upright reputation and establish trusting relationships.

Reinforcing this commitment, we highlight our Ethics and Compliance Program, through which we ensure the strict observance of best practices and highest ethical standards in all activities of AES Brasil Group companies, by evaluating all risks involved in each business and mapping activities carried out in accordance with Brazilian Anti-Corruption Laws (Law No. 12,846/2013) and the US Foreign Corrupt Practices Act (FCPA), including due diligence policies, procedures, and practices for partners, suppliers, and new business.

Also part of our Ethics and Compliance Program, the AES Helpline, our confidential channel for whistleblowing and inquiries about ethical dilemmas and misconduct, open to all our stakeholders (employees, contractors, suppliers, service providers, and clients), available 24 hours a day, seven days a week, in the local language. Contact with the AES Helpline may be made anonymously if desired. Confidentiality is maintained and all information is treated confidentially.

All questions or reports submitted to the AES Helpline are received by a specialized third party company contracted globally to receive and register the calls. After registration, the call is escalated to the Compliance team at AES Corp., which assesses the call and directs the local Compliance team to follow up on the matter. The process is assured annually by an external audit contracted by AES Corp.

Another pillar of the Program is qualifying and training. In September 2018, we conducted the mandatory training on our Code of Conduct, the AES Values Guide: From Words to Actions. Training takes place every two years and provides to 100% of our employees guidance on our Code and its support policies, and explains our commitments, as part of the AES team. Also, in November 2018, we held the annual World Ethics Day event, this time in conjunction with the Human Resources Department, to launch our platform on the topic of "Diversity and Inclusion."

Statements about AES Tietê received by the AES Helpline

	Inquiries	Reports
2016	8	16
2017	5	9
2018	9	14

AWARDS

Transparency Trophy: For the fourth consecutive year, we were among the winners of this award granted by the National Association of Finance, Administration, and Accounting Executives (ANEFAC), in the category of companies with net revenue of up to R$ 5 billion. The trophy, known in the market as the "Accounting Oscar," awards best accounting practices and honors companies that clearly disclose their financial statements.

Corporate Sustainability Index (ISE): We were selected for another year to be part of the B3 ISE portfolio. It is the 12th consecutive year that we have been a part of this important index.

EXAME Sustainability Guide: For one more year, we are part of the Guide, highlighted as one of the most sustainable companies in the energy sector.

Você S/A Guide- The 150 Best Companies to Work for in Brazil: We were ranked for the third consecutive year. With a 78.3 satisfaction at work index, we ranked second in the energy sector. The survey is conducted by Você S/A, in partnership with the Fundação Instituto de Administração (FIA).

Ethics in Business Award: Promoted by the Brazilian Institute of Ethics in Business, this award recognizes companies with best practices and most responsible operations. We won with an unprecedented study called **Chimerism**, which enables the reproduction of endangered species of fish through surrogacy. We also obtained an honorable mention in the Environment category with the **Pardas do Tietê** project, which studies the cougar. We were also highlighted in the Ethics and Compliance and Social Responsibility categories, for our **Ethics Program** and the **Geração+ Project**, respectively.

National Asset Management Award: At the 5th Asset Management Meeting for Companies in the Energy Sector (EGAESE), we won first place in two categories - Asset Life Cycle Activities and Strategic Management - and third place in Technology and Innovation in asset management.

GHG Protocol Gold Seal: We were awarded this seal by the Brazilian Greenhouse Gas Protocol Program (GHG Protocol) for the development, publication, and external assurance of our greenhouse gas (GHG) emissions inventory.

Benchmarking GSK Hydro®/Operational Excellence Award: Once again this year, our hydroelectric power plants were selected as leaders in performance in the benchmarking GSK Hydro®, conducted by the American consulting firm Navigant Research. The Caconde Hydroelectric Power Plant was the winner of the Operational Excellence Award in the Small Hydro category (21-99 MW capacity) and was shortlisted for the third consecutive year. The Euclides da Cunha Hydroelectric Power Plant was selected for the second time in the Medium Low-Use category (100-600 MW capacity) and the Nova Avanhandava Hydroelectric Power Plant was also shortlisted for the second consecutive year in the Medium High-Use category (100-600 MW capacity).

BUSINESS

DEVELOPMENT

SUSTAINABLE STRATEGIC PLANNING

Maintaining efficiency and competitiveness, while creating value for our internal and external stakeholders, is based on our strategy, which guides our sustainable, responsible growth.

Planning considers a five-year horizon and is annually revised based on the strategic definition of AES Corp., which is then cascaded considering the challenges and potential of each country. In both stages, local market, regulatory, political, and economic scenarios are evaluated and projected.

The goal is to advance our vision of being recognized by clients and shareholders as the leading partner for innovative, safe, sustainable, reliable, and affordable energy solutions. To this end, we seek projects that offer attractive returns, through the following investment guidelines:

OPERATIONAL SYNERGY
centralized portfolio management

OPTIMIZED CAPITAL STRUCTURE
appreciation of the Company's return

COMPLEMENTARY SOURCES
reduction of water risk

FINANCIAL RETURN
in line with the risk of the asset

RISK AND COMPLIANCE
meeting the Company's requirements

In 2018, our strategy was led by four strategic drivers:

- **Promote Innovation:** Development and adoption of new technologies.
- **Reduce Risk:** Diversify revenue and mitigate exposure to water risk through non-hydroelectric projects.
- **Expand Options:** Leverage the marketing strategy to support the growth of new energy services and structure lean governance to streamline transactions.
- **Operational Excellence:** Ensure perfect operation of the assets under our management, as well as the integration of new assets into our platform, leveraging operational synergies and gain in scale.

According to these drivers, we made important achievements in 2018, which demonstrate that we are on the right path in our strategy, aligned with the prospects of increasingly demanding and active clients as well as shareholders seeking adequate financial returns.

The dissemination of AES Corp.'s strategy allows synergy among Group companies worldwide, whose business must contribute to the achievement of the goals assumed by the subsidiary company. Our strategy, focused on diversifying the energy matrix and prioritizing business in generation from renewable sources, is in line with the public commitment made in 2018 by AES Corp. to reduce carbon emissions from global operations by 70% by 2030. Another example is the fact that we are pioneers in Brazil's large-scale energy storage project, which provides integration with intermittent renewable generation.

SUSTAINABLE STRATEGIC PLANNING 2018-2022 GRI 102-16

MISSION

To promote well-being and development through the safe, sustainable, and reliable supply of energy solutions.

VISION

To be recognized by our clients and shareholders as the leading partner in innovative, safe, sustainable, reliable, and affordable energy solutions.

VALUES

Safety
Integrity
Agility
Excellence
Achievement

STRATEGIC DRIVERS

To promote innovation
To reduce risks
To expand options
Operational excellence

ATTITUDES

Safety
Innovation
Anticipation of risks
Agility
Empowerment

LONG-TERM GOALS

To be a member of the ISE
To be among the best companies to work for
To ensure client satisfaction
To maximize return to shareholders

INTANGIBLE ASSETS:

Market knowledge: Understanding the complexity and changes in the scenario in which we operate drives our ability to seek the best solutions for clients. The skills and know-how of our employees are key drivers of our performance.

Agility: In order to be leaders in our segment, we innovate and respond quickly to client needs. We seek to be agile in processes and decision making in our business.

Financial excellence: Development of activities is based on our financial performance. With excellence in resource management we can make investments, and attract capital, talent, and business partners.

Stakeholder management: In our **business model**, we establish long-term relationships and partnerships with various stakeholders.

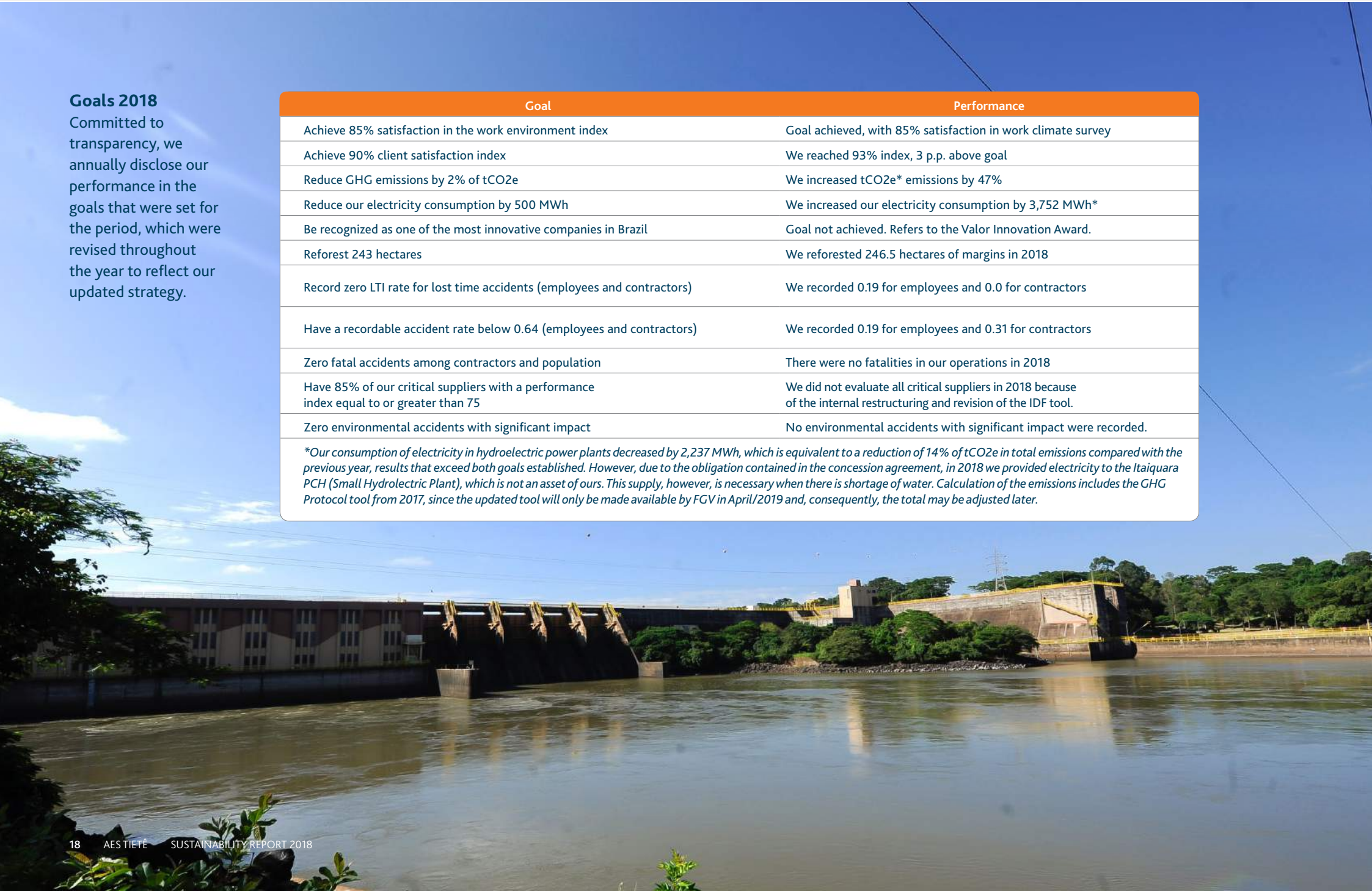
People: We recognize that people are our greatest strength for achieving the long-term results established for business. Our workforce's leadership capability, diversity, and skills lead us to success.

Goals 2018

Committed to transparency, we annually disclose our performance in the goals that were set for the period, which were revised throughout the year to reflect our updated strategy.

Goal	Performance
Achieve 85% satisfaction in the work environment index	Goal achieved, with 85% satisfaction in work climate survey
Achieve 90% client satisfaction index	We reached 93% index, 3 p.p. above goal
Reduce GHG emissions by 2% of tCO2e	We increased tCO2e* emissions by 47%
Reduce our electricity consumption by 500 MWh	We increased our electricity consumption by 3,752 MWh*
Be recognized as one of the most innovative companies in Brazil	Goal not achieved. Refers to the Valor Innovation Award.
Reforest 243 hectares	We reforested 246.5 hectares of margins in 2018
Record zero LTI rate for lost time accidents (employees and contractors)	We recorded 0.19 for employees and 0.0 for contractors
Have a recordable accident rate below 0.64 (employees and contractors)	We recorded 0.19 for employees and 0.31 for contractors
Zero fatal accidents among contractors and population	There were no fatalities in our operations in 2018
Have 85% of our critical suppliers with a performance index equal to or greater than 75	We did not evaluate all critical suppliers in 2018 because of the internal restructuring and revision of the IDF tool.
Zero environmental accidents with significant impact	No environmental accidents with significant impact were recorded.

**Our consumption of electricity in hydroelectric power plants decreased by 2,237 MWh, which is equivalent to a reduction of 14% of tCO2e in total emissions compared with the previous year, results that exceed both goals established. However, due to the obligation contained in the concession agreement, in 2018 we provided electricity to the Itaiquara PCH (Small Hydroelectric Plant), which is not an asset of ours. This supply, however, is necessary when there is shortage of water. Calculation of the emissions includes the GHG Protocol tool from 2017, since the updated tool will only be made available by FGV in April/2019 and, consequently, the total may be adjusted later.*



CLIENT-FOCUSED

GRI 103-1 | 103-2 | 103-3

In 2018, we consolidated our position as an energy solutions platform, capable of anticipating the demands and needs of our clients. Our Market Intelligence area contributes in this regard and plays a fundamental role in the execution of the strategy, with the mission of supporting the decision-making process, accelerating existing business, and identifying opportunities for the sustainability of our business. In this context, the area manages risks and energy planning in trading, defines and implements the necessary regulatory policies, and creates value through deep knowledge of the market and consumers.

In order to contribute to the competitiveness of our clients' businesses, we have in place a commercial platform of innovative, flexible, and customized energy products and solutions.

Commercial Strategy

The Commercial department focuses on optimizing our portfolio, taking advantage of market opportunities through sector intelligence studies, anticipation of short-term price trends, and a close relationship with clients. The commercial strategy focuses on mitigating water risks and the search for the best contracts in the free market environment.

In 2018, we sought to seasonalize our physical water guarantee, moving it from the first months of the year to the dry season, where we expect higher costs in the spot market. As a result, we obtained a gain of R$ 29 million in sales margin in the year.

SUSTAINABILITY STRATEGY

GRI 102-12 | 102-13

Considering our **business model** and new market positioning - with new products and diversification of generation assets - and in line with the external scenario and the Sustainable Development Goals (SDG), we revised in 2018 our sustainability strategy. The work began in the second half of the year and will be completed in the first quarter of 2019, with the definition of strategic topics and commitments, broken down into goals and initiatives.

This process was conducted by an external consultant specializing in sustainability and included analyses of civil society studies and external scenario, internal assessment, interviews with members of the Sustainability Committee, benchmarking analysis and consultation with stakeholders who are clients, suppliers, public authorities and investors. We evaluated with these audiences what are the material and relevant topics and their expectations regarding their relationship with us. All these studies were addressed in an internal workshop, which involved the entire leadership. Shortly, we will publicly disclose the revised strategy on our website.

Our commitment to sustainable development also includes the participation in **associations** in our sector and the adoption of external initiatives, with which we share the ideals of promoting a more just and equitable society in which companies must consider a healthy relationship with the environment and communities, in addition to creating value. In this sense, we have:

Global Compact – to which we have been signatories since 2006;

Sustainable Development Goals – we have been promoting, since 2016, the alignment of our business with the Sustainable Development Goals (SDG) established by the 2030 Agenda proposed by the United Nations (UN);

Women Empowerment Principles – in 2017, we formally assumed this commitment, promoted by UN Women and the United Nations Global Compact. Thus, we support seven corporate principles whose goal is to empower women in the workplace and society; and

Empresa Amiga da Criança (Companies Supporting Children) (Fundação Abrinq) – since 1999, we have been recognized by Fundação Abrinq as a Company Supporting Children given our commitment to benefiting children and adolescents.

RISK MANAGEMENT

GRI 102-11 | 102-15

We have in place a process to identify, monitor, and manage risks that includes structured, continuous evaluations and measurement. We update our risk management matrix on a regular basis to ensure safety in our processes, eliminate risks and implement improvements in risk assessment with new measurement metrics. With this in mind, in 2018 we updated the **Risk Management Policy** to reflect the improvements and evolutions implemented in 2017.

Our management provides a consolidated view of all priority and strategic risks. We have Internal Controls Management and Risk Management, which help the business areas adopt and map control activities. Possible impacts are monitored by the leaders (directors or managers) of the areas the risks affect, while management (managers or coordinators) administrate the causes capable of triggering their occurrence. For greater effectiveness, we have indicators for agile management that minimizes risks.

Classification

Priority risks are classified, analyzed, and addressed through structuring actions, referenced by the COSO ERM Model (Committee of Sponsoring Organizations of the Treadway Commission). The factors are evaluated as to the likelihood of occurrence and the possible impact - which consider financial, social and environmental, safety, reputational, regulatory, and operational criteria - and are divided into five levels: very low, low, medium, high, and very high, reflecting an evolution in impact assessment. The risks of greater impact and likelihood are presented to the Board of Directors and the Audit Committee.

Cyber Risk Management

We also put security first in the use of technological resources in corporate and operational processes. Our cybersecurity management structure is globally standardized, based on AES Corp.'s determinations, with continuous updating of processes for training, monitoring, controlling, and adopting mitigation actions against possible attacks.

We operate through the Cyber Ninja Program, which includes a series of actions, which gain even more relevance through our digital transformation. In this sense, the year was highlighted by the adoption of new solutions and simulation of cyber attacks, to guarantee the continuity of operations, which also involved training our employees in the topic, with emphasis on the training of COGE operators. Effectiveness of the controls and of the contingency plan is assured and audited by AES Corp. and by external companies specializing in cybersecurity. To reinforce security, AES Corp. teams periodically update the Group companies on threats arising from new technologies. There is also real-time verification of the level of risk of exposure of external information accessed by our employees.

Another highlight is the use of a multifactor authentication feature for entry into our corporate and operation systems, as well as local and global campaigns and messages to raise awareness and enhance cybersecurity. All actions are aimed at ensuring the integrity of operations and internal and client data, which prevented us from suffering any attack that would impact the continuity of the business or expose our data or client information under our responsibility.

CATEGORIES

In the review and improvement implemented in the previous year, we established ten categories, in which we include all the risks to which we are exposed.

MARKET RISK

Represented by the likelihood of loss resulting from fluctuating market values. When managing this factor, we include the risk of price variation associated with each source and how it correlates, since we invest in diversifying our energy matrix. Our goal is to counteract our current water risk.

LEGAL RISK

Caused by the likelihood of loss arising from unfavorable decision in judicial or administrative proceedings. We have specific areas, with professionals qualified to manage these possible impacts.

COMPLIANCE RISK

Determined by the possibility of non-compliance with guidelines, regulations, codes of conduct, among others, as well as non-compliance with applicable business requirements. To minimize this risk, we have in place the Ethics and Compliance Program, a whistleblowing and consultation channel, and constantly monitor the markets in which we operate.

ENVIRONMENTAL RISK

Represents the likelihood of environmental damage due to human intervention in the environment. We continuously evaluate the environmental impacts of our operations and invest in the conservation and restoration of natural areas and the preservation of biodiversity.

STRATEGIC RISK

Represents the lack of capacity or ability to protect ourselves, adapt, or anticipate change. To manage this risk, we annually update our strategy.

FINANCIAL RISK

Determined by uncertainty regarding revenues or costs due to unexpected changes. It includes the integrity and soundness of financial management in the business strategy and in operational events.

REGULATORY RISK

Caused by the likelihood of non-compliance with obligations under regulations. We strictly follow current legislation and regulations, participate in working groups in the energy sector, and contribute to public consultations opened by the regulatory body.

OPERATIONAL RISK

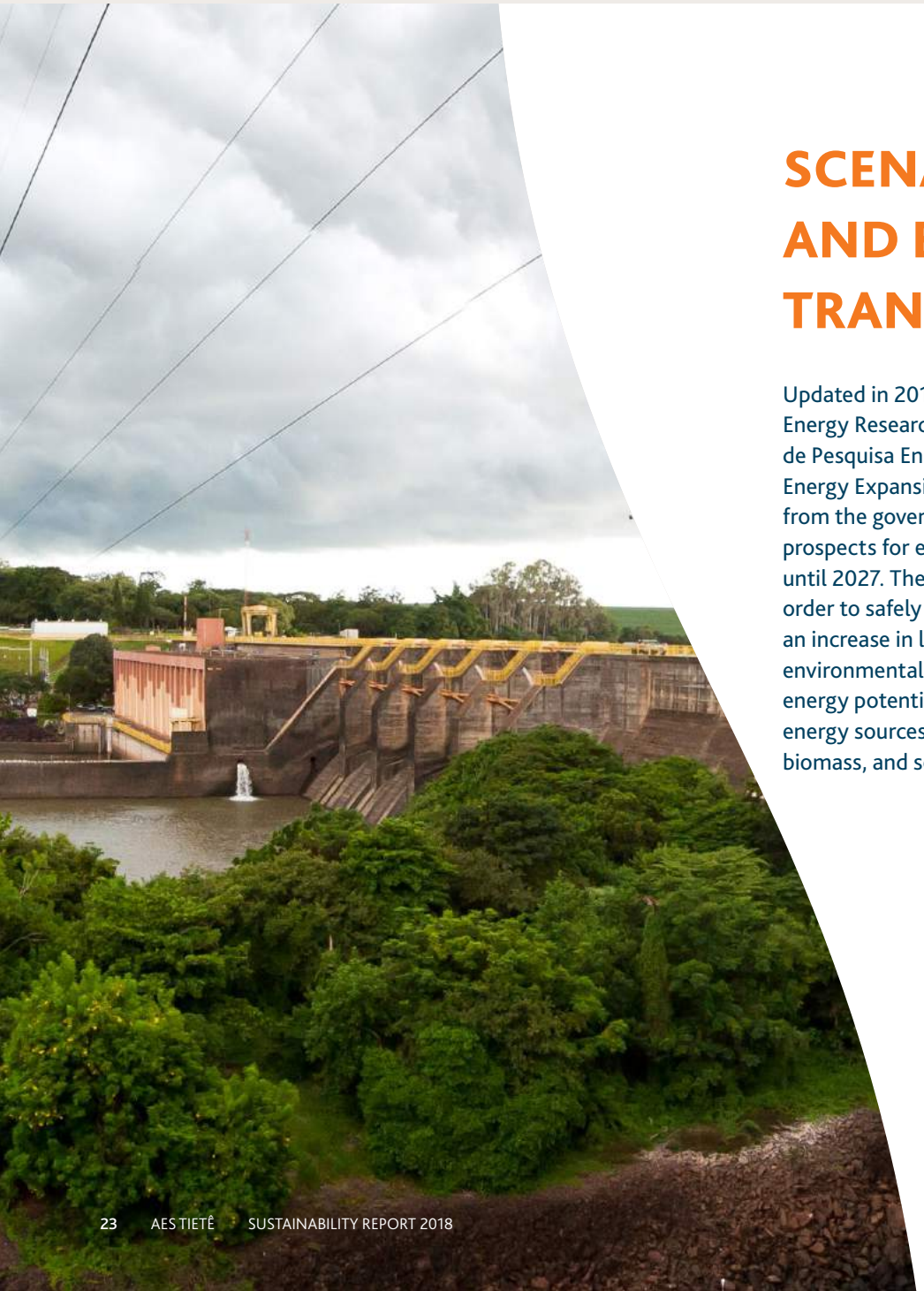
Represents losses resulting from failures in design, detailing, implementation, execution, and monitoring of operations, or the ineffectiveness of the Business Continuity Plan. Risk is minimized by our experience in asset management and rigid programs that include maintenance, risk control, contingency plans, training and simulations.

CREDIT RISK

Caused by the likelihood of a counterparty causing a financial loss by not honoring their contractual obligation. To minimize this impact, we analyze the financial health of potential clients for energy sales in the free market and in non-regulated businesses. We monitor liquidity, leverage, and profitability indices, among others, ending 2018 free of default in the outstanding portfolio.

TECHNOLOGY RISK

Influenced by loss resulting from system failures, unavailability or fragility of the IT infrastructure, and threats of cyber attacks or fraud. We are always attentive to this topic, following and adopting new technologies and constantly investing in solutions against cyber attacks.



SCENARIO AND ENERGY TRANSITION

Updated in 2018 and developed by the Energy Research Company (EPE - Empresa de Pesquisa Energética), the Ten-Year Energy Expansion Plan demonstrates, from the government's perspective, the prospects for expanding the energy sector until 2027. The document reinforces that, in order to safely and cost-efficiently address an increase in load while complying with environmental legislation, Brazil has great energy potential, especially from renewable energy sources - potential for hydro, wind, biomass, and solar energy.

IMPACTS OF THE RETRACTION OF HYDROELECTRIC GENERATION IN THE ERM/GSF GRI 103-1 | 103-2 | 103-3 | 201-2

The year 2018 was again marked by a deficit of hydroelectric generation (measured by the GSF), which directly impacts the hydroelectric generators that are part of the Energy Reallocation Mechanism, where water risk is shared.

The impact is also due to changes in the energy matrix, with a greater share of renewable sources and factors such as out-of-merit-order dispatch, retraction in consumption, and imports of energy from neighboring countries, called non-water risks. Thus, since the end of 2012, the generation of the hydroelectric plants participating in the Energy Reallocation Mechanism has been less than their respective physical guarantees.

We hope that the House of Representatives will approve the bill PL 10985, already approved by the Senate, which mitigates the risk of the GSF, retroactively reimbursing the hydroelectric generators for the following non-water risks: (i) out-of-merit-order dispatch (GFOM), (ii) delay/restriction of transmission of the energy flow from structuring projects (Santo Antonio, Jirau, and Belo Monte), and (iii) accelerated motorization of the commercial start-up of the machines of these structuring projects, which increased their physical guarantee without the corresponding power generation. The effects of the out-of-merit-order dispatch on the GSF will be retroactively reimbursed to 2013 and the remaining risks will be retroactive to the start of their respective effects (2012 or later).

Energy Transition

The increasingly relevant participation of renewable sources in the energy matrix has stimulated research for the development of technologies to reduce generation costs, and the development of products and services in the sector. As a result, business-client relationships are also being revised, with greater client empowerment in energy decisions. The new reality also demands regulatory changes, aiming toward greater efficiency and adaptation to the demands of the sector.

	DISTRIBUTED GENERATION	POWER STORAGE	DECARBONIZATION	AUTOMATION/ DIGITALIZATION	CLIENT EMPOWERMENT
CONTEXTO	Technology holds an increasingly relevant position, especially the distributed micro and mini generation, thanks to regulatory actions that enable offsetting the surplus power generated by smaller systems	In a scenario of expanding solar and wind generation, the solution is essential to guaranteeing operational stability, since these sources are intermittent and depend on unmanageable factors, such as the incidence of sunlight and wind	Combating the effects of climate change requires companies and clients to prioritize and contribute to a low-carbon economy	New automation and digitalization technologies contribute to reliability and greater safety in the energy sector	Clients increasingly seek companies that understand their real needs and offer complete solutions
NOSSA ATUAÇÃO	We offer the solution with solar energy, which is sustainable and provides savings to our clients' businesses	Our Ion-Lithium battery storage projects utilize the Advancion technology	We prioritize generation through renewable energy sources and offer energy efficiency and microgrid projects. We are also pioneers in trading I-RECs in Brazil, a global certificate for generating energy through renewable sources	All our assets are managed remotely by the Power Generation Operations Center (COGE), one of the most modern in Brazil	From trading to the development of small and large renewable energy solutions, we act as enablers of integrating sustainability into our clients' businesses

INTEGRATED ENERGY PLATFORM

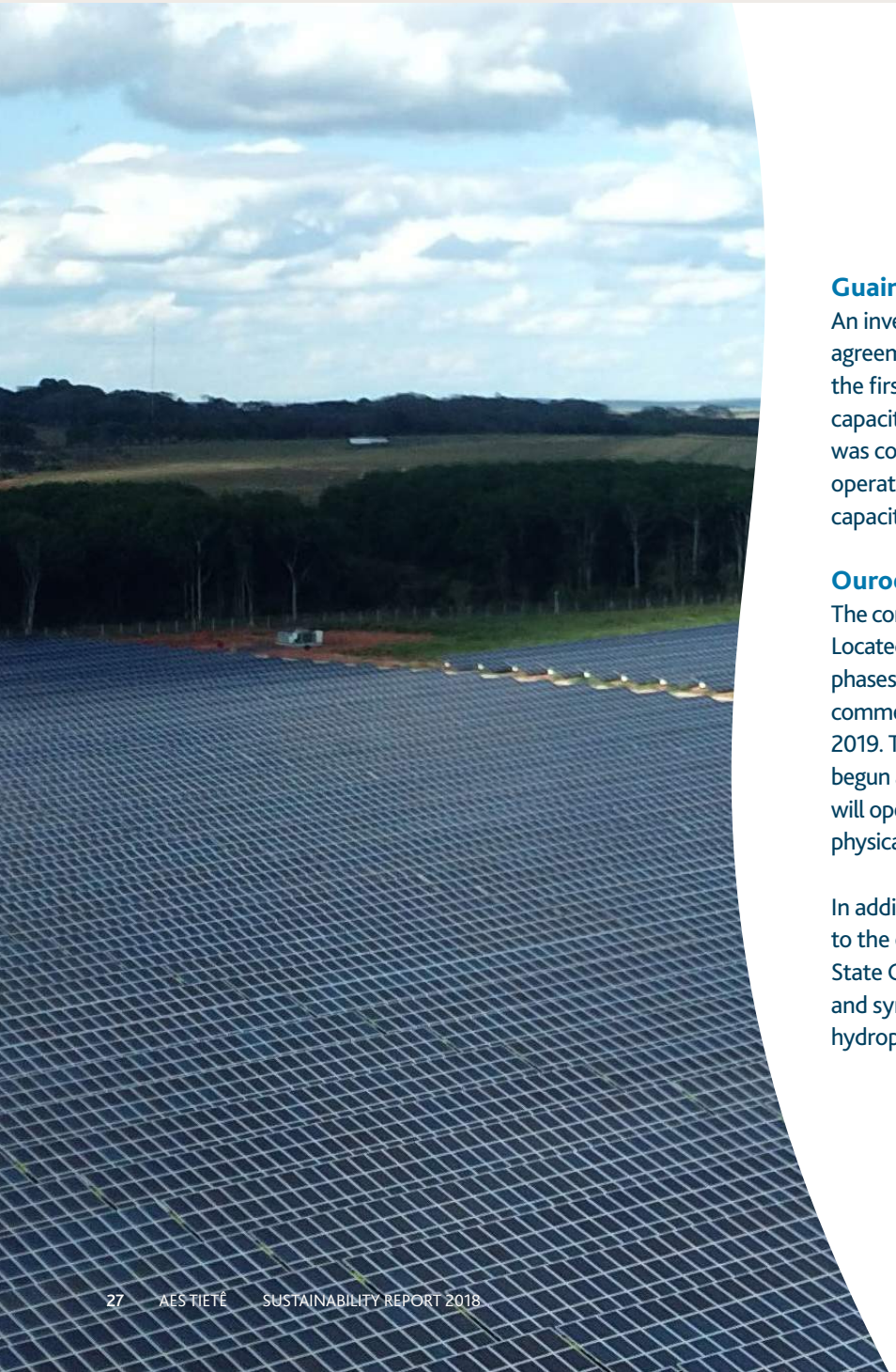
PORTFOLIO DIVERSIFICATION

GRI 201-2

The diversification of generation sources allows us to better manage the water risk and is complementary to our portfolio, since Brazil has climatic conditions that favor both solar and wind generation. With this strategy, we also contribute to combating climate change. According to projections by researchers from the Global Carbon Project, released in 2018 at the United Nations Conference on Climate Change, global carbon emissions are expected to grow by almost 3% this year.

Alto Sertão II Wind Farm Complex

The Alto Sertão II Wind Farm Complex, located in Caetité, in the Southwestern region of Bahia, was the first renewable energy generation asset added to our portfolio, in August 2017. With an investment of R$ 600 million, it consists of 15 wind farms, with 230 wind turbines, an installed capacity of 386 MW, and a physical guarantee of 193 MWm. We have already contracted energy from the park for 20 years through the LER and LEN auctions held in 2010 and 2011. The license to operate the Alto Sertão II complex is valid for 35 years.



Guaimbê Solar Complex

An investment of R$ 607 million and the result of an agreement with Cobra Brasil, the Guaimbê Solar Complex is the first large solar power plant in the State of São Paulo, with capacity to supply a population of 300,000. Its acquisition was completed in September 2018 and the plant has a 35-year operating license, energy contracted for 20 years, installed capacity of 150 MW, and a physical guarantee of 30 MWm.

Ouroeste Solar Complex

The complex includes the Boa Hora and AGV Solar plants. Located in the State of São Paulo, it will enter into operation in phases. The first involved the construction of Boa Hora, with commercial operations expected to begin in the first quarter of 2019. The second involves AGV Solar, whose construction has begun and will also be completed in 2019, when the complex will operate with its total installed capacity of 144 MW. It has a physical guarantee of 36 MWm and a 35-year operating license.

In addition to qualifying our portfolio and contributing to the expansion agreement signed with the São Paulo State Government, the complex represents operational and synergistic gains, due to the proximity to our largest hydropower plant, Água Vermelha UHE.

EXPANSION AGREEMENT

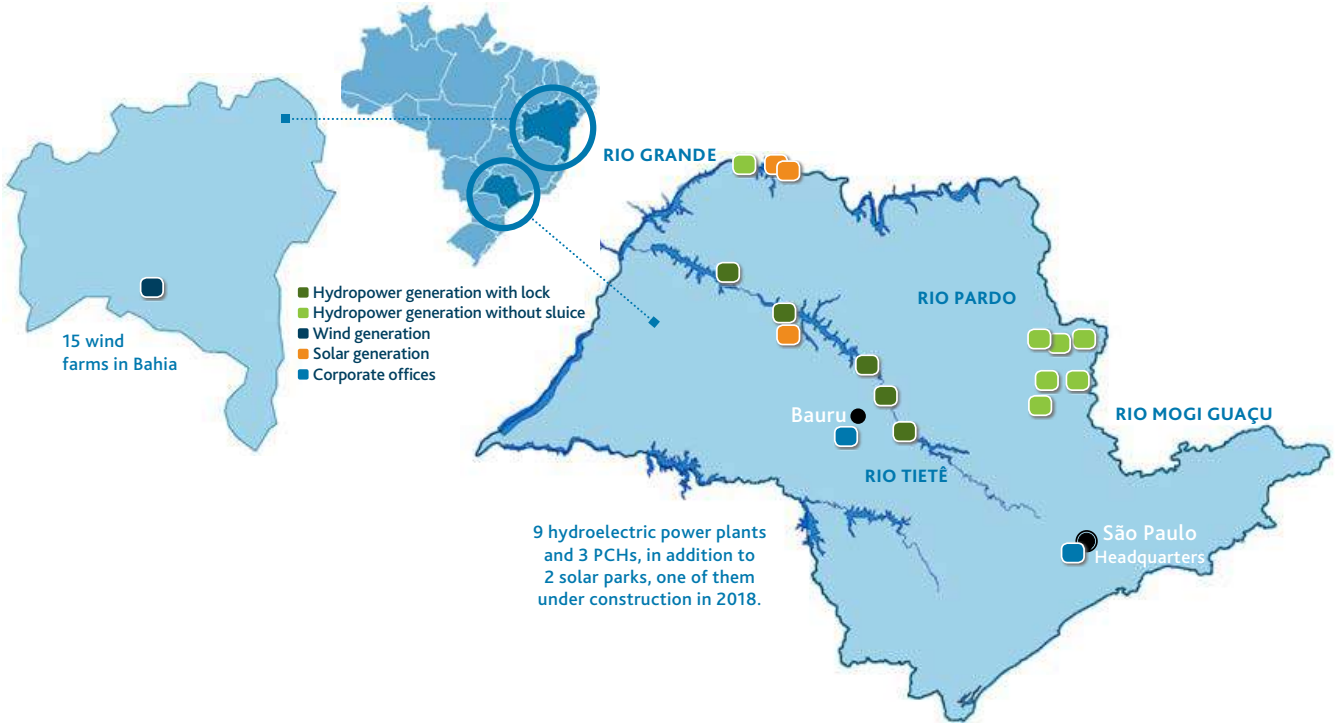
In the third quarter of 2018, we achieved significant success by signing an expansion agreement with the Government of the State of São Paulo, whereby we committed to comply with the 15% increase in generation capacity in the state within six years, equivalent to 398 MW of installed capacity. With the acquisition of the three solar complexes that compose our portfolio (nearly 300 MW) plus 10 MW originating from a long-term energy purchase contract from sugarcane biomass and 7 MW from small hydroelectric power plants, approximately 80% of this commitment has already been addressed. The agreement reinforces our effort and commitment to mitigating risks, contributing to the development of the State.

ASSET MANAGEMENT

GRI 102-7 | EU1 | EU2 | EU30

The sustainable growth of our business is provided by the excellent management of our generation assets. We obtained recertification in ISO 55001 during the year, in which we were pioneers in the country, in 2015.

At the end of 2018, we had nine hydroelectric power plants and three Small Hydroelectric Plants (PCHs), all in São Paulo; a solar complex (Guaimbê), also in São Paulo; a wind farm (Alto Sertão II) in Bahia; and the Ouroeste Solar Complex, with commercial operations starting in two phases, in 2019. With our portfolio - all operated remotely by our **Power Generation Operations Center** (COGE) -, at the end of the period we had an installed capacity of 3,348 MW and physical guarantee of 1,478 MWm. Through these assets, we generated 10,659 GWh in the year.



Our power generation complex*

Primary energy source	Installed capacity (MW)	Energy generated (GWh)
Hydroelectric	2,658	9,029
Wind	386	1,541
Solar	150	88
Total	**3,194**	**10,659**

Installed capacity of the power generation complex, by type of contract*

Type of contract	2018
Free Market	2,658
Regulated Market	536

**Adding the Ouroeste Solar Complex (144 MW), under construction, and two long-term energy contracts for sugarcane biomass (10 MW), our installed capacity is 3,348 MW.*

GAINS IN PRODUCTIVITY

The inclusion of the Alto Sertão II Wind Farm Complex is an example of assertiveness in choosing plants for our portfolio. At the time of acquisition, 14 machines were shut down due to failures and/or problems with large equipment such as generators. In partnership with a supplier, we adopted a solution to minimize what we found to be manufacturing problems in some generators, which enabled financial savings, avoided the need to use hoists, and enabled the acquisition of new equipment (and environmental gains for not moving this machinery), and staff mobilization. With this, we obtained major gains in productivity - our unavailability index dropped from nearly 11% to approximately 2.5%.

Modernization and Maintenance

We strictly follow a schedule for maintenance and modernization of our hydroelectric, solar and wind assets, aiming for employee safety, operational improvements, and enhanced revenues. We highlight the maintenance of the hydroelectric plants using technological devices, such as unmanned nautical vehicles, which allows us, in the reservoirs, to obtain parameters to be analyzed, such as the speed of flow of watercourses, among others, with agility and without exposing employees to risks. Another example of time-saving and teamwork - safety is our top priority - is the use of unmanned underwater vehicle, which replaces high-risk human activity for inspection and cleaning of water intake in the turbines, without equipment shutdown and, therefore, without jeopardizing the availability indices.

Our main activities to maintain and/or modernize the hydroelectric plants include:

- **Generation Units - Periodic Preventive Maintenance**
  Scope: Inspections of the generator, turbine, and auxiliary equipment; testing protection systems; correcting wear (cavitation and cracks) in the turbine; replacing worn auxiliary equipment; cleaning generators.
  Frequency: Approximately every 6 years.

- **Generation Units - General Periodic**
  Preventive Maintenance and Modernization
  Scope: Disassembly of generator, turbine, and auxiliary equipment; technological updating or modernization of equipment and systems; factory recoveries; replacing worn equipment.
  Frequency: Between 20-30 years.

- **Locks**
  Scope: Renovation of floodgates; aqueducts; lock chamber; downstream and upstream gate; equipment; anti-corrosion treatment and painting.
  Frequency: Every 2 years.

Água Vermelha Power Plant

In 2018, we completed a six-year project that required an investment of over R$ 300 million: the modernization of the Água Vermelha hydroelectric plant, our largest. The highlight was the completion of the activities without any lost time accidents, resulting from our strict safety procedures.

We reequipped and modernized the most important equipment in the generation units, and modernized the supervisory, control, and protection systems of the machines. The work allowed us to reach nearly 0.07% unavailability for all machines, and our goal is already quite low: 0.28%.

After this major investment, 83% of the fleet of machines from all hydroelectric power plants is fully modernized. The next steps include actions in the following hydroelectric plants: Ibitinga (2019/2020); Barra Bonita (2020/2021 and 2021/2022); and Promissão (2022/2023 and 2023/2024).

Locks

The year was also marked by maintenance activities in our locks. The news was that the activities were performed by a supplier specializing in boroscopy (technique to inspect industrial equipment using a videoscopy camera) and chain systems. Thus, it was possible to identify small cracks or fissures in places otherwise inaccessible to direct inspection. Through the use of chemicals and electronic equipment, we adopted a lubrication system and replaced almost all chains and sprockets. The actions allowed for a significant increase in reliability of the locks and avoided shutdowns, which enabled us to close the year with 97.7% availability, above the 95% required by the concession's Call for Tender.

Also in 2018, we obtained approval from the Waterway Department for our Barra Bonita lock to be operated by COGE, which began in the same year, with more efficient waterway traffic control and faster preparation when receiving vessels during the locking process.

ON-DEMAND SOLUTIONS

GRI 103-1 | 103-2 | 103-3

We aim to enable integration of sustainability to our clients' businesses via innovative, customized solutions. Our goal is to make our clients more competitive - less concerned about energy management (which is under our management), more responsible in terms of energy consumption and less environmental impact. We also offer, after analysis by our Treasury Department, financing options suitable for projects in different modalities.

In 2018, two major businesses were highlighted: one with Instituto Presbiteriano Mackenzie and the other with Drogaria Araújo.

Distributed Generation and Energy Efficiency

Signed in 2017 and construction starting in 2018, our contract with Instituto Presbiteriano Mackenzie provides for the installation of Distributed Generation (DG) and energy efficiency actions on the Alphaville campus, with the installation of solar panels on the roof of a parking lot. It is one of the largest private solar carport projects in Brazil and, in addition to economic and environmental gains, will provide vehicles with thermal comfort. Mackenzie can also monitor solar generation in real time, through performance analysis software.

The contract includes replacing about 1,940 light bulbs with LED, saving 15,250 kWh/month. Throughout the ten years of the contract, the emission of 624.09 tons of CO2, equivalent to approximately 1,800 trees planted, will be avoided.

Solar Plant for Distributed Generation (DG)

In 2018, Drogaria Araújo, leader in the pharmaceutical sector in the State of Minas Gerais, contracted, for ten years, the lease of a remote solar complex with installed capacity of 6,437 MWp to supply the 175 street stores in its network. There are over 19,000 photovoltaic modules that will allow the company to avoid emitting approximately 1,000 tons of CO2/year.

We believe in the growth of this model. According to ANEEL, the market potential for DG is 4.5 GW by 2024 in Brazil. In 2018 alone, we signed seven contracts for DG projects.

PIONEER STORAGE

We are pioneers in Brazil in a major technological revolution, capable of supplying and adjusting the need to join supply and demand for energy: the storage of energy in lithium-ion battery connected to the National Interconnected System (SIN). We invested in the solution through a Research & Development Project, and deployed the pilot project in Bariri (SP) near our hydroelectric power plant.

Energy storage lowers costs and offers benefits across the entire energy chain by enabling greater system reliability. Batteries can range from large projects to the electrical system for end clients. We are ready to supply the technology to electricity transmission companies and distributors, and even install this type of system at the various sources of electricity.

Low-Carbon Economy

We also highlight two products to combat climate change, in line with the current requirements of a low-carbon economy: the Renewable Energy Certificate (I-RECs) and Mãos na Mata.

We were the first company in Brazil authorized to issue **I-RECs** on the international platform I-REC Standard. The certification is proof of the generation of energy from renewable sources and enables traceability, which confirms its clean origin. Each REC is equivalent to 1 MWh of power and the certification enables clients to safely test their Scope 2 levels of emissions in inventories under the GHG Protocol. In 2018 alone, we traded approximately 1 million I-RECs for the consumer goods, food, plastics, petrochemicals, and transportation segments.

Within the framework of **Mãos na Mata**, a partnership with NGO SOS Mata Atlântica, we provide clients with environmental compensation for reforestation and revitalization actions in areas of the Atlantic Rainforest and the Cerrado. We take responsibility for the whole process: we design the project, give out seedlings and spaces, and monitor the areas. In 2018, a total of 246.5 hectares were reforested, above our goal of 243 hectares.

SUSTAINABLE PORTFOLIO

Our experts map the consumer profile of clients in order to define the best strategy and implement the best solutions.

TRADING OF ENERGY

Trading of conventional and incentivized energy in the free market, for short, medium, and long term.

SELF-PRODUCTION

Project for renewable plant, built to suit the needs of each client's generation and consumption.

DISTRIBUTED GENERATION

Project, financing, and operation of solar complexes for remote and shared generation, which enables power generation closer to the point of consumption.

RETAILER TRADER

Modality created to help consumers who want to have the benefits of the free market, but without involvement in the operational activities.

ENERGY MANAGEMENT

Consulting in all activities related to energy, aiming to optimize resources, manage costs, and provide savings for clients' business.

ENERGY STORAGE

High-efficiency energy storage technology through batteries for various purposes such as meeting peak system demands and improving energy quality.

REFORESTATION

Enables, through the Mãos na Mata program, investment in the recovery of the Atlantic Rainforest and the Cerrado, as an environmental compensation initiative.

RENEWABLE ENERGY CERTIFICATE (REC)

Sale and issue of certificates that prove generation of energy from renewable sources.

INNOVATION AND NEW TECHNOLOGIES

We believe that innovation is key to boosting business and, thus, we invested in the search for solutions and in the development of products that contribute to the improvement of the electricity sector; increase client competitiveness; promote value for society; and allow reduction of environmental impacts. With this approach, we sought business models and technological alternatives that result in efficiency and reliability.

Research & Development (R&D)

DMA RESEARCH AND DEVELOPMENT

According to ANEEL's R&D Program, our regulated investments must be made in projects related to innovation. In 2018, we point out the following initiatives for their innovative nature and environmental contribution:

Microgrid phase I

Investment: R$ 3.5 million
Term: 26 months
Description: Intelligent System to Control and Optimize Microgrids: Product Development, Implementation of Pilot Project and Business Modeling.
Product: Modular microgrid controlling system with real environment testing, easy to install and market ready.

Virtual Power Plant (VPP)

Planned investment: R$ 4.5 million
Term: 17 months
Project description: Virtual Power Plant AES with Focus on Large Clients and Energy Markets: Platform Development, Implementation of Pilot Project and Business Modeling.
Product: Platform focused on adding and leveraging load flexibility, aiming to operate in two types of market: the domestic market, to optimize generation cost and consumption; and foreign markets, to provide services to different entities in the sector.

Organic Photovoltaics (OPV)

Planned investment: R$ 2.5 million
Term: 12 months
Project description: Study to optimize surfaces aimed at optical and physical properties to maximize efficiency and useful life of organic photovoltaic films, including analysis, with different polymers, in urban roofing for vehicles connected to load storage structures.
Product: Installation of organic photovoltaic films on covered parking structures, capable of transforming solar energy into electricity, allowing for distributed generation.

Chimerism

Planned investment: R$ 2.9 million
Term: 48 months
Project description: Advanced Biotechnologies in fish aiming at the preservation of endangered species. Conducted together with the National Center for Research and Conservation of Continental Fish, the Chico Mendes Institute for Conservation of Biodiversity, in partnership with the Fish Biotechnology Laboratory.
Product: Process for immediate propagation of species of endangered fish for conservation and replenishment of stock in their natural environment, through "surrogacy," from artificial insemination in common fish to generate endangered species. It also includes the creation of a gene bank and production of fingerlings.

ACCELERATION OF STARTUPS

In 2018, we continued with the startup acceleration program. The projects selected in 2017 are in the final stages of development:

- Project with the startup **Newatt**, whose goal is to develop a non-invasive wireless sensor to offer consumption management through an online platform; we have already tested and validated the prototype.
- Project with the startup **Dayback**, whose goal is to develop a prototype wind turbine for turbulent and urban winds, facilitating implementation in the central regions of Brazil; the prototype is under construction and will be tested later.

After the success of this first edition, we launched in 2018 our second startup acceleration program, with support from Liga Ventures. The new phase included the search for products, services or new business models in the areas of Internet of Things; energy storage; Distributed Generation (DG); digital solutions; reliability and quality of energy; and energy management. We had 144 applications, of which 20 were interviewed remotely for a first contact with us and Liga Ventures. Of these, eight selected were shortlisted to advance to the final phase, through an in-person meeting, and two were chosen to initiate projects in 2019. The winners presented proposals that form a mix of energy management and digital solution.

VALUE CREATION

VALUE CREATION

GRI 103-3 | 102-40 | 102-42 | 102-43

Our value creation is expressed in our **business model**, in our strategy and through the constant engagement of our audiences, with whom we operate in order to contribute to social development, environmental preservation and the achievement of sustainable results. Periodically, we conduct surveys with our strategic audiences, such as employees and clients, to assess the level of satisfaction and identify their main demands. Routine contacts of the teams with these and other audiences take place through meetings, emails and telephone, when we can determine their expectations and demands.

We defined ten groups with which we interact and seek to continually meet their demands and expectations:

- Employees,
- Shareholders,
- Suppliers,
- Clients,
- Public authorities,
- Regulatory agencies,
- Press,
- Agencies in the energy sector,
- Civil society organizations, and
- Communities.

ECONOMIC AND FINANCIAL RESULTS

GRI 103-1 | 103-2 | 103-3 | 201-1

Gross and net revenue

In 2018, our gross revenue was R$ 2.1 billion, which represents an increase of 10.2% over the previous year, when we recorded R$ 1.9 billion. In the same period, net revenue ended the year at R$ 1.9 billion (R$ 1.7 billion recorded in 2017).

Net margin in this period grew by 20.3%, mainly due to the contribution of renewable operations and reduction in exposure to risk of water shortage, through the seasonality and marketing strategies.

EBITDA

Consolidated EBITDA was also boosted by the performance of assets and ended the year at R$ 1 billion, an amount 21.2% higher than in 2017 (R$ 831 million).

Net profit

GRI 102-7

Despite the positive effects of the new renewable assets, our net profit for the year was R$ 288 million, down 3.5% compared with 2017. This movement stems from the restatement of the GSF, the increase in our debt, and the increase in the depreciation and amortization line as a result of the addition of new assets to the generation portfolio.

Indebtedness

Reflecting our growth strategy by optimizing our capital structure, the consolidated gross debt ended the year at R$ 4.1 billion, higher than the gross debt in 2017 (R$ 3.6 billion). This variation is associated with R$ 1.25 billion related to the 7th issue of debentures to support the investment strategy, and R$ 200 million from the 8th issue of debentures to finance the construction of the Boa Hora Solar Complex, partially offset by the early redemption of the 3rd issue of promissory notes in the amount of R$ 900 million.

We sought to extend the average maturity of our debt. In early 2018, we completed the 7th issue of debentures with a maturity of five years. In addition, the 8th issue of debentures was carried out with a 12-year maturity, also contributing to extending our debt profile. As a result, the leverage ratio (Net Debt / Adjusted EBITDA) ended 2018 at 2.99x and the average debt maturity is currently 4.2 years.

DVA

| GRI 201-1 |

The value added distributed in 2018 was R$ 1.2 billion, up nearly 12% over the 2017 result, with an increase in value distributed to employees and financiers/third parties. The amounts allocated to government, shareholders and retained earnings were lower in the comparison between the years due to a reduction in net income in the period.

Distribution of value added per stakeholder (R$ thousand)

	2018	2017	2016
Employees	112,043	99,505	83,861
Government (taxes, fees and contributions and industry charges)	324,653	330,730	386,889
Financiers/Third Parties	427,456	297,840	224,475
Shareholders/ Retained earnings	287,963	298,277	358,533
Total	1,152,115	1,026,352	1,053,758

Distribution of value added in 2018

9.7%
Employees

28.2%
Government (taxes, fees and contributions and industry charges)

37.1%
Financiers/Third Parties

25.0%
Shareholders/ Retained earnings

SAFETY, NUMBER ONE VALUE

The safety of operations, company employees and contractors, as well as surrounding communities of the areas in which we operate, is a non-negotiable priority and value, as well as constant investment goal.

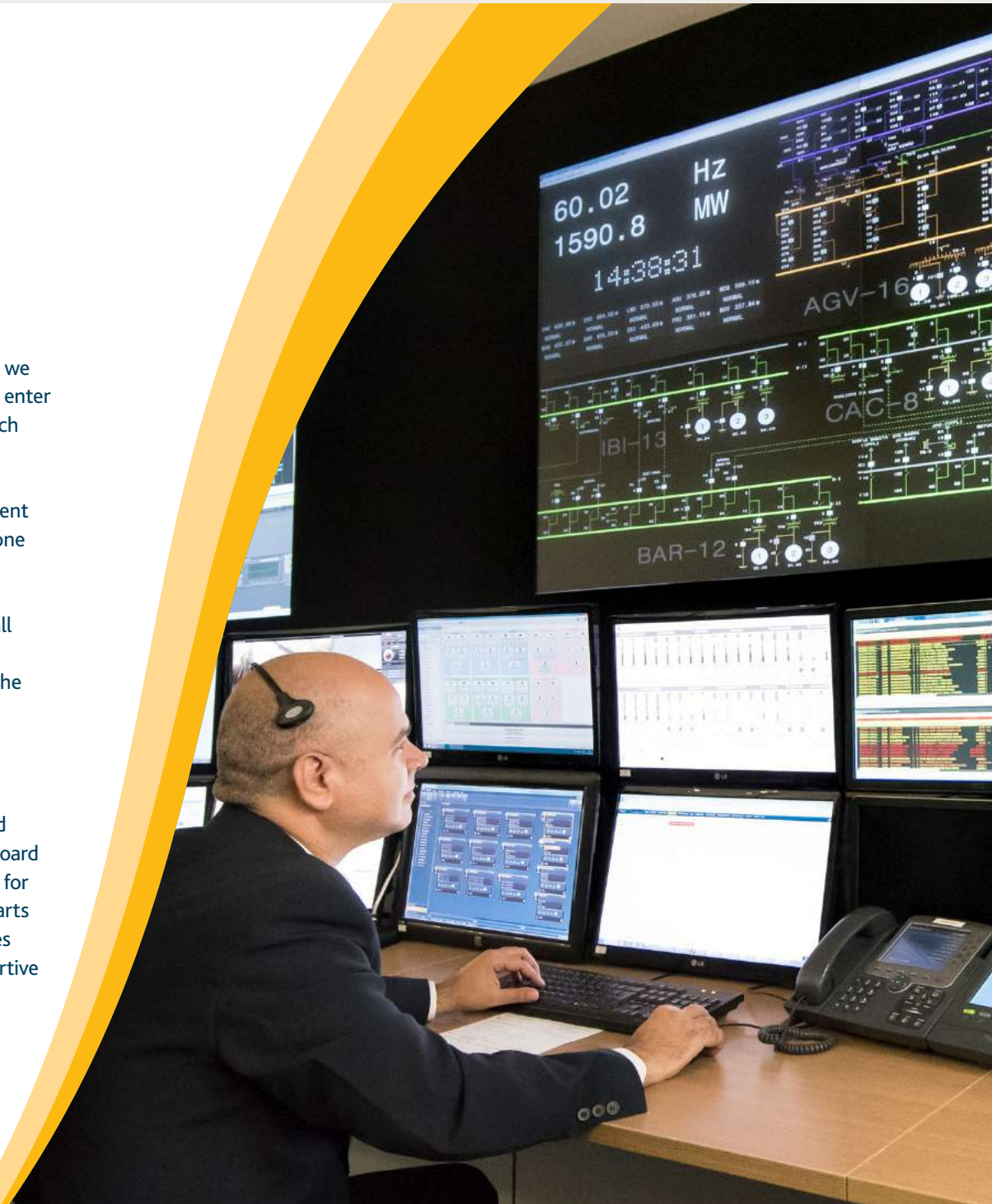
In 2017, we reviewed the Work Procedure Manual, which includes routines, risk mapping and control measures. In 2018, with the diversification of our portfolio, we set a goal to review all procedures of our Integrated Management System, certified under ISO 14001:2015 (Environment) and OHSAS 18001:2007 (Occupational Health and Safety). The processes were 100% standardized for all plants, with the inclusion of aspects related to generation of solar, wind, thermal, battery energy, and services. Through this work, we are prepared to act in a uniform, safe and environmentally sound manner, in all our various assets.

Digitalization of processes

We made efforts to modernize and digitize the security processes. In 2018, we developed a platform for employees to enter the relevant security documents for each activity performed.

Another highlight was in the management of third-party services, which is now done through QR Code identification at the entrance of the plants. The technology evaluates whether the contractor has all valid security clearances and allows for automatic control of the period when the services were provided.

Our security inspections are also digital and recorded in an application, with the consolidation of several data. Associated with this process, we developed a dashboard in Power BI, a Microsoft tool that allows for the development of several dynamic charts for database analysis. These technologies allow for more qualified, faster and assertive managerial decision making on security.



Awareness and Training

EU18

Our leaders have goals for quarterly Safety and Environment Tours in the field to check on compliance with safety and environmental requirements. On these occasions, they should also educate their own employees and contractors on the relevance of the topics. Safety is also the focus of the event called Momento Ligado, a meeting held weekly at the plants and once a month at the headquarters and at the COGE to provide guidance on health, safety and the environment. The topics are planned at the beginning of each year, based on our safety statistics, which ensures a clear, organized and qualified agenda.

We also offer e-learning training to employees, with content developed internally and mandatory minimum number of training hours to ensure that the guidelines on this subject are understood. Thus, we continually train employees and contractors on health and safety aspects.

In 2018, we also conducted training in defensive driving for all contractors, drivers and passengers, since ensuring safety is the responsibility of all.

WORLD CLASS

In 2018, we conducted a self-assessment of our culture on safety and the environment, based on our Integrated Management System. Our employees and contractors were consulted, ensuring sampling of all roles. We celebrated having reached a score of 9.75, which puts us at a world-class management system (above 8), the highest in the evaluation.

Performance

GRI 103-1 | 103-2 | 103-3 | 403-2

We have proactive safety goals, measured monthly and whose results influence the overall goals of our leadership, directly responsible for this topic. Performance is also measured through indicators of lost time accidents for our employees and of recordable accidents, according to OSHA criteria (Recordable Rate). In the year, despite the continuous efforts to strengthen our number one value, there was one lost time accident with one of our employees. By registering these occurrences, we intensified communication about the risks of the activities and how to perform them safely.

OSHA occupational health and safety indicators*

	2018	2017	2016
LTI Rate - lost time incident rate (fatal accidents and typical lost time accidents)			
Employees	0.19	0.00	0.00
Third Parties	0.00	0.31	0.37
Goal	0.00	0.01	0.01
Recordable Rate - rate of reportable accidents (includes fatal accidents, LTI and typical accidents without lost time)			
Colaboradores próprios	0.19	0.00	0.00
Terceiros	0.31	0.46	0.75
Meta	0.64	0.64	0.64

**Data reported in accordance with the Occupational Safety & Health Administration (OSHA) standard, an agency of the US Department of Labor. In 2018, the indicator includes the operations of the Alto Sertão II wind farm and of the construction projects of solar parks, where accidents occurred, albeit without lost time. In terms of rates involving our own personnel, we had an accident with many lost days.*

Vicinity of Operations

EU25

Since 2009, we have not recorded accidents involving the population living in the vicinity of our operations. For monitoring of reservoirs, we have sound alerts that always go off before the opening of the floodgates, to avoid injury to people who eventually go beyond the safety limits.

We also invested approximately R$ 100,000 in the year in awareness and education programs for the population. We published educational campaigns on safety and environmental preservation in local media outlets, reinforcing the importance of observing the signage.

Locks, Dams and Reservoirs

GRI 102-11 | DMA Disaster/emergency planning and response

The dams of the hydroelectric power plants under our concession are solid structures, which have been designed, constructed and maintained following rigorous technical engineering standards, a practice in the energy sector. The structures are built using tested materials from select deposits. The dams are designed and built in one single construction phase. These structures are not modified during the life cycle of the dam. The foundations of concrete, earth or rockfill dams have been rigorously assessed and treated with injections, ensuring the necessary consolidation and strength for the project.

The homogeneous earth dams have protection elements, such as vertical and horizontal filters, to protect the stability of the structure against piping and uplift pressures. The processes to guarantee the safety of the dams of our hydroelectric power plants and PCHs have a real-time monitoring system using telemetry stations for early monitoring of tributary flows and floods in order to anticipate decision-making in situations of water

risk. Inspections are carried out periodically through monitoring instruments installed in civil structures, as well as visual inspections supported by new technologies such as drones for the inspection of underwater and overhead structures, water monitoring network, with 54 stations located in the tributaries of reservoirs to anticipate the operation of the reservoirs under flood situations. This work is conducted by a specialized technical team, composed of civil and water engineers, surveyors and building technicians. Technical reports to attest consistency of monitoring are issued bimonthly, validating the safety of the structures.

In line with the provisions of Resolution 696/2015 of the National Electric Energy Agency (ANEEL), we update and submit the risk assessment form (FSB) to the supervising agent. Internal training is also conducted on the SOSEm procedure (Operating System in Emergencies), an emergency plan developed for the operations and to restore normal operating conditions in situations of risk.

Furthermore, we develop and distribute the Emergency Action Plan (EAP), a technical and administrative procedure that simulates the collapse of dams and generation of flood lines, to help civil defense agencies prepare municipal contingency plans for evacuation and response at communities.

Monitoring of the reservoirs is carried out periodically and, in addition to controlling the environmental conditions of these sites, it allows recording any instances of illegal occupation, including illegal settlements in our 4,800 kilometers of margins. This monitoring is supported by means of multispectral images to detect changes throughout our concession areas, by the RapidEye satellite, which has a resolution of 5 meters in five wave bands in specific months to facilitate viewing, with detection mechanisms for changes in quarterly images, and allowing for the analysis of the dynamics of settlements surrounding the reservoirs. After the process to identify changes in the region, a report is prepared and made available to support the allocation of inspection teams. All cases of irregular settlements identified generate a Property and Environmental Inspection Report (RIPA) that is made available in the Geocatalogo system - GIS System, which manages the entire map base (maps, vectors and images) and information. Once an irregular settlement is identified, the occupant is notified to present the environmental permits or remove the constructions if not interested in regularizing the property, for those cases where regularizing is possible.

CULTURE OF COLLABORATION - OUR HUMAN CAPITAL

The year marked a new stage in our business, with the consolidation of a people management culture focused on satisfaction and search for the full accomplishment of our employees. As a result, we achieved our goal of 85% satisfaction in the climate survey and ranked, for the third consecutive year, among the 150 Best Companies to Work for in Brazil, published by Guia VOCÊ S/A, ranking second among the companies in the energy sector.

In 2018, we advanced to an even more individualized people management, by reducing barriers between leaders and teams and moved to a new headquarters - transferred from Barueri to São Paulo - with gains in proximity between clients and our teams. We also opened a Shared Services Center (SSC) in Bauru, which includes transactional activities (billing, accounts payable, tax, treasury, accounting, human resources, procurement, and budgeting) with synergy and dedication to drive our growth.

These changes are aimed at cultural and digital transformations, in line with the energy change that requires us to be even better prepared to anticipate challenges and market demands. To consolidate these and other initiatives, we launched an initiative called Movimento CLIC, based on three pillars:

CLIC

CLIENTS

Meeting client needs is instrumental to our success.

INNOVATION

We are innovative and constantly seek solutions that make a difference in the lives of our clients. because the leaders are active, accessible and close to the teams.

COLLABORATION

Our processes are collaborative and multidisciplinary, to give us agility and make us efficient. Our hierarchy is "light" because the leaders are active, accessible and close to the teams.

Development

GRI 103-1 | 103-2 | 103-3 | 404-1 | 404-3

Our annual training plan was implemented after determining, in 2017, the need for training, through consultations with leaders in all areas. Structured at the AES University, it offered a large number of e-learning courses and other courses taught by company employees, enhancing internal knowledge. We also follow the 70, 20, 10 methodology, where:

- 70% of learning takes place with own experiences, which is possible thanks to the challenging and collaborative environment, by valuing protagonists.
- 20% of learning with the teams, again encouraged by collaboration and constant feedback for performance improvement.
- 10% of development through courses via training, seminars and participation in events in our sector.

The search for cultural transformation required readjustments in leadership development processes, whose program will be re-launched in 2019. The redesign is supported by focus groups, which will help us identify strengths and those that require improvement.

At the same time, we maintained investments in operational training and in safety, which are essential for business continuity, health and quality of the activities carried out by our employees.

SOCIAL PLATFORM

We make sure our employees are heard, feel motivated and appreciated, taking on the role to carry out the activities with excellence and satisfaction. To this end, in 2018 we launched a corporate social platform, which contributes to streamlining our cultural change. All employees are encouraged to share on the platform the achievements and challenges of their activities. The network went live in November and, in 30 minutes, we already had 330 active employees, representing 73% of the professionals.

Average number of training hours per employee*

By employment level	2018	2017	2016
Executive Board	0.64	0.27	0.00
Management	14.15	21.20	11.16
Coordination	21.03	26.00	18.93
Administration	14.37	46.13	4.48
Operational	55.85	38.13	82.89
Overall	31.93	39.03	46.31
By gender	**2018**	**2017**	**2016**
Male	38.39	47.25	55.10
Female	10.73	8.17	6.14

**Because of the restructuring in 2018, we recorded a significant number of hires, who were not included in our annual training plan. A development plan for this group is already planned for 2019.*

Since 2007, we have annually evaluated employee deliveries and potential through the Performance Management Program. Especially for the leadership, the process is based on a Management Contract, through which we monitor achievement of individual goals twice a year (which include safety performance), disseminated to the teams. In order to be effective, participation in this process requires a minimum of three months on the job, and board members, apprentices and union leaders are not eligible.

Attraction and Retention

Our trainee and internship programs are differentiators to attract and retain talent. In 2018, with gains synergy from structuring of the South America business unit, the trainee program was expanded and began to include positions in Chile. Six thousand applied, of which 5,800 showed interest in working in Brazil. The two-year program provides international experience and has recorded excellent results, with 100% absorption of these professionals after the end of the latest edition.

We also enhanced our internship program, for greater proximity to the trainee program and deliveries of specific projects. This program has four openings, with an absorption rate of 50% in 2018.

Training and employment

In 2018, we re-launched a workforce training program in partnership with SENAI in Bauru. Training to prepare technicians in plant operation and maintenance is taught by our employees and lasts one year, plus six months of supervised internship in one of our plants. In the year, this initiative benefited 30 students through classroom training, and those with best performance and grades will have an internship opportunity with us in 2019. The aim is to take advantage of this labor in future job opportunities in our company.

INTERNAL APPRECIATION

With the automation of various activities at COGE, we relocated professionals working in the operation of our plants to activities previously carried out by contractors. Thus, in addition to valuing our teams, we achieved gains in efficiency and quality, with employees already aligned with our culture of excellence in asset management and safety as number one value.

CLIENT SATISFACTION

GRI 103-1 | 103-2 | 103-3

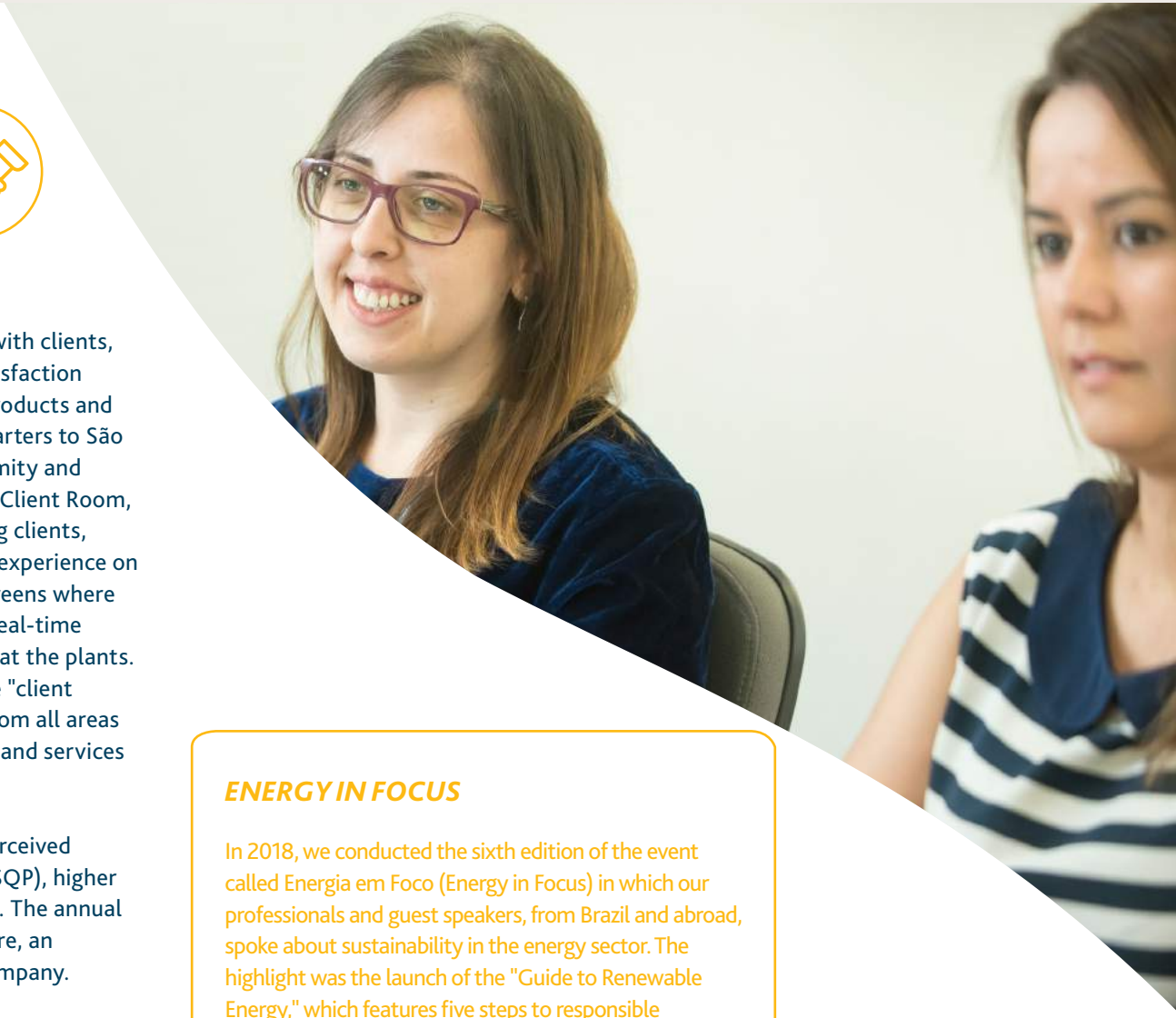
We moved forward in our purpose to improve client experience in their journey with us. This goes from the quality of service, performed by qualified professionals capable of identifying demands, to investments in communication channels. In 2017, we restructured our website, which has become more dynamic and is constantly updated. In 2018, we implemented Interactive Voice Response (IVR), enabling easy access, through key messages, to the required information. Through IVR, clients are transferred to direct contact with our areas responsible for the issues in question.

We also invested in training of our account managers, who underwent 17 training sessions, with a total of 104 hours in topics related to marketing rules in the energy sector and to our product portfolio. Another advance was in social networks, with disclosure of relevant content on the sector and our business.

Relationship

To improve our relationship with clients, we continuously monitor satisfaction with our customer service, products and services. Moving the headquarters to São Paulo provided greater proximity and allowed us to inaugurate the Client Room, a space dedicated to receiving clients, where we provide the COGE experience on a smaller scale, with large screens where they can see our assets and real-time performance, as if they were at the plants. We have in place the practice "client tours" in which our leaders from all areas can monitor the interactions and services provided by our teams.

In 2018, we achieved 93% Perceived Quality Satisfaction Index (ISQP), higher than in 2017, which was 89%. The annual survey is conducted by Inovare, an external and independent company.



ENERGY IN FOCUS

In 2018, we conducted the sixth edition of the event called Energia em Foco (Energy in Focus) in which our professionals and guest speakers, from Brazil and abroad, spoke about sustainability in the energy sector. The highlight was the launch of the "Guide to Renewable Energy," which features five steps to responsible consumption in a simple and accessible language.

BUSINESS PARTNERSHIPS

GRI 102-9 | 102-10 | GRI 103-1 | 103-2 | 103-3 | 308-2

We value the transparency and ethics in relationships with suppliers, with whom we seek to establish long-term partnerships and share our culture of excellence in asset management and focus on safety.

With the incorporation of assets, in 2018, we worked on the restructuring of processes to select, hire and evaluate business partners. We also conducted workshops with suppliers, addressing technical, asset management, social and environmental, and safety issues.

We prioritized the hiring of local suppliers, which drives the social and economic development in our areas. To this end, we made an agreement with the company responsible for building the Boa Hora Solar Complex - first phase of the Ouroeste Solar Complex - to hire 50% of the workforce from the project's surrounding community. The goal was successfully achieved with the aid of Ouroeste City Authorities, which mobilized the municipality to receive resumes of applicants.

We also seek to help partners improve their procedures so they can incorporate our safety culture and commitment to the environment, which prepares them not only to the services they provide to our company but also to the market as a whole.

In the year, we registered 822 new suppliers and maintained business relationships with 1,595 companies, above the number recorded in 2017, due to the expansion of our business in wind and solar energy.

Assessment

GRI 103-1 | 103-2 | 103-3 | 414-2

In the period, we started to redesign the Supplier Performance Index (IDF), a tool that allows managers to analyze deliveries and compliance with contracts with suppliers deemed critical, putting in place action plans in situations that are inconsistent with the quality levels we establish. The restructuring of the tool has support from managers, for questionnaires to better reflect the reality of the power plants. The new IDF will be launched by the end of the first half of 2019.

For the activities required for this redesign, we did not conduct assessments in the months of July, August and September 2018. In the other periods, of the 92 suppliers included in the assessment tool, only 16% were not assessed, which will occur once the tool is updated. Among those analyzed (76 companies), 5% (four suppliers) had average scores below 70.00, which requires plans for improvement and indicates a good evolution compared with the previous year, when the score was 13%. No supplier was assessed as having potential to cause social impact and no contract was terminated for non-compliance.

APPROVAL

With the new plants, in 2018 we updated the requirements for supplier approvals. The form considers, among others, information on social responsibility, economic and financial health, compliance with labor laws, compliance, and quality requirements.

ENVIRONMENTAL CONSERVATION AND PROTECTION

GRI 103-1 | 103-2 | 103-3 | 304-2 | 304-3 | 304-4

Mitigation of environmental impacts is part of our sustainable growth strategy. In all businesses, risks to the environment are considered, and no work is initiated prior to obtaining the applicable environmental permits. Currently, all operating plants have valid environmental permits. In the Alto Sertão II Wind Farm Complex, of the 15 wind farms, six requested renewal of their permits in July 2018, 120 days before expiration (12/3/18); in the Guaimbê Solar Complex, all environmental permits are valid; and in the Ouroeste Solar Complex, we have environmental installation license, and the process to obtain the operating license of phase I (Boa Hora) is in progress at CETESB.

We strictly comply with all environmental conditions, we respect the legal requirements and invest in the preservation of natural resources programs, as well as in environmental education, monitoring of macrophytes and water quality, among others. Our plants were built prior to the current legislation, which provides for environmental impact studies prior to the installation of dams. So it is not possible to assess the situation of habitats and biodiversity before installation or compare the positive and negative effects of actions taken with the implementation of the reservoirs.

The standardization of environmental activities occurs through the Integrated Management System, which includes all assets in operation, as well as all our processes, for an environmentally friendly operation. Another example of the environmental commitment was the hiring of a project to assess the solar energy generation life cycle, which is in progress and will have results in 2019.

In 2018, our investments in environmental management totaled R$ 10.8 million.

Reforestation

GRI 304-3

Introduced in 2001, our reforestation program aims to meet environmental conditions and conservation of flora in the vicinity of our assets, assisting in the recharge of the water table and minimizing erosion and silting of reservoirs. The success of the initiative is guaranteed by the Mãos na Mata Program, which works with surrounding communities in the restoration of forests and supports projects to recover springs and other Permanent Preservation Areas in the catchment basins where the reservoirs of our plants are located.

In our own nursery, located at the Promissão hydroelectric power plant, we produce one million seedlings/year, of which 217,653 were donated in 2018. They are 120 species of the Cerrado and of the Atlantic Rainforest for actions to restore and develop forests.

By Monitoring Restoration, foresters and agronomists oversee the development of the program. Professionals use drones and satellite imagery to monitor the evolution of planted areas and possible degradation.

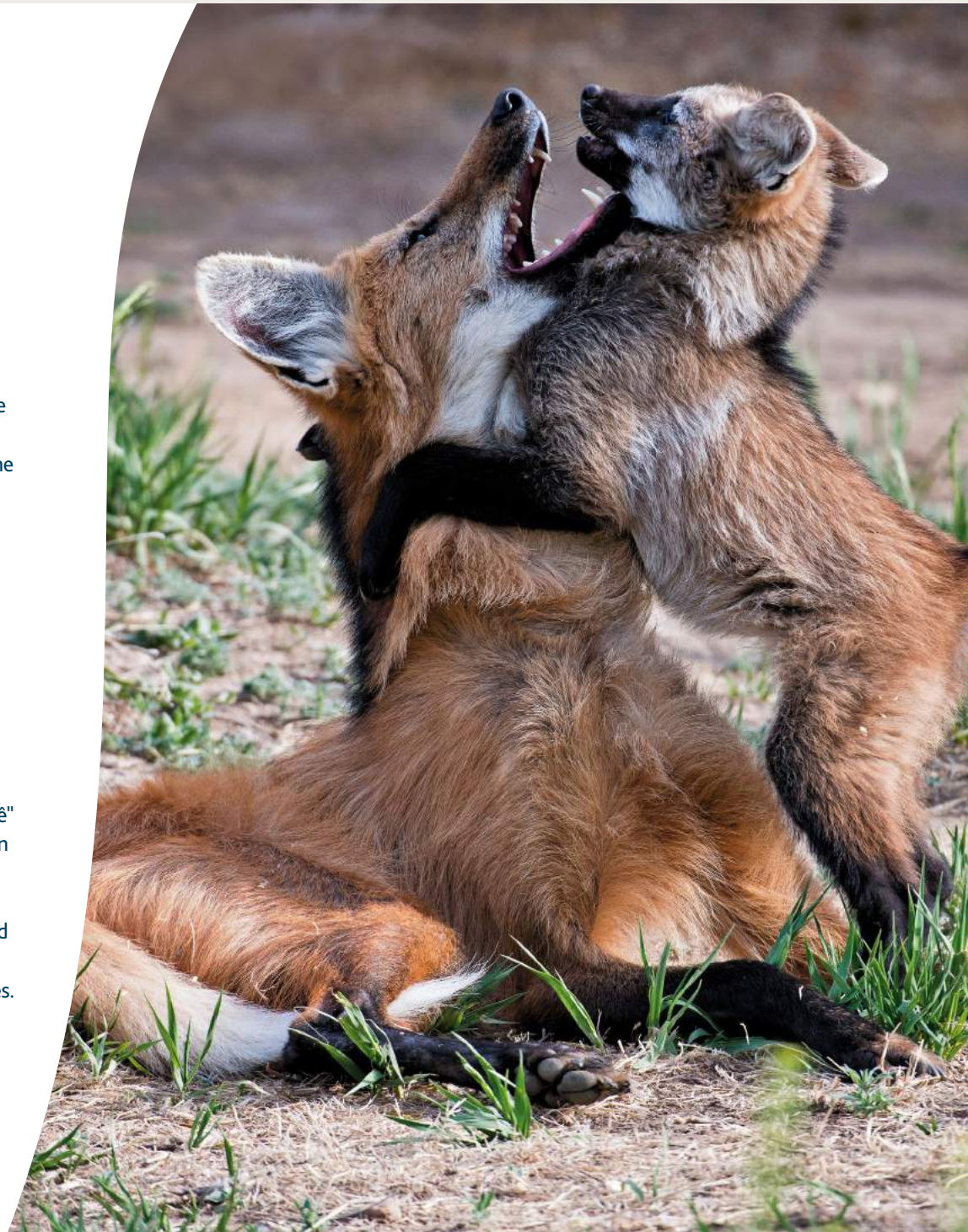
In 2018, a total of 246.5 hectares were reforested, above the target of 243 hectares/year. As a result, we reached approximately 61.7% of the areas to be replanted by 2029.

Program for Monitoring and Conservation of Terrestrial Wildlife

GRI 304-2 | 304-4

The purpose of the action is to preserve wildlife by defining conservation strategies, for a balanced relationship of our operations with the environment. Since 2015, we have performed monitoring in order to identify the wildlife community structure in our areas. In all, 637 species have been identified, many of them classified in a category of either endangered species, endemic to the biome, sensitive to disturbance, and migratory. Together, the species indicate the importance of these areas for the conservation of the biota.

The information collected supported two projects: "Lobos do Pardo" and "Pardas do Tietê" to protect the maned wolf species (Chrysocyon brachyurus) and the cougar (Puma concolor), both endangered. The main purpose of the actions is to understand the risks to species and how they live near the reservoirs, in order to guide conservation and management strategies. We ended the year with seven animals monitored through GPS collars.



In 2018, we also celebrated a partnership with ICMBio/CENAP, to mutually cooperate in both projects, and the activities are related to the implementation of the initiatives of the National Action Plan for the Protection of Canidae and National Action Plan for the Protection of Large Felines, in which we also participated in their development.

Fishery Management Program

We invest in the preservation of aquatic wildlife to maintain fish stocks and benefit the communities that develop economic and sports activities related to fishing. The action promotes the restocking of fish in the reservoirs of the plants located in the rivers Grande, Tietê, Pardo and Mogi Guaçu, with the annual release of 2.5 million fingerlings of the following species: curimbatá (Prochilodus lineatus), dourado (Salminus brasiliensis), small-scaled pacu (Piaractus mesopotamicus) piapara (Megaleporinus obtusidens) piracanjuba (Brycon orbygnianus) and tabarana (Salminus hilarii), raised in the hydrobiology and aquaculture stations of our Barra Bonita and Promissão plants.

The fish conservation actions also include a research and development project, called Chimerism, developed with the Bumblebee catfish species (Pseudopimelodus mangurus).

In maintenance shutdowns of the plants, cases of trapping of fish in generation units, spillway and locks can occur. This impact is mitigated through actions such as deviation of schools before shutdowns and fish rescue, conducted at the sites.

Water Quality Monitoring Program

We monitor the condition and the changes that occur in the aquatic environment, arising from the operation of the project and the dynamics of our reservoirs. This program generates concrete data, which help the relevant agencies perform water management.

Macrophyte Monitoring Program

Through field surveys and remote sensing, we monitor the dynamics of macrophyte populations. The indicators generated are of great importance to anticipate operational risks to the plants and assist the relevant agencies in the development of measures to prevent or mitigate impacts to the multiple use of the reservoirs.

Mitigating Impacts

A recurring problem in hydroelectric power plants, which also has an impact on fishing activities is the rampant proliferation of aquatic plants, especially water lilies originated from the irregular discharge of sewage. To mitigate this impact, we periodically open the floodgates of the plants, helping to improve oxygenation of the water.

Another issue that impacts the hydroelectric power plants are the golden mussel (Limnoperna fortunei), species of mollusks not native to Brazil. To address the problem, we installed an active injection system (Dichloroisocyanurate sodium) in the Água Vermelha hydroelectric power plant approved to prevent incrustation of this mollusk in cooling pipes.

RESPECT FOR THE MULTIPLE USE OF WATER

The water scenario, marked by lack of rainfall, affects the level of the reservoirs and hence hydropower. Our work aims to ensure multiple use of water for the communities in the vicinity of our assets, which is why, in 2018, with the authorization of the National Water Agency (ANA), we gradually reduced the flow of our Caconde plant, maintaining the power generation at the level set out by the Operator of the National System (ONS).

Climate Change

GRI 103-1 | 103-2 | 103-3 | 201-2 | GRI 103-1 | 103-2 | 103-3 | 305-1 | 305-2 | 305-3

Our portfolio consists of energy solutions coming from clean and renewable generation, attests to our commitment to mitigating climate change, assumed in the Climate Change Statement. Given the relevance of this topic, the Subcommittee on Climate Change, created in 2017, operated in 2018 through working groups formed by employees from different areas. The interaction enabled sharing of information to improve processes, such as reducing operation time, for periodic testing, of diesel generators and switching to power supply for own consumption from the generating units.

Since 2011, we have estimated our greenhouse gas emissions through an inventory, prepared according to the specifications of the Brazilian GHG Protocol Program. In 2018, the inventory was assured by external auditors, granting a Gold Seal for the second consecutive year. This result mainly shows our commitment to transparency in reporting and measuring all sources of emissions. The document is available for **public consultation** at the Brazilian Public Register of Emissions.

We also monitor our own consumption of energy to verify emissions avoided in our operations. We highlight the adoption of the smart microgrid system and photovoltaic solar panels at COGE, which allow for 30% of the energy consumed at the site to be generated from renewable sources.

Our performance associated with climate change and water management is also publicly available on the **Carbon Disclosure Project report** (CDP).

GHG emissions inventory (tCO_2e)

	2018*	2017	2016
Scope 1**			
Emissions	359	304	374
Biogenic emissions	326	307	326
Scope 2***			
Indirect emissions from energy consumption	1,062***	606	688
Scope 3****			
Other indirect emissions	255	219	125

**Amounts are subject to change after the release of the updated tool of the Brazilian GHG Protocol Program. Data do not include the Guaimbê Solar Complex, which entered into operation in September 2018.*
***Rise is due to increased use of gasoline, since in May, due to the strike of truck drivers, there was shortage of ethanol.*
****In 2018, there was an increase in emissions mainly due to the increase in energy consumption compared to other years. Although the plants reduced their internal energy consumption, due to shortage of water resources and in accordance with the concession agreement, we supply the Itaiquara PCH with energy from SIN.*
*****In 2018, there was an increase in air travel*

COMMUNITY RELATIONS

GRI 103-1 | 130-2 | 103-3 | 413-1

Our social action aims to positive transformations in the communities surrounding our operations. The actions include voluntary initiatives under the Private Social Investment program, and programs with tax incentives arising from the laws related to culture and sports, as well as to the funds of the rights of children, adolescents, and the elderly.

After the closing of the activities of the AES Institute, we internalized the management of social and cultural initiatives, maintaining the following action fronts: Development of Citizenship, Conscious Entrepreneurship and Innovation for Social Development. The exception was the volunteer program, since, in the year, given the new internal context and new headquarters, we worked to remodel this initiative. To this end, we consulted with our leadership and conducted surveys with employees to better understand their interests. In 2019, we will launch a volunteer program, in line with the expectations of the teams and with a greater connection with our current positioning. With the development of a **new sustainability strategy**, we will also review the fronts for social investments in permanent actions and directly linked to the business.

In 2018, we invested R$ 3.72 million in **social projects**, R$ 698,63 of own resources and R$ 3.03 million incentivized. Our social investment pillars were:

- Development of Citizenship,
- Conscious Entrepreneurship,
- Innovation for Social Development.

Development of Citizenship

We began, in the first quarter of 2018, **Geração+**, an initiative to mobilize students and public school teachers in Barra Bonita, Caconde and Ibitinga, guided by the values and concepts of sustainability. We benefited, in the three cities, 3,020 students and 134 teachers in elementary and middle schools. The activities are organized into four exploration groups of: wildlife and flora, solid waste, electric energy, and leisure and safety. In each of these, we invited the children to learn about and explore the subject, and perform interventions so we can, together, make the world a better and more beautiful place for everyone. Each exploration includes, among others activities, drawing, reading, writing, observation and questioning.

Conscious Entrepreneurship

Another program developed in the year was the Impulso Empreendedor - Promissão, which aims to strengthen the management of family farmers in the region of Promissão (SP), of the Regional Cooperative of Producers in the Northwest of the State of São Paulo (COOPREN). Support occurs through strategic planning and business plans in order to contribute to the increase of farmers' income. This initiative, which included a partnership with Instituto Meio, directly benefited 26 people who form the management of the cooperative, and 1,700 families, indirectly.

Innovation for Social Development

The year was also marked by the continuity of the Pulsar Project, promoted in partnership with Impact Hub and Centro Paula Souza. The goal is to foster an entrepreneurial culture and knowledge in energy among students aged 14 to 18 in State Technical Schools (ETECs). In the year, the project was conducted in the cities of Mogi Mirim, Mogi Guaçu, Lins, Bauru, and Novo Horizonte, with enrollment of over 300 students. Each school involved about 40 students in the project, with an average of 200 participants.

With the acquisition of the Alto Sertão II Wind Farm Complex, we worked in the diagnosis of potential and vocation of the municipalities impacted by our operations: Caetité, Igaporã, Guanambi, and Pindaí. Our participation in the Development Monitoring Committee (CAE), a multidisciplinary group formed by representatives of civil society and the government, contributes to this objective. This group convenes to assess the demands of these four cities. In response to one of these demands of CAE, free workshops were offered to the population of these four municipalities for the development of projects, with the participation of 130 representatives of civil society and the government.

Incentivized Programs

In relation to social investment using incentivized resources, the following investments were made: R$ 887,000 in 13 municipal councils of children and adolescents and the elderly; nearly R$ 1.77 million in projects covered by the Law Rouanet; and R$ 365,000 in an educational sports project, which will benefit four cities in our area of influence.

Regularization of the Margins of Reservoirs

In the year, we completed an inventory of illegal settlements on the margins of our reservoirs. We recorded nearly 8,900 illegal settlements with the use of Geographic Information System (GIS) technology and cutting-edge technologies, used by field teams (RTK, Pro XRT and Estação Total) that enable agile and accurate inspection of the 4,800 km of margins - which is equivalent to an area slightly larger than half of the Brazilian coastline.

The inventory enabled greater proximity to communities and more effective solutions to environmental impacts, regularization of settlements and safety of the population surrounding the reservoirs. To mitigate these risks, we conducted consultations by phone e made available, on our official website, the Geoportal tool, through which one can, with our support, conduct the regularization process. Interested parties may digitally request regularization in an agile, fast and secure way. The status of the request may also be tracked directly on the portal, through the service ticket number. With this action, we recorded 922 regularizations in 2018.

Social projects in 2018

Project/Initiative	Area of influence	No. of beneficiaries	Invested resources	Sources of funds
Social Innovation				
Pulsar Project | training workshops and other activities focusing on strengthening the entrepreneurial culture of social impact and energy in technical schools of the interior of São Paulo, in partnership with Impact Hub and Centro Paula Souza.	Mogi Mirim, Mogi Guaçu, Bauru, Lins, Novo Horizonte	1,440 students and 200 participating students impacted	R$ 274,312	Own resources
Conscious Entrepreneurship				
Impulso Empreendedor – Promissão | Strengthening of the management of the largest cooperative of family farmers in the Promissão region - Coopren. Support occurs through strategic planning and business plans in order to contribute to the increase of farmers' income.	Promissão	Direct: 26 people who form management of the cooperative. Indirect: nearly 1,700 member families	R$ 45,239	Own resources
Impulso Empreendedor – Alto Sertão II | Workshops to develop proposals for social projects for representatives of government and civil society, in order to share project development tools, to be submitted to calls for bid from government, private sector and international entities.	Caetité, Guanambi, Pindaí and Igaporã, in Bahia	130 participants	R$ 70,000	Own resources
Diagnostic of Production Groups - Alto Sertão II | Study to determine the potential and vocation of production groups in the communities in our area of influence.	Caetité, Guanambi, Pindaí and Igaporã, in Bahia	230 participants	R$ 65,698	Own resources
Development of Citizenship				
Geração+ | Mobilization of students and teachers from public school to create a network guided by the values and ideals of sustainability, addressing the following topics: Waste Management; Wildlife and Flora; Leisure and Safety, and Energy.	Barra Bonita, Caconde and Ibitinga	149 teachers and 3,000 students	R$ 207,992	Own resources
Municipal Councils for the Rights of Children and Adolescents | Support for registered social projects, in accordance with the priorities and standards set by the Council.	Bariri, Barra Bonita, Buritama, Caetité, Lins, Mococa, Ouroeste and Promissão	1,227 benefited	R$ 443,553	Incentive funds - FUMCAD (Municipal Fund for the Rights of Children and Adolescents)
Municipal Councils of the Elderly | Support for registered social projects, in accordance with the priorities and standards set by the Council.	Bariri, Buritama, ococa and Promissão	233 benefited	R$ 443,553	Incentive funds - IMF (Municipal Fund for the Elderly)
Traveling Cinema at the Square | Outdoor screening of films in public squares and workshops to revitalize the squares involving young adults and children.	Two municipalities to be determined in 2019	Nearly 2,000 people per municipality	R$ 294,000	Incentive funds - Rouanet Law

Projetos sociais 2018

Project/Initiative	Area of influence	No. of beneficiaries	Invested resources	Sources of funds
Every place has a story to tell | Memory registration project, based on the life stories of residents, prepared by elementary schools, with their teachers and students.	Two municipalities to be determined in 2019	50 elementary and middle school teachers	R$ 318,000	Incentive funds - Rouanet Law
Nau dos Mestres | Science teaching program based on experiments in chemistry, physics and biology, which drives curiosity, the investigative instinct and stimulates children to learn in a playful and active way.	Municipalities to be determined in 2019	12 elementary schools	R$ 275,000	Incentive funds - Rouanet Law
Em Cena | Free attendance presentations in public squares, with several types of shows, with participation of local artists in the activities.	Three municipalities to be determined in 2019	Nearly 1,000 people per municipality	R$ 200,000	Incentive funds - Rouanet Law
Cantos de Leitura | Implementation of a space, with minor renovation and adaptations to provide 1,200 books, technical material about recycling, sustainability and the environment for the school community.	Two municipalities to be determined in 2019	Nearly 500 people per municipality.	R$ 245,408	Incentive funds - Rouanet Law
Semana Euclidiana | educational and cultural seven-day programming to discuss and promote the works of Euclides da Cunha.	São José do Rio Pardo	Nearly 10,000 people	R$ 41,805	Incentive funds - Rouanet Law
NAV - Núcleo de Artes Visuais | Implementation of two fablabs and training of educators and young adults with high methodology for innovation and robotics.	Two municipalities to be determined in 2019	160 young adults and 40 teachers per municipality	R$ 300,000	Incentive funds - Rouanet Law
Guri Project | Sponsorship that contributes to the operation of the student service center and to free presentations to the community.Training Teachers form the Public Network | Training in Educational Sports management for public teachers and managers with the objective of promoting the principles of inclusion, diversity, collective construction, full-time education and autonomy in their communities.	Bauru	290 students	R$ 100,000	Incentive funds - Rouanet Law
Training Teachers form the Public Network | Training in Educational Sports management for public teachers and managers with the objective of promoting the principles of inclusion, diversity, collective construction, full-time education and autonomy in their communities.	Caetité, Guanambi, Igaporã and Pindaí (Bahia)	80 teachers	R$ 365,000	Incentive funds - Sports Law
Volunteering				
Consulting services to restructure the volunteering program.	São Paulo and Bauru		R$ 35,390	Own resources

ANNEXES GRI

GRI 102-3 Location of headquarters: São Paulo (SP)

GRI 102-8 All company employees have open-ended employment agreements and work full time. Our workforce grew by 6% in 2018, due to the start of the activities of Alto Sertão power complex (in the Brazilian Northeast), the creation of the Shared Services Center (SSC) and the hiring of personnel for the subsidiaries. In the year, the share of women on the total headcount increased from 21% to 23%. In asset maintenance activities, we have contractors, which impacts the increase of our workforce, according to the needs for scheduled shutdown, without a defined seasonality. At the end of the year, we had 843 contractors (974 in 2017 and 895 in 2016), of which we have no control over contract type and gender.

GRI 102-41 98% of our employees are covered by collective bargaining agreements - at the end of the period, a collective agreement of the nine professionals working in Guanambi was under negotiation with the Power Workers' Union in Bahia.

GRI 102-48 2017 data of the GHG emissions inventory resubmitted after the launch of the updated tool of the Brazilian GHG Protocol Program, which took place after the disclosure of the 2017 Sustainability Report.

GRI 102-51 February 26, 2018

GRI 205-3 We have not recorded confirmed cases of corruption among our employees, nor legal proceedings related to this topic involving the company or any of our professionals in recent years.

Own employees by gender and region* GRI 102-8

	2018*		2017		2016	
	Male	Female	Male	Female	Male	Female
Southeast	341	104	338	90	297	65
Northeast	7	2	NA	NA	NA	NA
Total	348	106	338	90	297	65

**Data refer to the baseline date of December 31 of the respective year and do not consider board members, trainees and apprentices, since under Brazilian legislation, these professionals do not have an employment relationship with the company.*

Membership in associations GRI 102-13

Association/organization	Holds a seat in governance?	Participates in projects or committees?	Main points of discussion and improvements in the year
American Chamber of Commerce (Amcham)	Yes	Yes	Sharing information and best practices between the various sectors of the economy and the energy sector.
Brazilian Wind Power Association (Abeeólica)	Yes	Yes	Identification of investment opportunities for diversification of energy sources and support the strategic definition of our positioning in alternative sources.
Brazilian Association of Electric Power Generation Companies (Abrage)	No	Yes	Defend interests common to members of the power generation segment; participation in discussion groups; information sharing.
Brazilian Association of Photovoltaic Solar Power (Absolar)	No	Yes	
Brazilian Association of Power Storage and Quality (Abaque)	No	Yes	
Brazilian Association of Independent Power Producers (Apine)	Yes	Yes	
Sustainability Studies Center (Gvces - Getulio Vargas Foundation)	No	Yes	Identification of best practices, participating in avant-garde groups in the debate on sustainability. Access to the GHG Protocol program tool to understand, measure and manage greenhouse gas emissions (GHG).
Global Compact - Energy and Climate WG	No	Yes	With the purpose of being a hub of influence in society, being proactive and searching for knowledge, the initiative encourages companies engaged in having a protagonist role in discussion of topics such as mitigation, adaptation, carbon pricing, energy efficiency and increased participation of renewable energy in the country.
Global Compact - SDG WG	No	Yes	Incentive for companies to incorporate the SDG in the definition of strategies.
Sindienergia	Yes	Yes	Union that represents the interests of the sector with the administrative and judicial authorities, and promotes creation of value and strengthening of the sector.

Power consumption within the organization (GJ)* GRI 302-1*

Renewable sources	2018	2017	2016
Ethanol	4,079.07	4,229.55	5,013.44
Non-renewable sources	**2018**	**2017**	**2016**
Diesel	2,087.41	2,674.94	2,187.74
Gasoline	1,143.97	294.43	97.08
Total non-renewable	3,231.38	2,969.37	2,284.82
Total (renewable + non-renewable)	7,310.45	7,198.92	7,298.26

**The conversions used followed ANEEL's Atlas of Conversion Factors and considered: for energy (1Mwh = 3.6GJ) and for fuel (energy value of 1 liter of gasoline = 0.0322 GJ; energy value of 1 liter of diesel = 0.0359 GJ; and energy value of 1 liter of ethanol = 0.0201 GJ).*

GRI 302-1 Our total energy consumption in 2018 was 180,810.45 GJ, of which 173,500 GJ are for own consumption. The remaining 7,310.45 GJ is related to fuel consumption, with the increase in gasoline consumption resulting from a strike by truck drivers, which led to shortage of diesel.

GRI 308-2 In 2018, of the 1,595 suppliers with which we have business relationships, 76 were assessed through the Supplier Performance Index (IDF), four of which were considered critical in environmental aspects, since they provide services to manage and monitor waste/sewage, pest control, disposal of hazardous waste, and reforestation. Only one of them had a score below 70 in the IDF, but the drop was in the category Quality of service provided, and not environmental. Therefore, there were no significant adverse impacts on the environment.

Species included in conservation lists, by level of extinction risk* GRI 304-4

Risk level	2018		2017		2016	
	IUCN	ICMBIO	IUCN	ICMBIO	IUCN	ICMBIO
Critically Endangered	0	0	0	0	0	0
Endangered	0	0	1	1	1	2
Vulnerable	2	6	4	8	3	7
Near Threatened	4	0	9	0	11	0
Least Concern	253	0	423	0	456	0
Data Deficient	1	0	2	1	1	2
Total	260	6	439	10	472	11

**Covers only hydroelectric projects. Terrestrial wildlife is monitored in our plants by sampling according to the size of each reservoir.*

EU18 Pursuant to AES Tietê's Basic EHS Guidelines, it has been established that all contractors must receive regular training in order to ensure the safe execution of their activities.

Health and safety indicators for own employees* GRI 403-2

	2018	2017	2016
Number of accidents	1	1	0
Days lost/debited	125	0	0
Man-hours worked	1,054,545	903,493	653,754
Fatal accidents	0	0	0
Frequency rate**	0,95	1,11	0,00
Severity Rate***	118.53	0	0.00

In 2018, the indicator includes the operations of the Alto Sertão II wind farm. Data reported according to NBR 14,280. We do not have the breakdown by gender, due to the unavailability of man-hours worked in this format. We also do not have information on the rates of occupational illnesses and absenteeism.
***TF (frequency rate) = number of accidents per 1 million man-hours worked.*
****TG (severity rate) = number of lost days (for absences due to work accidents) for every 1 million man-hours worked.*

Health and safety indicators for contractors by region* GRI 403-2

	2018		2017		2016
	Northeast	Southeast	Northeast	Southeast	Overall
Number of accidents	0	15	1	5	6
Days lost/debited	0	14	4	7	105
Man-hours worked	277,332	1,696,517	105,266	1,203,537	1,108,438
Fatal accidents	0	0	0	0	0
Frequency rate**	0	8.84	9.50	4.15	4.51
Severity Rate***	0	8.25	38	5.82	94

**Data reported according to NBR 14,280. We do not have the breakdown by gender, due to the unavailability of man-hours worked in this format. We also do not have information on the rates of occupational illnesses and absenteeism.*
***TF (frequency rate) = number of accidents per 1 million man-hours worked.*
****TG (severity rate) = number of lost days (for absences due to work accidents) for every 1 million man-hours worked.*

GRI 413-1 All plants are covered by private social investment initiatives and by the corporate activities of the Institutional Relations in the surrounding communities. Hydroelectric power plants have existed for many years, some of them when Brazilian law did not yet provide on the current licensing requirements, so it is not possible to compile a percentage of plants where there is or has been a formal process for impact assessment and local development. Upon diversification of our portfolio, after the acquisition in 2017 of the Alto Sertão II Wind Farm Complex, we worked to obtain a diagnosis of potential and vocation of the municipalities impacted by our operations in Bahia. Based on this evaluation, in 2018 we supported local projects, actively participated in the CAE (Project Monitoring Committee), made communications and engagements in relation to fire safety. In 2018, we acquired the Guaimbê Solar Complex and, for 2019, we plan to conduct an analysis of local potential and needs.

Duration of shutdowns per hydroelectric power plant (hours) EU30

	2018		2017		2016	
Hydroelectric power plant	**Scheduled**	**Unscheduled**	**Scheduled**	**Unscheduled**	**Scheduled**	**Unscheduled**
Água Vermelha	5,753.1	853.4	13,195.0	751.7	10,870.6	630.8
Bariri	1,199.8	171.7	286.1	536.0	509.5	648.5
Barra Bonita	334.9	210.7	7,137.4	339.9	3,601.6	2,786.1
Caconde	1,558.7	66.9	488.7	236.6	103.6	460.0
Euclides da Cunha	1,816.2	75.7	380.6	26.2	30.5	7,605.2
Ibitinga	1,693.2	466.0	262.3	664.2	548.7	857.2
Limoeiro	230.1	46.1	1,334.00	86.2	202.0	235.2
Nova Avanhandava	112.9	333.8	751.2	615.0	25.2	545.5
Promissão	1,492.7	636.3	913.9	459.9	1,247.0	307.9
PCH Mogi Guaçu	575.7	206.3	1,259.4	145.0	110.9	1,605.6
PCH São Joaquim	8,760.0	0.0	7.8	2,805.9	0.0	2,457.5
PCH São José	17,520.0	0.0	4.7	15,687.9	0.0	13,055.2
Total	41,047.2	3,067.0	26,021.0	22,354.4	17,249.6	31,194.7

Average availability factor per hydroelectric power plant (%) EU30

	2018	2017	2016
Água Vermelha	87.43	73.47	78.18
Bariri	94.78	96.87	95.61
Barra Bonita	98.44	78.66	81.82
Caconde	90.91	95.80	96.79
Euclides da Cunha	94.60	98.84	78.27
Ibitinga	91.78	96.47	94.66
Limoeiro	98.42	91.89	97.51
Nova Avanhandava	98.30	94.80	97.83
Promissão	91.90	94.77	94.10
PCH Mogi Guaçu	95.54	91.98	90.23
PCH São Joaquim	0.00	67.88	72.02
PCH São José	0.00	10.43	25.69
Overall	90.81	82.91	85.00

Duration of shutdowns (hours) - Alto Sertão II Wind Farm Complex EU30

	2018	
Subsidiaries	**Scheduled**	**Unscheduled**
Da Prata	907.10	3,706.46
Dos Araçás	840.10	7,664.11
V Nordeste	587.03	6,920.64
Tanque	735.30	4,684.81
Morrão	865.80	9,654.23
Seraíma	864.67	4,899.27
Maron	618.66	2,002.86
Pilões	763.36	4,597.94
Ametista	637.91	2,534.85
Dourados	614.81	1,874.89
Caetité	671.12	4,326.12
S. do Espinhaço	435.72	3,651.64
Espigão	218.42	1,024.56
Borgo	425.45	3,684.02
Pelourinho	533.51	4,572.12
Total	9,719.09	65,798.52

Average availability factor (%) – Alto Sertão II Wind farm Complex EU30	
	2018
Da Prata	95.9
Dos Araçás	93.2
V Nordeste	93.8
Tanque	96.5
Morrão	90.7
Seraíma	94.9
Maron	98.3
Pilões	96.5
Ametista	97.9
Dourados	98.3
Caetité	96.5
S. do Espinhaço	95.6
Espigão	97.6
Borgo	96.1
Pelourinho	95.5
Total	95.7

Performance assessment (%) GRI 404-3			
By employment level	**2018**	**2017**	**2016***
Executive Board	100.0	100.0	-
Management	100.0	100.0	-
Coordination	93.5	100.0	-
Administration	76.1	93.5	-
Operational	89.5	96.2	-
Overall	84.6	95.6	-
By gender	**2018**	**2017**	**2016***
Male	87.4	96.2	-
Female	75.5	93.3	-

**Monitoring of the breakdown by job category and gender began in 2017. The Eligibility criteria for performance assessment are: minimum of three months with the company; employees on leave must have worked at least three consecutive months in the year up to the assessment start date; terminated employees are not assessed; directors, apprentices and union leaders are not eligible.*

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Gotcha! Idiomas

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Limited assurance report issued by independent auditors

To the Board of Directors, Shareholders and Stakeholders
AES Tietê Energia S.A.
São Paulo - 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 2018 Sustainability Report, related to the year ended December 31st, 2018.

Responsibilities of AES Tietê's Management
The Management of AES Tietê is responsible for adequately preparing and presenting the sustainability information in the 2018 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 2018 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 2018 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 2018 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 2018 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 2018 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 2018 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 2018 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 2018 Sustainability Report;
- Analysis of evidence supporting the disclosed information;
- Visits to AES Tietê's offices and sites 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 2018 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 2018 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, 2019

KPMG Assessores Ltda.
CRC SP-034262/F

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

KPMG Financial Risk & Actuarial Services Ltda.

Ricardo Algis Zibas
Director

AES Tietê