

2020 Sustainability Report



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Message from the Presidency



Sustainable investment has gained even more prominence with the Covid-19 pandemic. The biggest crisis of the 21st century reinforced the importance of growth driven by the allocation of resources in sectors and companies with a positive impact on social and environmental aspects, driven by governance systems that value this type of return as much as the financial aspect.

Renewable energy is the cornerstone of this movement for sustainability, synthesized by the acronym ESG (Environmental, Social and Governance). Climate change resulting from global warming continues to be a risk for society as a whole and the replacement of the energy mix with clean sources – such as hydro, wind and solar – remains the focus of responsible companies committed to sustainable development.

Our company, AES Brasil, has overcome the challenges of 2020 and has remained steadfast in its purpose to improve lives by offering more sustainable and intelligent energy solutions that the world needs. We have acquired four new wind power complexes (Ventus, Cajuína, Santos and MS) and advanced in the development of the Tucano Wind Complex, which shows our willingness to invest in projects that increase the supply of clean and renewable energy in the country.

Our commitment to innovate and deliver complete solutions to customers is aimed at promoting the efficient use of this renewable energy, so that more and more products and services reach society with lower environmental impact. It was with this in mind that we created and launched

Energia+, a platform that facilitates and supports the migration of consumers to the free market.

We know that building a low-carbon economy and a society committed to sustainable development requires the joint effort of all. Therefore, our actions go beyond direct investments in business and put us in line with initiatives such as the United Nations Global Compact, which directs the business community to promote universal principles and Sustainable Development Goals. In 2020, we expanded this commitment with the adherence to Science Based Targets initiative (SBTi), an action for companies to establish bold and scientifically based goals to effectively contribute to the reduction of greenhouse gas emissions.

On the governance front, the commitment to sustainability materialized in the company's migration proposal to the New Market, a segment of B3 that brings together companies with the best and most transparent practices in relationship with shareholders. An evolution driven by the long-term vision and confidence of shareholders in the strategy of growth through the generation and commercialization of renewable energy.

While we move forward in the delivery of strategic projects, we act strongly to protect the health of our employees and service providers. Our contingency plan was successful in ensuring that the entire power station continued to operate, keeping only reduced operation and maintenance teams in the field.

At the other end of the business, the relationship of trust and proximity built with customers allowed the maintenance of energy purchase contracts with important measures of flexibility and renegotiation. We have materialized an unprecedented union of efforts to go through one of the most critical moments in our history

and ensure the delivery of the energy supply necessary for each type of activity.

We ended the year with an important change in our governance. The shift in the position of CEO of AES Brasil signals how we value diversity to build a sustainable company aligned with ESG concepts. We both worked in deep harmony for a balanced transition ahead of the company, strengthening the strategic vision that we shared for years in the Executive Board, even when we were President and Vice President of Investor Relations. We thank the

Board of Directors and AES Corporation for their trust and we take great pride in being able to contribute to AES's new growth and transformation cycles in Brazil and South America.

Clarissa Sadock

CEO of AES Brazil as of January 2021

Ítalo Freitas

CEO of AES Brasil until January 2021 (current Vice President of New Business for South America at AES Corporation)



In 2020, we ensured the delivery of energy with all safety and prevention protocols of Covid-19 and we moved forward in the climate agenda, in offering solutions to customers and in strengthening our governance



Our 2020

The emergence of the new coronavirus from the first months of 2020 has plunged the world into an unprecedented situation. Humanity faces a challenge on a global scale, involving public health, employment and social justice, with challenges never seen before to meet the basic needs of the population. The effects of this crisis are not yet fully established, but its impact on society has been intense since the beginning.

In this scenario, electricity proved to be even more essential and necessary. The Brazilian electrical system continued to be demanded to attend the people who started working from their homes, the hospitals, the supermarkets that supply the population, the public lighting equipment and so many other sectors and activities fundamental to avoid a further deepening of the state of calamity.

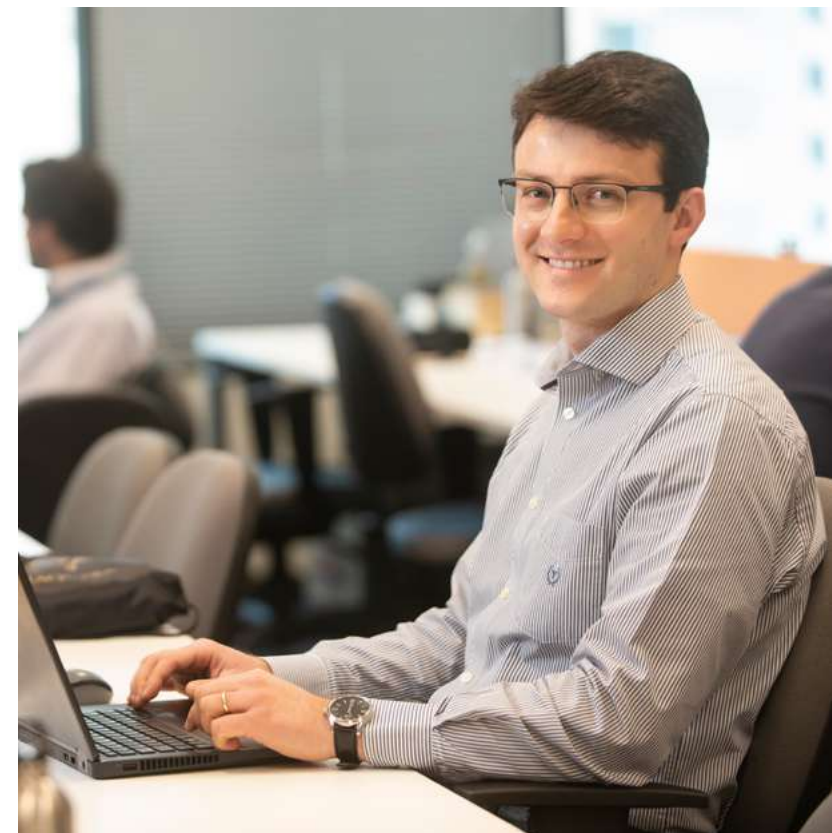
Our company has overcome this challenge by strengthening partnerships, adding value to our clients' businesses and strengthening the commitment to sustainability. We have been side by side with the companies we serve to ensure the delivery of contracted energy with the flexibility that the extraordinary moment demanded.

We have adopted the needed measures and protocols early on to protect the health of our employees and service providers. We used technology as an ally so that our teams could work remotely, with the same efficiency and delivery of results (learn more on page 13).

We have followed our trajectory of investments in renewable sources, acquiring new business, like Ventus Wind Complex (acquisition concluded in

December) and MS and Santos Wind Complexes (ongoing acquisition operation) and developing greenfield projects, such as Tucano and Cajuína Wind Complexes (learn more on page 18). We maintained the excellence in the operation of energy generation assets without carbon emissions and with low environmental impact.

With a long-term vision and focus on excellence, we improve our governance and continue to evolve our policies and risk management processes. Accelerating the future of energy together, in partnership with our customers and society, is what drives us to move forward and overcome short-term challenges.



2020 in figures

R\$ 2.3 billion

in gross operating revenue
(+2% in relation to 2019)



454

own employees



16 operational

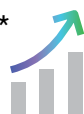
generation assets (9
hydroelectric power plants, 3
SHPs, 4 wind power complexes*
and 2 solar complexes)

**Includes the MS and Santos Wind Complexes, which
acquisition operation was still in the process of being
finalized at the time of concluding this report.*

R\$ 848.0
million

in net profit
(+ 182.6% in relation to 2019)*

**Considers GSF Agreement.*



957

service providers
and third parties



wind complex
under
development

under development
(phases 1 and 2 of
Tucano Wind Complex)



R\$ 250.2
million

invested in modernization,
maintenance and expansion



12,619.5 GWh

of gross
energy generated*

**Includes 449.3 GWh of the
Ventus Wind Complex, according
to data from CCEE.*



wind pipeline

(Cajuína Wind Complex
and phase 3 of Tucano
Wind Complex)



Financial performance

After a retraction in demand at the beginning of the pandemic, energy consumption grew again, a trend that should intensify with the economic recovery in a scenario of decarbonization of the economy and the fight against climate change. Increasingly, the client prioritizes partnerships with a positive socio-environmental impact.

The year 2020 was marked by the expressive growth of our results, with an increase in the net margin, Ebitda and net profit. This performance was mainly influenced by the recognition of R\$ 947.0 million resulting from the GSF reimbursement, by our good operating performance and by the diligence in relation to operating expenses and costs, with the maintenance of spending levels even in a growth scenario.

The net operating margin was R\$ 2,407.7 million in 2020, an increase of 75.2% compared to the previous year, and the Ebitda grew 100.1% in relation to 2019, ending the year at R\$ 2,067.0 million.

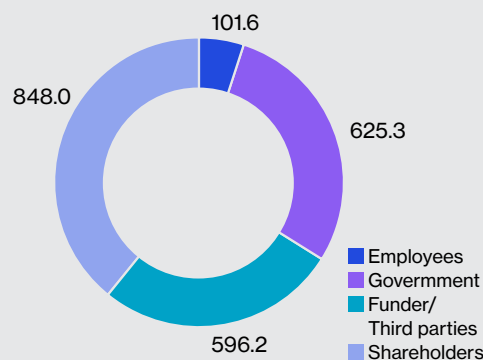
As a measure of the economic impact generated by our businesses, the added value generated and distributed by the company in 2020 grew 89%, reaching R\$ 2.2 billion, mainly due to the 94% reduction in expenses with inputs acquired from third parties.

On January 7, 2021, the company requested CCEE to voluntarily settle its net debt in the amount of R\$ 1.3 billion, referring to the month of November, from the GSF.

Distribution of value added (R\$ thousand)

	2020	2019	2018
Employees	101,576	124,090	112,043
Government	625,336	285,320	324,653
Funders/Third parties	596,173	440,453	427,456
Shareholders	848,021	300,119	287,963
Total	2,171,106	1,149,982	1,152,115

Distribution of value added in 2020 (R\$ million)



Click here and access the 4Q20 Earnings Release and the company's Financial Statements for more information on financial performance and accounting indicators.



In 2020, we obtained our Green Bonds recertification for Guaimbê and Ouroeste solar complexes

Green Bonds



Ouroeste Solar Complex (SP)

- R\$ 260 million of debenture invested
- 280 hectares
- 307.3 GWh of energy generated
- 23 thousand tCO₂e of emissions avoided
- 522,760 generating units
- 144.1 MW of installed capacity
- 35.7 MWm of energy certificate
- 35.7 MWm of assured energy

Guaimbê Solar Complex (SP)

- R\$ 560 million of debenture invested
- 237 hectares
- 254.8 GWh of energy generated
- 19 thousand tCO₂e of emissions avoided
- 557,490 generating units
- 150.0 MW of installed capacity
- 29.5 MWm of energy certificate
- 29.5 MWm of assured energy





Sector context

The national electric sector, a key segment for the development of the country, is going through a phase of transformation. The process of modernizing the sector regulatory framework, under discussion within the Federal Government, is necessary in order to underpin the structures for expanding access to the Unregulated Contracting Environment.

The implementation of hourly pricing to guide the free energy market is one of these innovations. With the adoption of this new pricing model (the hourly PLD) by the National Electric Energy Agency (ANEEL) and the Electric Energy Trading Chamber (CCEE), an improvement in the price formation dynamics in the short-term market is expected. Our specialists are trained to optimize these opportunities and offer projects and solutions that contribute to the competitiveness and increasingly efficient management of our clients' consumption.

Our growth strategy focused on optimizing positive socioenvironmental impacts anticipates the policy of reducing subsidies for renewable energy generation projects, such as wind and solar plants, initiated on several sectoral regulatory and legislative fronts and materialized with the edition of Provisional Measure No. 998/2020. All our projects have already been granted or are in the process of being granted and will not be impacted by the change. As a counterpart, the Government proposes the implementation, starting in 2021, of mechanisms that contemplate the environmental benefits related to the low emission of greenhouse gases (GHG), a remarkable characteristic in our projects.



Among the main novelties in the sectorial context, the adoption of hourly PLD and regulatory advances to enhance the environmental benefits of electric energy generation with low greenhouse gas emissions stand out

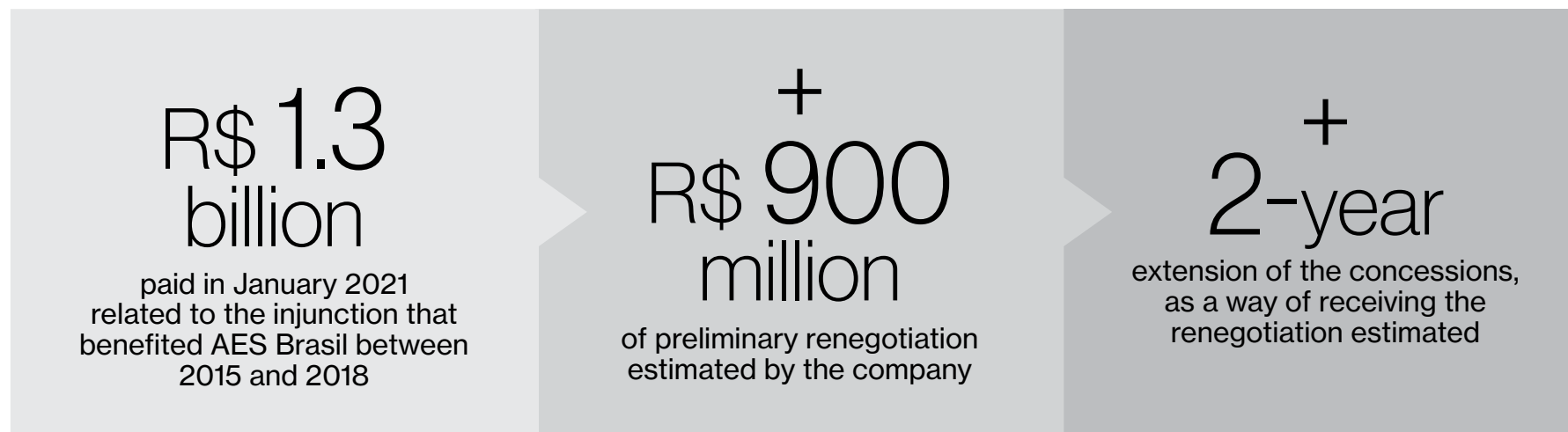
Attentive to the discussion on asset profile regulation initiated by ANEEL, we also structured plans for the implementation of hybrid wind and solar plants. The implementation of these projects awaits the result of public consultation created by the regulatory agency.

Another evolution in the sector is Law No. 14.052/2020, which deals with the renegotiation of hydrological risk (GSF) and provides for the end of judicialization

on the subject. From the regulation of the legislation by ANEEL, through Normative Resolution nº 895/2020, a liability of around R\$ 10.5 billion (according to the estimate of the CCEE of October 2020) will be solved, with the counterpart of the extension of the term concession to hydroelectric generators. In common agreement with the other players in the sector, AES Brasil has already recognized these impacts in the financial statements for the year 2020, even though

the effective signing of the agreement is scheduled for the first half of 2021. Our company actively participated in the preparation of the Bill, contributing with dozens of suggestions on the topic. We ratify AES Brasil's lead role in the sector by collaborating to advance this regulation thanks to the strength of our brand, recognition for our experience and identification as the vanguard of energy technology.

Effects of the GSF Agreement for AES Brasil





Action against Covid-19

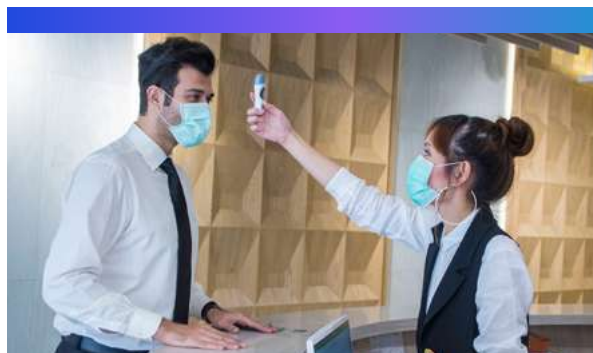
Information and responsibility were our main allies to face the challenges of the new coronavirus pandemic. With safety as our number one value, we have installed the Risk and Crisis Management Committee since the first quarter of 2020, with responsibility for assessing all externalities related to the evolution of Covid-19 and establishing a coordinated basis of action plans.

Our priority has always been to ensure the safety and preserve the health of our people. At the same time, we seek to ensure the continuity of operations for the supply of energy, adapting and maintaining the programs of operation and maintenance of power stations.

Under the coordination of the Risk and Crisis Management Committee, we carry out several actions and initiatives to reduce business losses and, above all, conduct activities in such a way as to avoid the exposure of our teams and third-party service providers to the disease.



Our Risk and Crisis Management Committee promoted actions to preserve the lives of employees and contractors



Highlights of our action plan

- Maintenance of jobs and remuneration packages. No employees were laid off and there were no wage or benefit cuts because of the pandemic. In addition, we hired 24 people during this period of social distance.
- Corporate maturity with the home office policy for employees in the administrative areas.
- Immediate distancing and medical follow-up of employees from the risk group, with pre-existing physical conditions and diseases that increase the risk of exposure to the new coronavirus.
- Maintenance of operation and maintenance activities in the Power Generation Operations Center (COGE) and in the plants, with reduction of teams acting presentially in the assets. The culture of investments in automation contributed to the faster adaptation to the new working model.
- Total security protocol for the resumption of on-site activities in the offices. The guidance to employees is of return only when the risk scenario is fully under control in Brazil.

Action plan

Click on each of the squares to learn more about the measures we took internally and to support society





We are AES Brasil



Our new brand, launched in November 2020, represents the beginning of a new chapter in AES Brasil's history. We are prepared to grow supported by a 100% clean and renewable electricity generation portfolio, with diversification of generating sources and innovative solutions to meet the demand of our customers for the cutting-edge management of their energy supply.

Since 1999, when we were born from the acquisition of Companhia de Geração de Energia Elétrica Tietê by the AES group, we have expanded and improved our business model.

We have **diversified** the generation portfolio in the last four years, acquiring wind and solar assets.

We built and strengthened a **culture of innovation** and added **technologies** to bring sustainable, intelligent and economically appropriate solutions to the energy management of the business of the customers we serve.

In January 2021, at the Extraordinary General Meeting, we approved the **migration of our shares to the Novo Mercado**, a listing level with the highest degree of corporate governance at B3 – Brasil, Bolsa e Balcão. The transaction is also subject to the consent of the National Electric Energy Agency

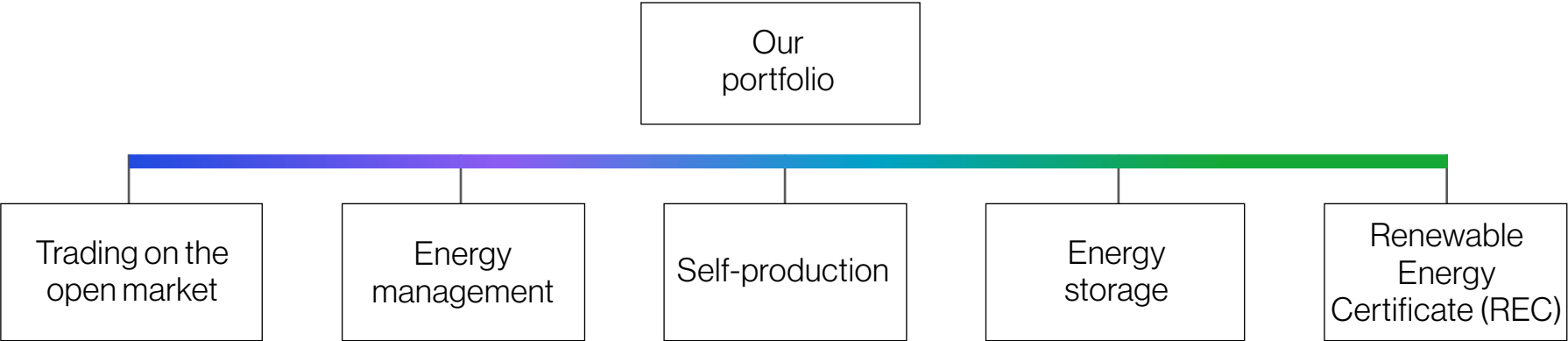
(ANEEL), registration with the Securities and Exchange Commission (CVM), the approval of B3 and, as applicable, the approval of creditors.

We have been a member of the B3 **Corporate Sustainability Index (ISE)** since 2007 and have an A rating from MSCI, one of the main rankings in the world for assessing a company's resilience to ESG risks.

Our hydroelectric and solar plants are located in the state of São Paulo, and our headquarters are in the São Paulo capital. The conduct of our hydroelectric power generation activities is carried out in accordance with the Concession Contract signed with the government, through ANEEL, with a 30-year term ending on December 20, 2029. According to parameters established in Normative Resolution No. 895/2020, the new concession

extension term will be published by ANEEL, as soon as the GSF Agreement process is finalized. The contract may be extended, under the conditions that are established, at the discretion of ANEEL, upon request of the company. The renewal request must be submitted to ANEEL up to 36 months before the end of the concession period. ANEEL's criteria for renewal can be discretionary, as well as not being established and norms exist that regulate the renewal conditions for the company's plants. We also have wind farms in Bahia and Rio Grande do Norte (learn more about our generation assets in the page 27).

The operational management of the 3,531.6 MW of our installed capacity is done remotely, from our Power Generation Operations Center (COGE), inaugurated in 2017 in Bauru, in the interior of São Paulo.



Acquisitions of assets in 2020



We advanced our strategy of growth and portfolio diversification with renewable generation assets. In 2020 we acquired the Ventus Wind Complex, installed in Rio Grande do Norte. The assets have been in operation since 2014 and all the energy generated is 100% contracted in the regulated energy market until 2034.

The year also marked the signing of an option agreement to purchase the Cajuína Wind Complex, also in Rio Grande do Norte. The greenfield project has a planned capacity of 1.1 GW and complements our strategy of creating a wind cluster in the state. In September 2020, the Administrative Council for Economic Defense (CADE) approved the first phase of Cajuína, with a granting capacity of 588 MW.

We also signed, in December 2020, a contract to purchase the MS Wind Complex and the Santos Wind Complex, installed in the states of Rio Grande do Norte and Ceará. These acquisitions are ongoing and an important step towards the creation of a wind power generation cluster in the region, one of the most privileged in terms of this generating source in the country.

The completion of this last acquisition is subject to compliance with the conditions precedent agreed with the sellers. After the conclusion of the transaction, in 2021, an extraordinary general meeting of shareholders will be called for ratification, as soon as an appraisal report prepared by a specialized consulting firm confirms its necessity – according to the terms of article 256, paragraph 1 of Law No. 6,404/76.



The acquisition of the Ventus, Cajuína, MS and Santos Wind Complexes contributes to the diversification of our generation asset portfolio



→ **Ventus Wind Complex**

R\$ 650 million invested

187.0 MW installed capacity

100% operational

100% contracted – PPA of 20 years
in the regulated market

Acquisition concluded in December 2020

→ **MS Wind Complex
and Santos Wind Complex***

R\$ 806 million of estimated investments
(R\$ 529 million equity + net debt assumption)

158.5 MW installed capacity

100% operational

100% contracted – PPA of 20 years
in the regulated market

**The Share Purchase and Sale Agreement (SPA) was signed. The conclusion of the transaction is subject to compliance with the precedent conditions agreed in the SPA and ratification of the transaction at an extraordinary general shareholders' meeting.*

→ **Cajuína Wind Complex**

Total investment of R\$ 4 billion

March: announcement of the **1.1 GW** purchase
agreement, making the greenfield project possible

September: CADE approval for the
first phase, with published grant of **588 MW**

Tucano Wind Complex


Acquired in 2019, the Tucano Wind Complex, located in Bahia, has advanced in the process of obtaining the necessary permits to start its construction in 2021. We obtained the authorization grant from ANEEL and the Access Opinions from the National System Operator (ONS) for the connection of the enterprise with the power transmission company.

In 2020, we obtained the installation license for the construction of the transmission line that will serve the Wind Complex. In February 2021, we obtained the installation license for the beginning of the works.

Another significant development was the municipal authorization for the reform of access roads to the future construction site. This intervention is necessary to receive the materials for the civil works.

Our teams also worked on the executive project of the Wind Complex, which has an estimated capacity of 582.8 MW, of which 483.6 MW has already been granted. The first phase of the greenfield project will have 322.4 MW installed, contracted through contracts with two clients – Unipar Carbocloro and Anglo American.

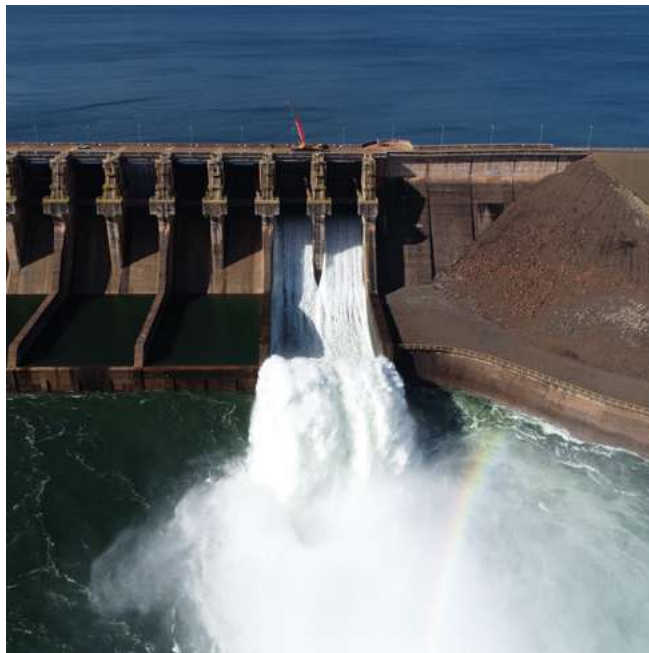


 The acquisition of the necessary licenses over the past year paves the way for the beginning of construction works as of 2021



Awards and recognition

- Our company was selected, for the 14th consecutive year, to be part of B3's Corporate Sustainability Index (ISE) portfolio
- Latin America Executive Team Small Cap – Best IR Team
- Latin America Executive Team Small Cap – 3rd among Best ESG Metrics in the sector



- We raised the Carbon Disclosure Project (CDP) score, from C to B, in the Water and Climate Change questionnaires
- 4 consecutive years with a Gold Seal in the Emissions Inventory
- Winner of the “Incredible Places to Work” in the Energy Sector category of FIA and UOL Awards



- Sixth consecutive year in the Transparency Trophy 2020 – National Association of Finance, Administration and Accounting Executives (ANEFAC)



Business model

We are the strategic center for investment and growth in Brazil of AES Corporation, one of the largest energy companies in the world, with operations in 15 different countries. Our purpose is to accelerate the future of energy by developing innovative solutions and new renewable sources to achieve a carbon-free energy supply. To this end, we have adopted a business model in the country that has been improved and accelerated by this integrated vision reinforced by intangible assets that strengthen our capacity to generate value.

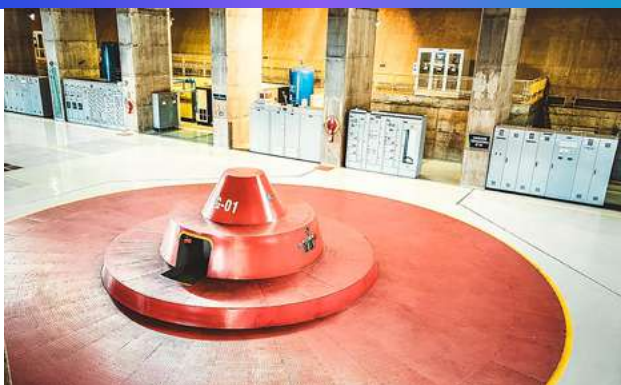
With a [portfolio of 100% renewable generation](#), diversified and free of fossil fuel power plants, our growth strategy is directed only to the acquisition and development of renewable energy projects, with emphasis on wind and solar sources.

Our employees are [specialists in the energy sector](#) and know the dynamics of the market in Brazil. The human and intellectual capital that we develop internally provides competitive advantages in the identification of opportunities and risk management of our business.

We practice a corporate culture that prioritizes [customer focus](#) and the development of innovative solutions, aimed at meeting the greatest and most urgent demands of business partners. The teams work in an integrated and

coordinated way to identify trends, develop new products and design customized offers for each type of customer.

Experience and knowledge in [asset management](#) is another strategic lever in our business model. The security of people and assets always comes first and drives the development and compliance of programs, protocols and operational processes. In addition, we study and incorporate new technologies and digital tools to increase the availability of equipment and continuously increase the efficiency and productivity of power stations.



Our mission

Accelerating the future
of energy, together.

Purpose

Working with you, we're improving lives
by delivering greener, smarter energy
solutions the world needs.

Values



Safety first: Safety is at the
core of everything we do.

We always identify potential risks
to our people, contractors,
customers, partners and
communities, and measure
success by how safely we
conduct our work together
while contributing to a greener
energy future.



Highest standards:
We act with

utmost integrity towards
our people, contractors,
customers, partners
and communities,
and hold the solutions
we deliver together to
global standards
of excellence.



All together: We
work as one team
across our business and
with our people, contractors,
customers, partners and
communities. We meet
changing customer needs
with agility and have
fun solving meaningful
challenges as a team.

How we generate sustainable value

We are always attentive in our management to create financial and non-financial value. This integrated thinking, based on the framework of the International Integrated Reporting Council (IIRC), allows us to see the levers in our business model and the impacts of our operations on society.

Main inputs

Natural capital

- Affluence of rivers
- Sun light
- Incidence of winds

Manufactured capital

- 16 operational assets
- 3.5 thousand MW of installed capacity

Human capital

- 454 own employees
- 957 service providers and third parties

Social & Relationship capital

- Association of the AES Brasil brand with renewable energy and innovation

Financial capital

- R\$ 250.2 million invested in modernization, maintenance and expansion

Intellectual capital

- R\$ 11.4 million invested in R&D

Our advantages

- Focus on the customer and on developing solutions for renewable energy value chains (learn more on page 25)
- Operational and asset management excellence (learn more on page 27)
- Adoption of best practices in corporate governance and compliance (learn more on page 41)
- Conservation of biodiversity and efficient use of natural inputs (learn more on page 61)
- Promotion of diversity and career opportunities (learn more on page 79)
- Positive legacy for communities (learn more on page 85)

Value generation

Social & Relationship capital

- 95.6% customer satisfaction
- R\$ 2.7 million invested in social projects

Human capital

- 14.5 thousand hours of training
- Zero fatal accident

Financial capital

- R\$ 848 million in net profit
- R\$ 2.2 billion in added value distributed

Natural capital

- R\$ 12 million in environmental investments

Manufactured capital

- 12.6 thousand GWh of gross energy generated

Intellectual capital

- 92.5% of customers see AES Brasil as an innovative company

Customer focus

The free energy market (also known as Free Contracting Environment – ACL) is the electricity sector modality with the most competitive advantages for our customers. In this category, the purchase and sale of energy occurs through bilateral negotiations, with market conditions freely negotiated between consumers and generators or traders. The commercial conditions (costs, deadlines, billing models, etc.) are more flexible and interesting.

The modernization of the regulatory framework of the electricity sector has opened opportunities for the free market. From 2023, consumers with contracted demand equal to or greater than 500 kW will be able to purchase conventional energy, according to ordinances No. 514/2018 and No. 465/2019 of the Ministry of Mines and Energy (MME).

Our business model was built to offer our clients all the necessary solutions to enter the free market, in an agile and bureaucracy-free way. The formatting of purchase and sale contracts is only one of the necessary steps for this migration. We develop products and solutions that serve customers in all other phases of this process.

We also work in the diagnosis of energy consumption and planning of solutions, construction and management of self-production plants and representation at the Electric Energy Trading Chamber (CCEE).



Our offer of products and solutions for the free market is in line with the modernization of the regulatory framework that expands access to this energy contracting environment

Schedule of adjustments of the free market



Starting from
January 1st, 2021

Starting from
January 1st, 2022

Starting from
January 1st, 2023



Minimum contracted
demand is of
1.5 MW

Minimum contracted
demand is of
1.0 MW

Minimum contracted
demand is of
0.5 MW



Launch of the Energia+ platform

In 2020, we launched a new channel to serve medium and small customers. We created [Energia +](#), a digital platform for the commercialization of electric energy for companies with lower load consumption who wish to enter the free market.

Developed to simplify migration, contract negotiation and management, the new product seeks to improve the experience of entering the free market, as well as the relationship and purchase for the customer, offering resources for the precise obtaining of data that optimize the generation of value energy management.

The platform works collaboratively with energytechs and fintechs and presents online facilities for the formalization of contracts and integrated solutions to meet all other client demands related to energy supply, such as financing issues and engineering and construction services contracts. The contracting modalities were also adapted, with more flexible clauses and connected to the reality of these partners.

Besides Energia+, we also achieved positive results in 2020 with our [Mesa Comercializadora](#). The structuring of a team and a platform for buying and selling energy in the free market in the short term has increased our business model, adding value to operations and relevant information for the identification of price trends and market behavior.



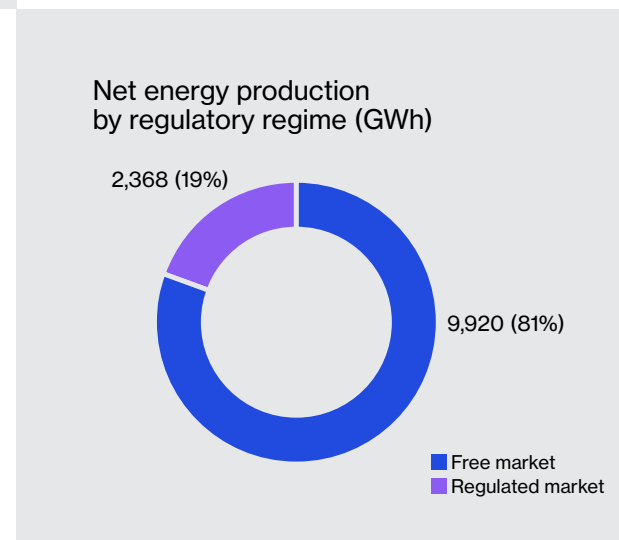
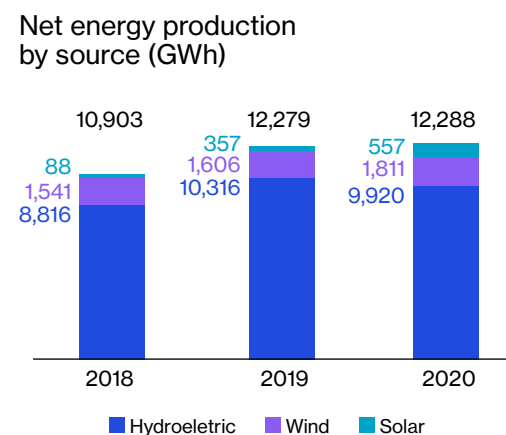
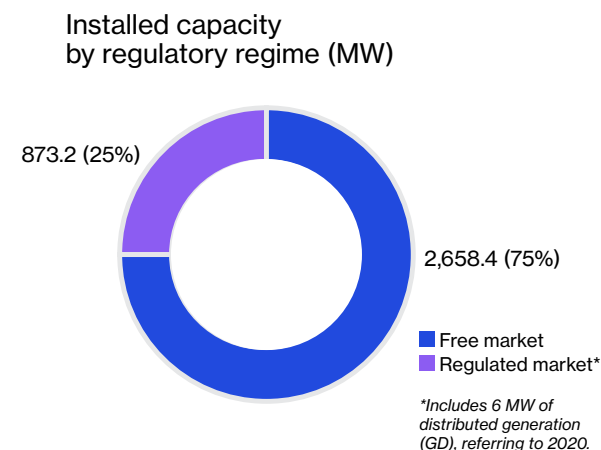
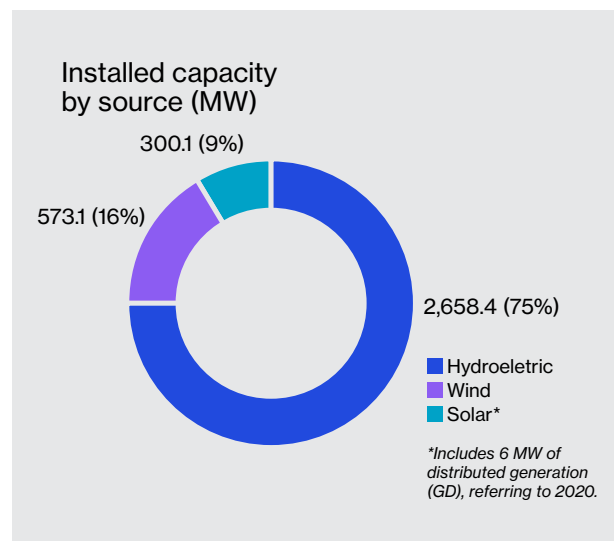


Our generation

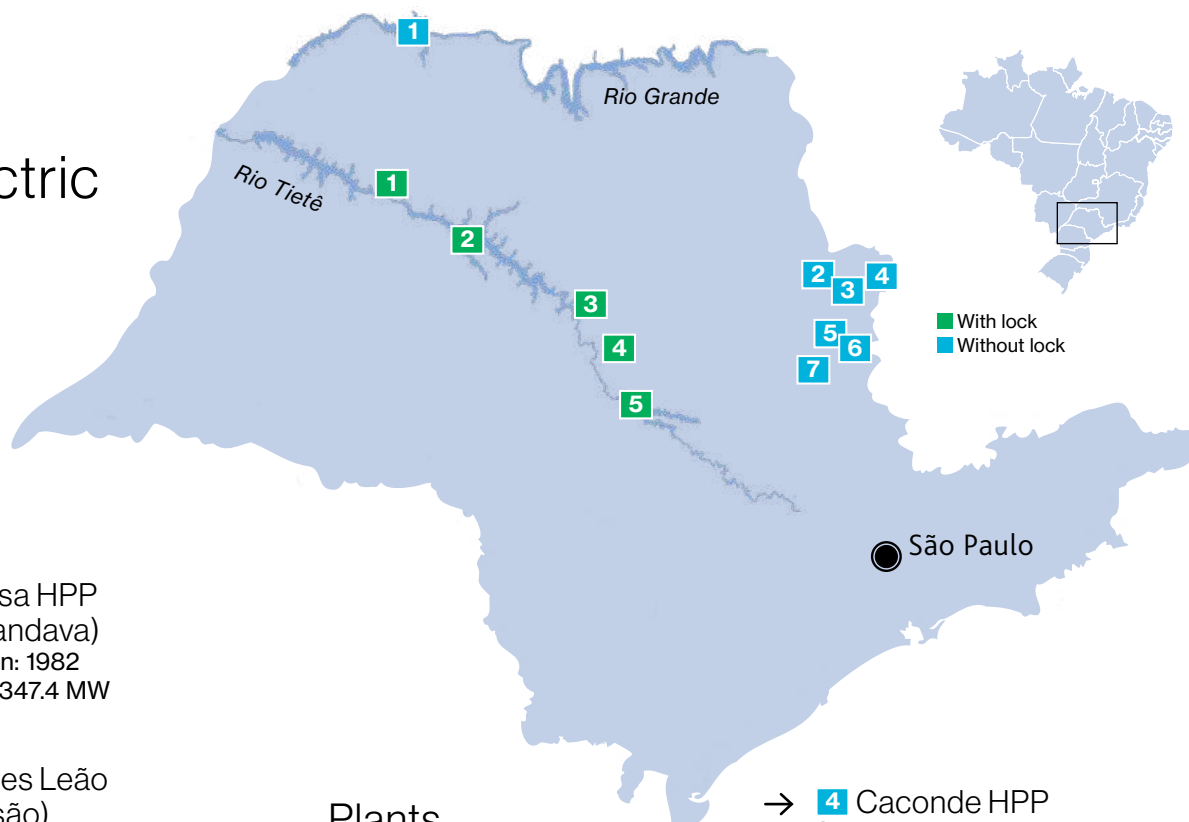
We were pioneers in Brazil in certifying our units under ISO 55001 (asset management), which contributes to operational excellence. With the same discipline and focus on delivering energy efficiently and reliably, even more because we operate in a key segment of the economy, we have not interrupted our operations due to the pandemic. We adopt all the necessary health safety protocols (learn more on page 13) and adjust safety assurance processes without compromising their effectiveness.

In a totally atypical year, the use of technology has been a great ally in our efforts to limit our people's exposure to the minimum risk required in our operations. Our regulatory training sessions, which were already partially in e-learning system, were carried out entirely in digital environment and offered in their entirety as planned.

In 2020, the National System Operator (ONS) reduced dispatches for hydroelectric generation because of the lower system load and reduced affluence levels. With this, our hydroelectric generation was 3.8% lower in comparison to 2019. At the Alto Sertão II Wind Complex, below average winds mainly impacted the first quarter, resulting in a net energy production 14.3% lower than in 2019. In relation to the solar complexes, we registered a growth of 56.2% in the amount of energy generated, mainly due to the start of operations of the AGV solar plant, part of the Ouroeste Complex. The obligations of this asset at auction will start in 2021, so all the energy generated by the unit (151 GWh) in the year was allocated to the free market.



*Historical data re-presented. In 2020, includes 433.9 GWh of the Ventus Wind Complex, according to data from CCEE.



Plants with lock

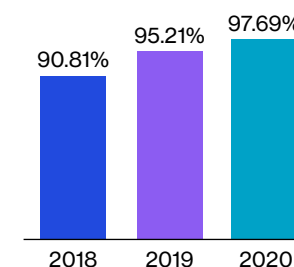
- **1** Rui Barbosa HPP (Nova Avanhandava)
Start of operation: 1982
Installed power: 347.4 MW
- **2** Mário Lopes Leão HPP (Promissão)
Start of operation: 1975
Installed power: 264.0 MW
- **3** Ibatinga HPP
Start of operation: 1969
Installed power: 131.5 MW
- **4** Bariri HPP
Start of operation: 1965
Installed power: 143.1 MW
- **5** Barra Bonita HPP
Start of operation: 1963
Installed power: 140.8 MW

Plants without lock

- **1** Água Vermelha HPP
Start of operation: 1978
Installed power: 1,396.2 MW
- **2** Armando Salles de Oliveira HPP (Limoeiro)
Start of operation: 1958
Installed power: 32.0 MW
- **3** Euclides da Cunha HPP
Start of operation: 1960
Installed power: 108.8 MW
- **4** Caconde HPP
Start of operation: 1966
Installed power: 80.4 MW
- **5** São Joaquim SHP
Start of operation: 2011
Installed power: 3.0 MW
- **6** São José SHP
Start of operation: 2013
Installed power: 4.0 MW
- **7** Mogi Guaçu SHP
Start of operation: 1997
Installed power: 7.2 MW

Automated inspection pilot project at Mogi Guaçu SHP, with sensors that transmit data directly to COGE via wireless network. The model should be replicated for the other plants in the coming years

Average availability factor of hydroelectric plants



About 2.5 million fry are released annually in the reservoirs, contributing to the restocking of the rivers with different species of fish

Dam safety

Proactively, we perform two monthly dam safety instrumentation monitoring campaigns, twice the technically recommended and practiced. During the period of greater restriction of social contact, we complied with what was determined by the legislation, performing a monthly action, until the flexibilization of sanitary rules allowed us to resume our standard practice.

We meet all procedure specifications and since 2014 we have included the use of underwater drones and robots in our inspections. The resources we use include satellite images, remote controlled boat to perform bathymetry and flow analysis of the inspected area and even a mini submarine, which allows greater detail of the underwater inspection.

We combine high technology with the industry's most modern resources to reinforce the monitoring of our assets and we are always working on developing innovations that reinforce the safety of our operation. In 2020, an

important advance in this direction was the implementation of an inspection automation pilot project at the Mogi Guaçu SHP. The system uses wireless transmission sensors integrated into the company's information network, allowing real-time information sharing with COGE. The feature complements the asset security actions, which continue to include monitoring the structure.

In compliance with the legislation, our Emergency Action Plans (EAPs) are made available to the governments of all the municipalities where we operate. The document includes a complete study of impacts and possible measures in case of an accident or structural failure. In addition, our plants have their respective Dam Safety Plans (PSB), the documentation of which has been verified by ANEEL.



We acquired a van-laboratory of drones to ensure more agility to repairs and increase the autonomy in the use of equipment



Our study of failure modes has been fully updated using new technologies to generate 3D models. We have also completed a laser survey of all reservoir edges. Currently, we manage 4,800 km of perimeter, taking care of environmental protection and monitoring its use by the local population.

Our dam safety actions include measures for management of reservoir floods, flow control and taking action in situations of operational risk or to the communities established in our Emergency Operation System (SOSEm). In addition to the installation of signage on the edges of the reservoirs, we periodically disseminate information on safety around the reservoirs at SOSEm meetings and in campaigns in regional communication vehicles. Through this approach, since 2009, we have not registered any accidents in our plants involving the population.

Throughout 2020, the company contributed with suggestions for Bill No. 550/2019, which deals with updating Law No. 12,334/2010 on the National Dam Safety Policy (PNSB). This decision by the Legislative Branch culminated in the approval of Law No. 14,066/2020, which still needs to be regulated. We will continue to monitor and participate in discussions in this area, reinforcing our role and proven experience in the safety of our assets and dams.



Wind complexes

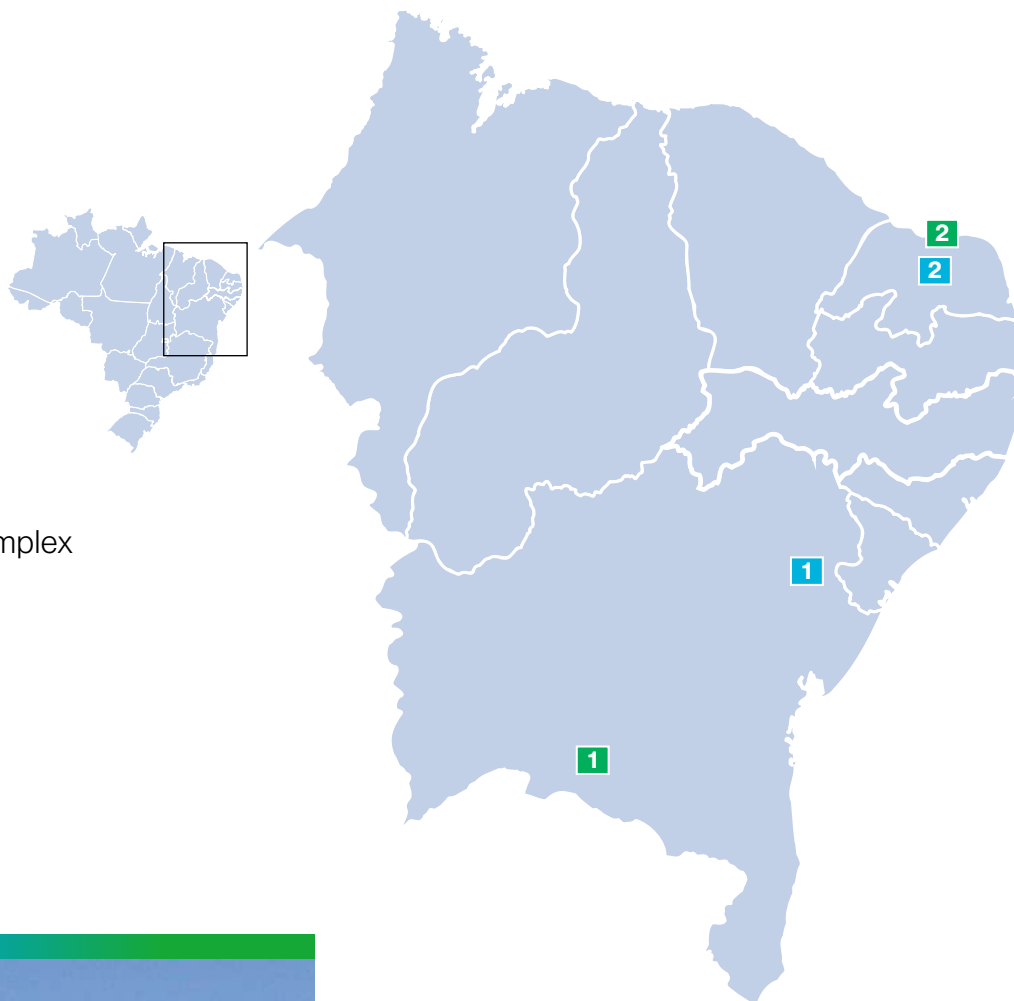
Operation

→ **1** Alto Sertão II Wind Complex

Installed power: 386.1 MW
Number of aerogenerators: 230
Number of stations: 15

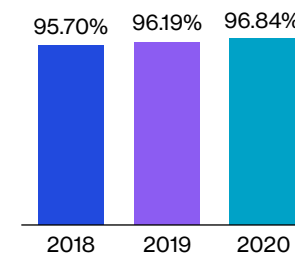
→ **2** Ventus Wind Complex

Installed power: 187.0 MW
Number of aerogenerators: 112
Number of stations: 3



Structuring the Social Management System (SMS) and partnership with Earthworm to develop a model for assessing local impacts, initiatives that enhances dialogue and will guide local investment actions

Average availability factor of the Alto Sertão II Wind Complex



Tucano Wind Complex was considered eligible for carbon credits after technical evaluation and obtained the necessary licenses to start the works in 2021



Development/Pipeline

→ **1** Tucano Wind Complex

Capacity to be installed: 582.8 MW
Under construction

→ **2** Cajuína Wind Complex

Installed capacity: 1.1 GW
Being projected



Solar complexes

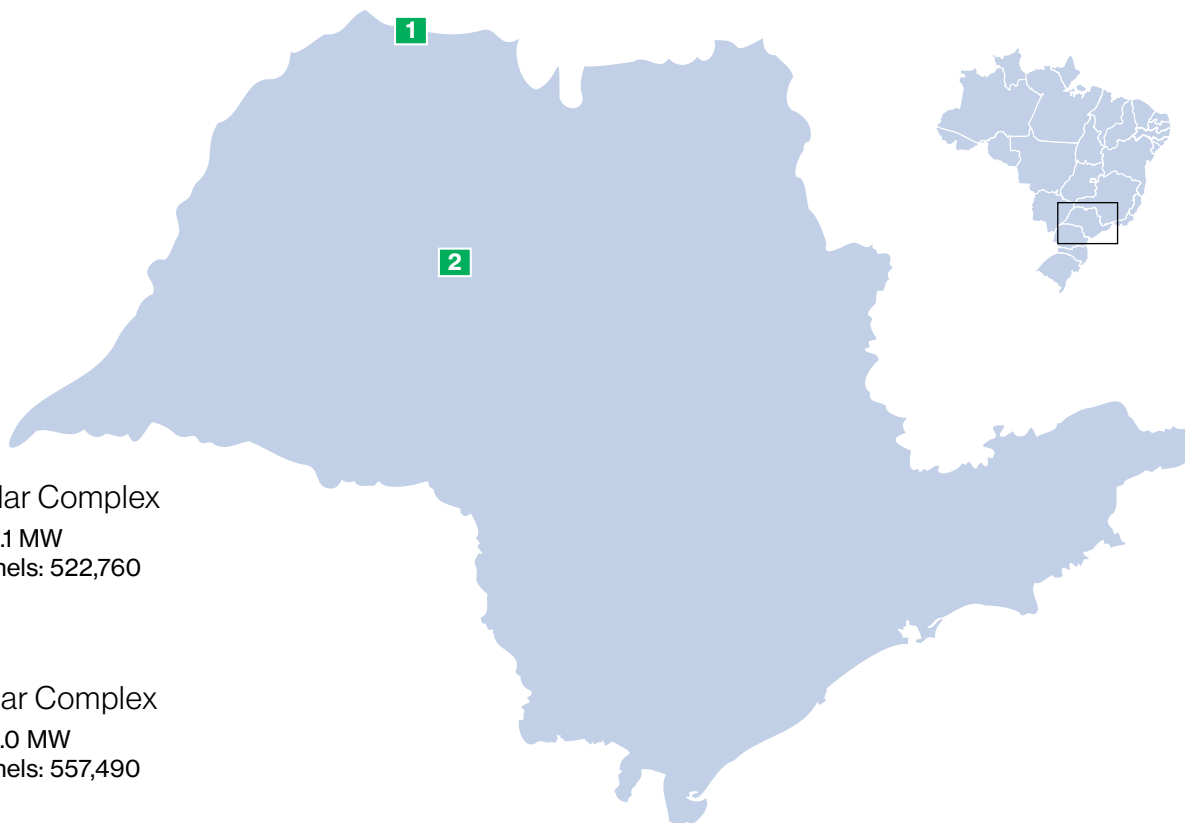
Operation

→ **1** Ouroeste Solar Complex

Installed power: 144.1 MW
Number of solar panels: 522,760
Number of plants: 6

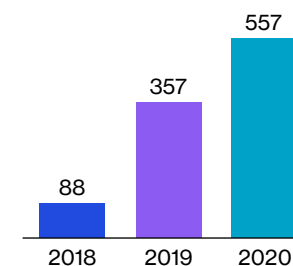
→ **2** Guaimbê Solar Complex

Installed power: 150.0 MW
Number of solar panels: 557,490
Number of plants: 5



Pilot project at the Guaimbê Solar Complex for the reuse of photovoltaic panels in the electrification of fences, an R&D initiative that contributes to reducing waste disposal

Net energy production from solar complexes (GWh)



Recertification of Green Bonds issued in 2019, which raised R\$ 820 million for investment in the Guaimbê and Ouroeste solar complexes



Safety: our number 1 value

Safety is the number one value in our performance and reflects the commitment we have with our employees, service providers and communities with whom we relate. Confirming the high standard achieved in this area, in 2020 our Integrated Management System (IMS) obtained the recertification by ISO 45001 (Occupational Health and Safety) for all our assets in operation, except the Ouroeste Solar Complex and the Ventus Wind Complex. At Ouroeste, the operation started in 2019 and, because of the pandemic, it was not possible to complete the implementation of all processes required by the Integrated Management System (IMS). The Ventus Wind Complex was acquired in the second

half of 2020 and the implementation of IMS in the unit is being started. We are pioneers in multisite certification in an integrated manner by ISO 45001 and ISO 14001 (learn more about the environmental aspects covered by IMS on page 61).

The IMS results are presented to AES Brasil leaders in an annual meeting for performance evaluation, critical analysis of our practices and proposal of technological improvements, approach, dissemination and implementation of new projects. In addition, the IMS undergoes regular audits: annually by AES Brasil and every three years by AES Corporation.

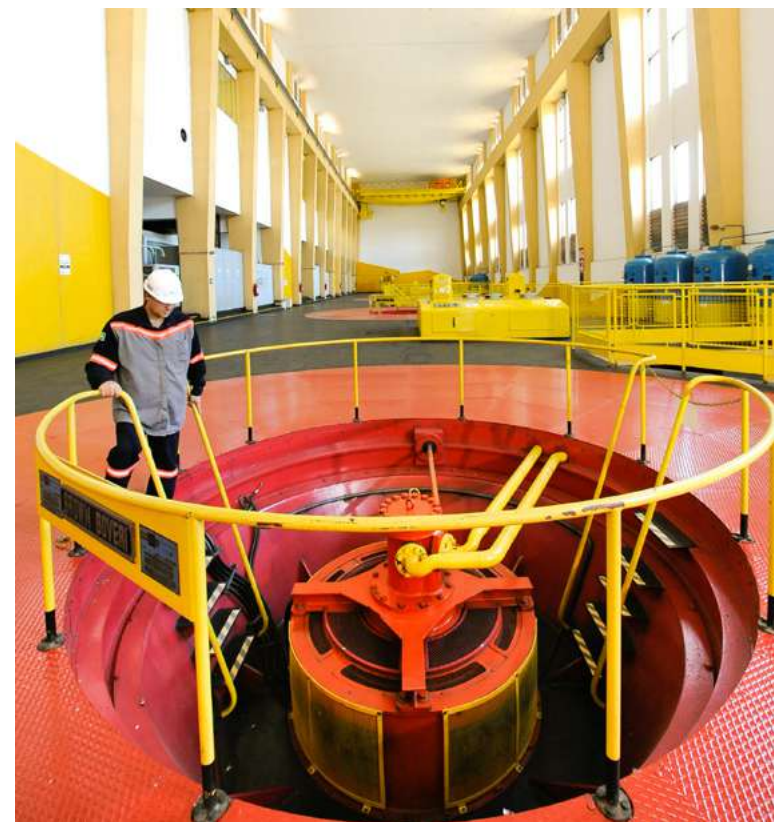


In a dynamic process, occupational health and safety (OHS) teams interact with the various areas and management to review and improve the identification of hazards in each activity. Once mapped, hazards are formalized in IMS documents and mitigated by risk elimination measures (from engineering changes or administrative changes to collective or individual protection equipment).

The Occupational Risk Prevention Program (PPRA) and the Occupational Health Medical Control Program (PCMSO), both required by Brazilian legislation, guide the identification of the periodic medical exams necessary for each function. The suitability of employees and third parties for the tasks also depends on

meeting training requirements, both those established by law and those adopted by AES Brasil policy, and the use of Personal Protective Equipment (PPE), which are provided to employees and required from contractors who manage third parties.

Before any activity is initiated, the professional should check the safety conditions and document them in the Preliminary Risk Analysis (APR). Any employee or third party may refuse to do a certain activity if they think it does not have the appropriate conditions for their safety. More than a right, this is the “duty to refuse”, provided for in our regulations, in line with our Values.



100%

of activities go through
APR to ensure safety
before they start





Practices to
guarantee safe
work in our units
cover both employees
and contractors



Every year, the Internal Week for Accident Prevention at Work (SIPAT) promotes training, lectures and awareness actions related to health and safety issues. All employees and third parties are invited to participate in this week's special content program. SIPAT is organized by the Internal Commissions for Accident Prevention (CIPAs), which also monitor other communication, training, risk assessment and accident investigation initiatives. CIPAs are committees formed by employees elected by their colleagues and represent 100% of operations. We also rely on the Emergency Squad, trained to act in fighting fires and other sudden risk conditions for workers.

All workers are encouraged to report unsafe conditions through the “Não se conforme com o Risco” program (Do not settle for the risks). The initiative was publicized in an internal campaign and included a Pocket Guide, with visual representations of risks in OHS and a form (which can be detached from the guide) for reporting non-compliance. Demonstrations can also be made to any AES leader in person, by phone, e-mail or via the SAP system. The program also provides bonuses for the most significant reports.

Occupational medical check-ups are provided for in the PCMSO of AES Brasil and the contracted companies. Performed annually, they can allow the early diagnosis of diseases. AES Brasil hires a specialized labor medicine company to monitor all medical check-ups of its employees. For employees, we also offer the benefit of a health and dental plan and a set of non-compulsory check-ups, called “Health Promotion”, in which participation is voluntary.



The health and safety training sessions comply with the Regulatory Norms (NRs) provided for by law – covering topics such as PPE, working aloft, use of portable machines, working in confined spaces, electricity services and transportation and handling of materials – and include specific AES Brasil requirements, such as our operating procedures and guidelines for defensive driving. All our employees carry out the necessary training for their activities, according to the annual training planning.

For third parties, we require that contractors comply with the NRs defined by the Special Secretary of Social Security and Labor of the Ministry of Economy. The documents that prove the performance of medical exams and training provided in the NRs are controlled in a specific system. If the recruited professional is not up to date with these documentations, his/her

entry into the units is automatically prohibited. By identifying him/herself at the entrance, the third party does not gain access to AES Brasil's facilities. In the last year, we estimate that 910 third-party service providers who work in our units have conducted the exams and training appropriately, equivalent to 95% of the total number of third parties hired in the period.



Management improvements driven by 2020 challenges

In compliance with the health safety standards and protocols resulting from the pandemic, we perform the periodic medical check-ups to issue the Occupational Health Certificate (ASO) in the plants and no longer in external clinics. We take a mobile clinic to the premises and meet all legal requirements. The election of CIPA representatives was no longer in person and was done electronically, by means of a system that we already had. Adopted to provide efficient solutions to the situation, these changes are definitely incorporated into our processes.



Having safety training and medical exams up to date is a mandatory condition for employees and third parties to enter AES Brasil's facilities

Accident monitoring and investigation

Globally, we have adopted the “Tap Root” methodology to investigate accidents and significant safety incidents. For each investigation, we form a committee, composed of people from various areas, which investigates the root causes of the occurrence and prepares a report with action plans for improvement, indicating the respective responsible parties and deadlines for adopting the proposed measures. This approach contributes to the avoidance of the repetition of similar events, since the conditions that originated the occurrences are dealt with by the action plans.

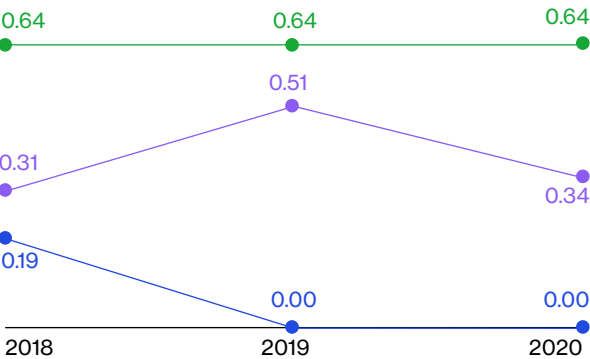
The Recordable Rate (recordable accident rate) and the LTI Rate (lost time incident rate) are the accident indicators that we monitor according to the OSHA methodology adopted by AES Corporation. For these KPIs, we have annual goals both for employees and third parties.

In the last three years, we have achieved the goals established in the Recordable Rate, with a focus on zero accidents among employees in 2019 and 2020. Despite our commitment and the constant evolution of our health and safety practices, we recorded a LTI Rate of 0.17 for third parties last year, compared to 0.10 in 2019, not reaching the established goal of zero.

33%
reduction in third party
Recordable Rate in annual
comparison



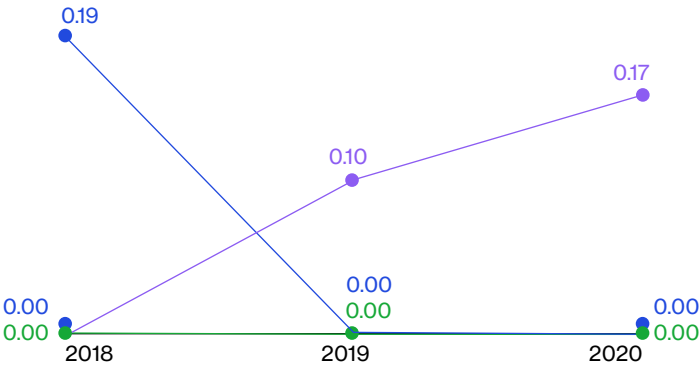
Recordable Rate*



**It is calculated on the factor of 200 thousand man-hours worked and includes LTI accidents and typical accidents without working days lost. Information corrected on 26/02/2021.*

■ Employees ■ Third parties ■ Goal

LTI Rate*



**It is calculated on the factor of 200 thousand man-hours worked and includes fatal accidents and typical accidents with loss of work days.*

■ Employees ■ Third parties ■ Goal



Governance and strategy



Strategic planning

Our strategy is focused on the satisfaction of our customers and on innovation to offer new products and solutions in energy. The growing demand of Brazilian companies for sustainability and efficiency gains in their production chains, which is confirmed by the consistent growth of the free market, drives the growth of our business. In order to comply with our strategy, we have four strategic drivers.



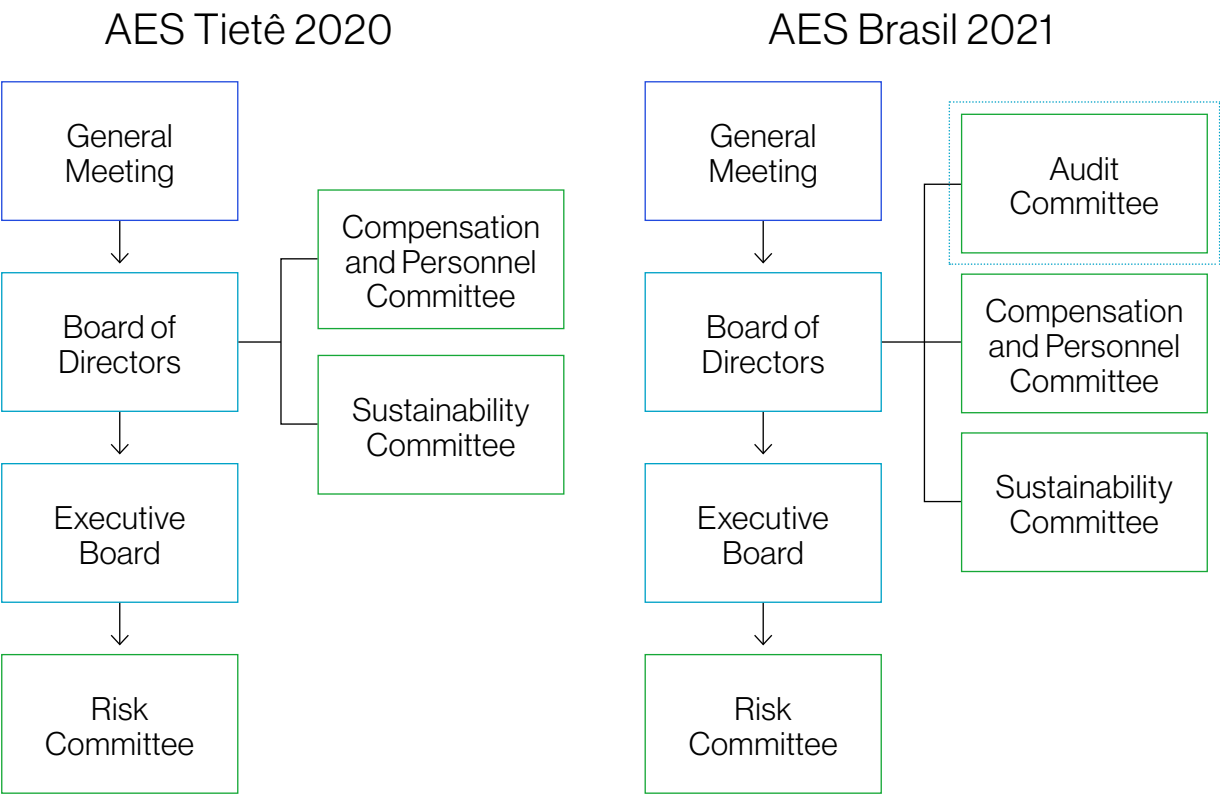
Corporate governance

Our corporate governance structure and processes have the objective of operationalizing our business strategy, promoting ethics and sustainability throughout the value chain. This commitment was strengthened in 2020 with the proposed migration to B3's Novo Mercado.

We are in the process of completing the corporate restructuring in which, by means of an incorporation of shares, the company's shareholders will now hold interests equivalent to those held to date in a new holding company, AES Brasil. This new holding company, in turn, will become the sole shareholder of the company and will have its shares traded in the Novo Mercado.

The Novo Mercado is composed solely of companies that meet the highest corporate governance standard in the country, distinguishing itself by allowing only the listing of companies with share capital composed exclusively of voting shares.

Within the scope of the migration process, we reviewed and approved strategic internal policies, ensuring greater transparency, among which are the Policies for the Appointment and Remuneration of Administrators, Risk Management, Transactions with Related Parties, Conflict of Interest and Sustainability, in addition to revising the Regulations of the Board of Directors and our Code of Conduct.





We believe that entering the Novo Mercado will also provide greater liquidity to our shares, increasing the attractiveness for ESG-focused funds and investors to participate in the growth of clean and renewable energy in Brazil, through a company committed to social responsibility and sustainable development.

The change process is being favored by our history of transparency and equity in the relationship with shareholders. Substantial portion of our governance structure and practices was already adhering to the requirements of the Novo Mercado, reflecting

the commitment to the continuous evolution of our corporate governance.

AES Brasil's Board of Directors will have only effective members and will be composed of one third of independent members. In addition, the Statutory Audit Committee will be installed, 100% made up of independent members and market specialists without ties to the controller.

With the completion of this process, we reinforce our commitments to generating value for all stakeholders and to the adoption of the best corporate governance, ethics and compliance practices.



The operation is also subject to: prior approval by the National Electric Energy Agency (ANEEL), due to the change in the company's direct controller, as provided for in its Concession Agreement; obtaining the registration of a publicly-held company, category "A", from AES Brasil before the Securities and Exchange Commission (CVM); the approval of the listing of the shares issued by AES Brasil in the special corporate governance segment of the Novo Mercado, with B3 S.A. – Brasil, Bolsa, Balcão; and the approval of creditors, as applicable.

Also in 2020, AES Corporation increased its participation in the company's share capital by acquiring, through AES Holdings Brasil II (subsidiary of AES Corporation), shares equivalent to 18.5% of the share capital previously owned by BNDESPAR.

All of our internal controls and accounting procedures follow the provisions of the Bylaws and the rules of the CVM and are verified by an independent audit, chosen by the Board of Directors (CA) and replaced every five years. Both the members of the Board of Directors and the members of the Fiscal Council (CF) are elected by the General Meeting of shareholders for a term of two years and one year, respectively. Responsible for establishing the company's strategic guidelines, the Board elects the Executive Board – composed of three members, including the CEO –, in charge of direct management of our activities.



The migration process to the Novo Mercado, still in progress, strengthens our corporate governance practices



Ethics and compliance

Based on the Anti-Corruption Law (12,846/2013) and the Foreign Corrupt Practices Act (FCPA), our Ethics and Compliance Program is the basis of the relationships we establish with all stakeholders. We are part of the Business Leaders for Renewed Global Cooperation, a movement supporting ethical leadership and good corporate governance practices.

In October 2020, we updated the AES Values Guide, incorporating the new values defined with the revision of our brand and institutional positioning. The document guides the decisions, actions and behaviors of managers and employees in all our business and interpersonal relationships in the company.

Our Ethics and Compliance area manages the Compliance Program, structured in three pillars, and reports to our Legal Vice Presidency and, initially, to the Global Compliance Officer of AES Corporation.

Pillars of the Compliance Program

Contract Compliance Analysis

We verify potential and current business partners through due diligences

Investigation

We investigate complaints and suspicions of violation of our values, policies, procedures and legislation through the AES Helpline

Training & Communication

We promote actions to raise the awareness of all the company's publics and the qualification of our employees in the values, policies and procedures of AES Brasil



Our Values Guide was updated in 2020 with the launch of our new brand and institutional positioning



We do not admit any form of bribery, illicit commission or improper payments of any kind to ensure undue advantage in our negotiations. All our partners (business partners, service providers or suppliers) go through an assessment of reputational risks before the partnership is established.

In relation to our employees, attention to compliance with the good practices of our corporate culture is introduced since the moment of hiring. The newcomers participate in trainings on the Ethics and Compliance Program and sign a term of

receipt and knowledge of the document. Every employee goes through retraining every two years, the last one was finalized in January 2021.

Every year, we hold Values Day, an internal event to raise awareness and debate aspects related to compliance in which our executives and external guests address issues related to our values and business conduct in an ethical and integrity manner. In 2020, for the first time, this action was made 100% online, with the participation of company executives and external guests.



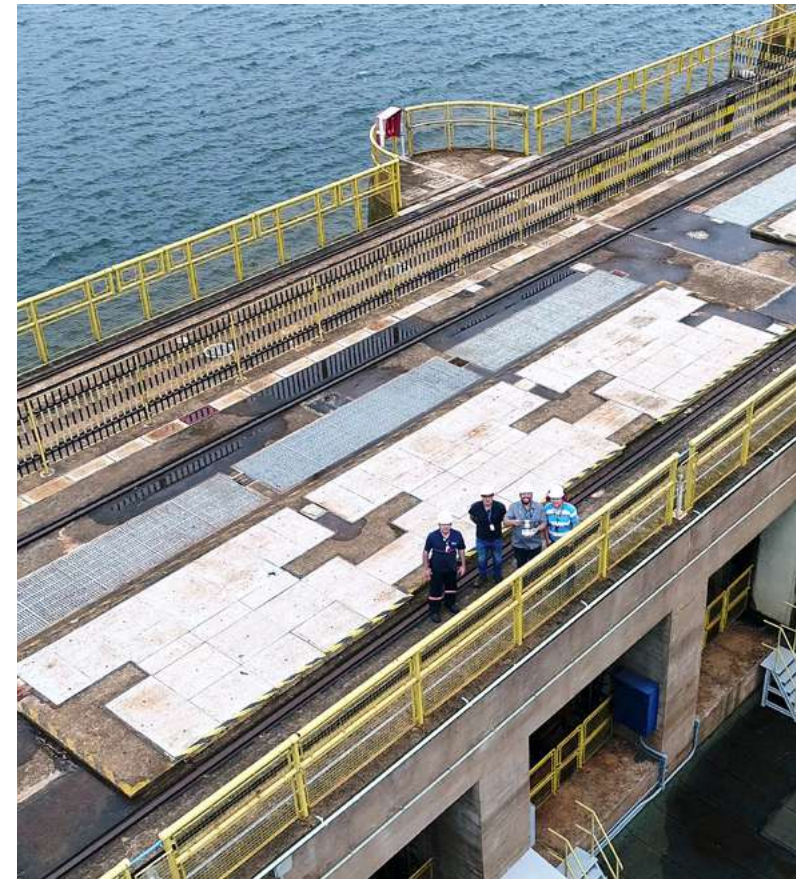
Our employees are continually sensitized about the Compliance Program and undergo structured training on this topic every two years

Both our Values Guide and our policies and procedures are available on the AES Brasil internal portal. The Guide is also published for external stakeholders on our institutional website. Supplier qualification actions in ethical and anti-corruption guidelines are carried out according to the company's policies or when we identify some alert in the due diligence process that does not prevent hiring, but requires monitoring.

We adopt zero tolerance for retaliation or harassment and our AES Helpline offers information and receives reports, over the internet (www.aeshelpline.com) or by phone (0800 891 4167), 24 hours a day, seven days a week, with a guarantee of confidentiality and anonymity. To ensure the exemption,

a third-party company receives the complaints and all allegations are verified. Once the irregularity is proven, the Ethics and Compliance, Legal and Human Resources departments define the measures together with the manager of the area involved. In 2020, we received 10 complaints by AES Helpline, and no cases of discrimination or corruption were identified in these demonstrations. There are also no lawsuits related to corruption involving the company or any of its employees.

In case of doubts or concerns about illegal or unethical corporate conduct involving the company, our employees can talk to any company leader or a representative of the Ethics and Compliance area.



Manifestations received by AES Helpline	2020	2019	2018
Consultations	0	9	9
Complaints	10	31	14

Risk management

Our Risk Management Policy was developed considering the COSO ERM (Committee of Sponsoring Organizations – Enterprise Risk Management) model, ISO 31000 and the best market practices. The policy is currently being updated following the new guidelines of AES Corporation's South America Risk Policy, as well as the new credit analysis methodology and the instruments and conditions for mitigating this risk.

This document establishes goals and actions to address and reduce risks related to the company's business and operations, assessing

economic, social and environmental aspects, provides and indicates responsibilities, mechanisms and procedures to manage and mitigate risk factors, currently classified into ten categories.



Click here and see sections 4 and 5 of the Reference Form for more details on the risks affecting our business and our management approach to mitigate them.

Risk Categories

→ Market

Threat of losses in financial and/or physical assets of the company due to market factors (prices, interest rates, exchange rates, inflation indexes etc.).

→ Credit/ Counterparty

Threat of financial loss due to non-settlement of contractual obligation by a counterparty.

→ Liquidity

Related to funding or cash flow liquidity risk (difficulty in meeting contracted obligations at expected dates) or liquidity of the asset in the market (when there is an absence or shortage of counterparty).

→ Regulatory and Legal

Threat of losses by the promulgation of new rules, by penalization or compensations resulting from actions of supervisory and control agencies, or by unfavorable decision in judicial or administrative proceedings.

→ Operational

Risk arising from failures in the design, detailing, implementation, execution and monitoring of projects, services and solutions, potential disruption of the Business Continuity Plan and insufficient knowledge management.

→ Environmental

Caused by the possibility of environmental damage resulting from human intervention in the environment.

→ Technology

Risk of loss due to system failures, including threat of information leak, unavailability or fragility of IT infrastructure and threats of fraud or cyber-attacks.

→ Strategic

It means the risk of implementing a wrong, inadequate or ineffective strategy that fails to achieve the company's objectives.

→ Compliance

It means the risk of being subject to any legal sanctions of a reputational or regulatory nature, or financial loss that the company may suffer as a result of its failure to comply with applicable laws and regulations, internal policies, codes of conduct and standards of good practice.

→ Information

Related to the loss, misuse or unauthorized disclosure of sensitive personal data or confidential information from internal or external shareholders that could cause damage or inconvenience to any individual, threaten the company's business or damage its reputation.

Our dynamic management posture favors the adoption of measures to minimize its effects on our business. Once identified, risks are prioritized according to their probability of occurrence and impact, following criteria established in our Risk Management Policy.

Periodically, an assessment is made of the level of exposure and importance (qualitative) and financial (quantitative) relevance of each risk to our business model. We classify as Priority Risks those with the greatest impact, which become the subject of discussion by the Risk Committee and the Board of Directors and Fiscal Council. The others are monitored quarterly or semiannually, according to their nature and dynamics.

Our Vice-Presidency of Finance and Investor Relations is formally responsible for this issue, ensuring the implementation of the Policy to meet the objectives and strategies of the company. Our risk management structure also involves the direct participation of instances of corporate governance and all executive areas.

Supported by our management model, we have structured the Risk and Crisis Management Committee to tackle the Covid-19 pandemic in 2020. The committee was responsible for evaluating, monitoring and implementing measures to ensure safety and reduce risks to people and company business (learn more on page 13).



3 to 6 months
is the maximum frequency for
monitoring risks, depending on their
nature and dynamics

Responsibilities related to [risk management](#)

[Click](#) on each of the squares to know the attributions
of the different instances of AES Brasil in the theme



Commitment to sustainability

We are a company committed to contributing to the construction of a more sustainable future, based on clean, safe, renewable and affordable energy. To build and achieve this goal, we have developed our Sustainability Guidelines establishing the basis of our value generation system. Organized in three attributes and six pillars, the document translates how we collaborate to strengthen a more sustainable economic system.

We elected five Sustainable Development Goals (SDGs) proposed by the United Nations (UN) most directly identified with our operation as priorities for the direction of goals and objectives to be achieved in our

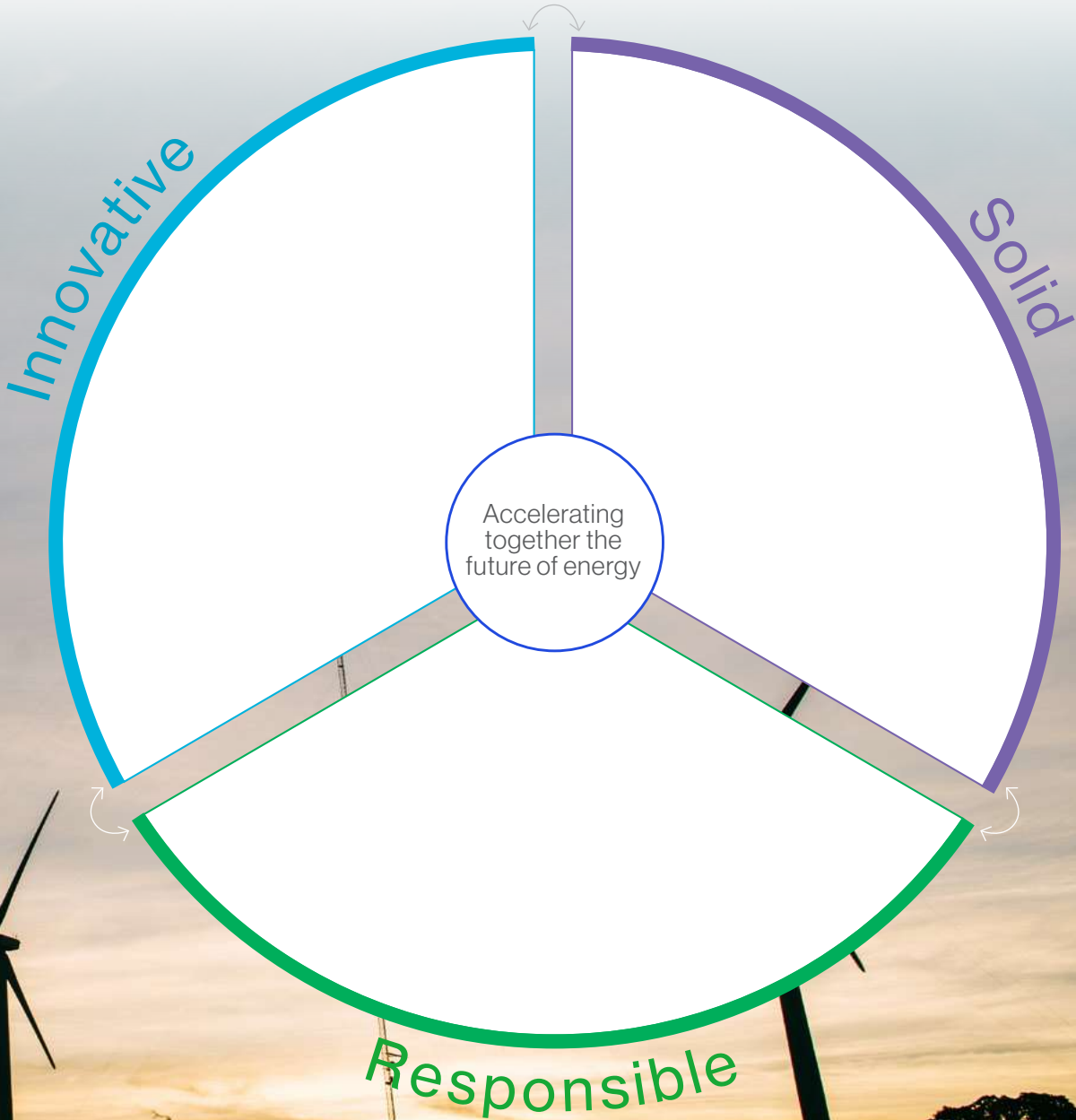
performance. We also seek to always be in line with the other SDGs in order to connect and enhance the positive impacts of our business.

From this integration, we set goals to be achieved by 2023 in each pillar. The performance evolution of these indicators is recorded and monitored and the results of our initiatives are already perceptible. At the same time, we establish objectives and goals for environmental management in the context of the IMS every year, and our Environmental, Health and Safety area monitors the performance indicators of these indexes.



Goals and performance

Click on each of the pillars and meet our goals



Governance structure for sustainability

We have a Sustainability Policy that guides our actions with a balance between economic, social and environmental aspects in the planning and decision making of the company, promoting innovative solutions to ensure operational efficiency and risk reduction in our activities to generate energy from clean and renewable sources.

Our goals and strategies seek to contribute to the development of a more sustainable future, positively impacting the audiences of our relationships. In this context, led by our CEO, the Sustainability Committee (CS) advises the Board of Directors so that our Sustainability Policy is fully present in our management. The Subcommittee on Climate Change, created in 2017, supports the Sustainability Committee in relation to issues related to the management of greenhouse gas emissions and climate risks.



Sustainability Committee

Name	Position
Clarissa Sadock*	CEO of AES Brasil and Chairman of the Committee
Adriana Roccaro	Member
Anderson de Oliveira	Member
Franklin Feder	Member (independent member of the Board)
José Antonio Martins	Member
Julian Nebreda	Member and Chairman of the Board
Ricardo Voltolini	External expert member
Rodrigo de Brito Porto	Member
Rodrigo Sanchez D'Elia	Member
Rogério Pereira Jorge	Member

**Until January 2021, the position was held by Ítalo Freitas, who held the position of CEO of the company until the same date.*

Public commitments **made**

We have extended our perspective to the outside, strengthening initiatives that connect leaders and contribute to a new model of growth based on renewable energy and without carbon emissions. The participation in the Global Compact, an initiative of the UN to which we have been a signatory since 2006, is the main effort in this regard – including participation in the Energy and Climate Working Groups of the Global Compact's Brazil Network.

In 2020, we joined the Science Based Targets initiative (SBTi) movement, aimed at encouraging business organizations to adopt carbon emission reduction targets that effectively contribute – and with the support of science – to the mitigation of the effects of climate change. SBTi is a joint action between

several organizations recognized for their action against climate change: CDP, Global Compact (UN), World Resources Institute (WRI) and WWF.

Since 2017, we have also followed the Women's Empowerment Principles (WEPs) promoted by UN Women and the Global Compact. The initiative contributes to strengthening the issue of diversity and gender equality in our strategy for sustainability.

We have strengthened our commitment by joining the Uniting Business and Governments to Recover Better manifesto and signed the United in the Business of a Better World, following our tradition of voluntary participation in environmental and human enhancement initiatives.

Engagement with SDGs

Ítalo Freitas, CEO of our company until January 2021, was nominated by the Global Compact Brazil Network as the spokesperson for SDGs 7 in the Leadership with Impact initiative. Last year, the executive was invited to participate in the “Uniting Business Live” forum, at the 75th UN General Assembly. Ítalo Freitas was one of the speakers on the panel “Partnerships to achieve SDGs in the era of Covid-19”.

At the beginning of 2021, Clarissa Sadock was appointed by the Leadership with Impact initiative to assume the position of spokesperson for ODS 7, replacing Ítalo Freitas.



Uniting Business and Governments to Recover Better

The manifesto demands that, in the post-Pandemic world recovery process, governments build a future based on bold climate actions with a scientific basis, prioritizing worldwide decarbonization, investing in recovery and resilience for systemic socioeconomic transformation aligned to the trajectory of 1.5 °C, anticipating the goal of zero net carbon emissions before 2050.

We assumed the goal of
**neutralizing
our emissions
by 2025 and
making them
positive by 2030**

United in the Business of a Better World

An initiative of the UN that brings together businesses from around the world in favor of ethical leadership and good governance, investing in combating systemic inequalities and injustices through inclusion, participation and representation at all levels of its business, and partnering with the UN, governments and civil society to strengthen access to justice, ensure reliability and transparency, provide legal security and promote equality and respect for human rights.

Protocols and certifications



Zero Energy Building (GBC)



Global Report Initiative



GREENHOUSE GAS PROTOCOL
GHG Protocol



Renewable 100



LEED (GBC)



Carbon Disclosure Project



ISO 14001

ISO 45001

ISO 55001

Management for innovation

The modernization of the electrical sector and the growth of increasingly specific market and customer demands have made our ability to offer technologically advanced and reliable solutions even more strategic. Therefore, we have a management model that directs investments in innovation and strengthens the innovative culture, including the relationship with external institutions and startups.

Given the strategic relevance of the Research, Development and Innovation Program (RD&I) to AES's businesses worldwide, the sector's corporate governance in Latin America underwent a broad restructuring in 2020. A specific board (Transformational Solutions & Innovation) was created with headquarters in Chile, to which the R&D of the Brazilian unit reports. In Brazil, the sector started to report directly to the CEO.

AES Next, the division responsible for disruptive innovation at AES Corporation, gathered Innovation teams from all over world, including Brazil, to define goals, strategic objectives, budgets and establish a portfolio of projects for the company's innovation as a whole. The integration process also included the development of a platform for monitoring and

sharing innovative initiatives in all segments (core, transformational and exponential).

The follow-up of this reformulation was done by the Global New Solutions Committee, integrated by AES Corporation's high governance. All innovation project leaders and commercial officers in South America, as well as those who report directly to the AES CEO in the region, participated in update workshops on the new structure. The company's goal is that, by 2025, the projects of new solutions aimed at customers demands account for about 10% of the EBITDA of all South America.





Performance in Brazil

We invest in relevant research for the establishment of new business and offering efficient solutions, in addition to internal operational development. Our innovations benefit the development of a more sustainable and efficient energy ecosystem and contribute to reducing possible negative operational impacts.

From 2020, the use of R&D funds by companies in the sector was changed by MP No. 998/2020. The text determines that up to 30% of the resources not yet allocated to projects should be allocated to the Energy Development Account (CDE) for use in mechanisms to reduce the impact of the pandemic on electricity bills (Conta-Covid).



Resources invested in research, development and innovation contribute to the diversification of the value offer to customers and the business

The measure, valid until December 2025, did not affect our ongoing projects until 2020, because 100% of our R&D account balance was already committed to contracted projects. Backed by the market's recognition of our expertise in this segment, we also sought internal and external sources of funding to minimize the effects of reduced funding for future projects. We remain committed to the development of new products and technological resources economically viable to optimize energy efficiency in the sector and contribute to an accessible and clean energy environment.

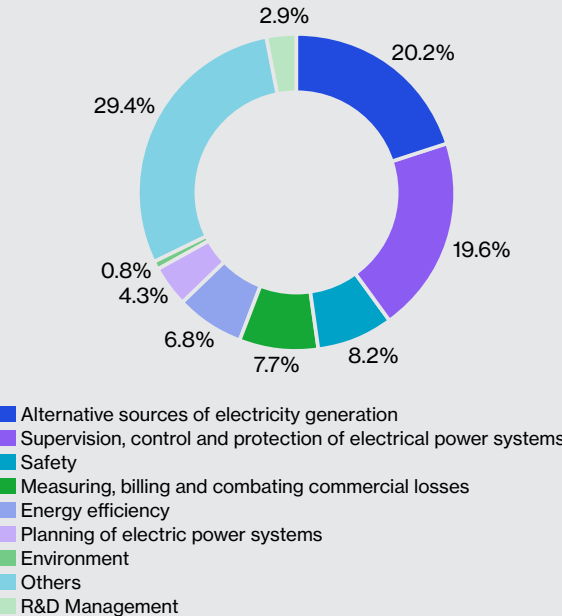
With the pandemic, there were adjustments mainly in the schedule, due to the restrictions imposed by the health security protocols established by governments. The search for disruptive solutions, however, was never lost. In 2020, we launched Energia+, a technological platform aimed at serving the new public in the Free Contracting Environment (read more on page 26).

Over the last year, our R&D investments grew 45% in relation to 2019, totaling R\$ 11.4 million. The segments of security and commercialization of energy in the free market, key aspects in our commercial

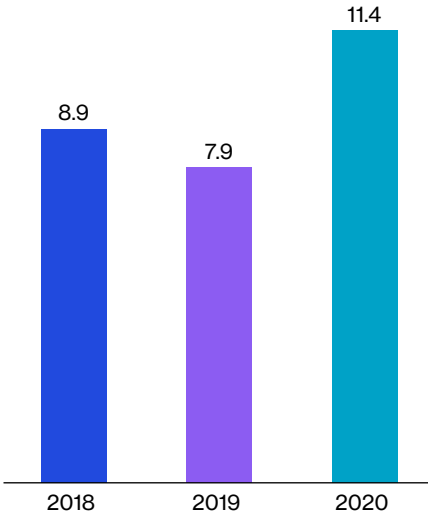
strategy, have driven this growth. In the classification by research line, according to the ANEEL R&D Manual, 40% of our total budget was destined to studies in the segments of alternative sources of generation and supervision, control and protection of the electric power system.

45%
growth in R&D
investments over
the last year

R&D investments
per line in 2020



Investments in R&D
(R\$ million)





→ Hydrogen Project

In accordance with the company's efforts to contribute in an innovative way to the reduction of GHG emission levels in the environment, the research seeks an alternative to replace the use of fossil fuel in generator engines with hydrogen energy. A partner in this initiative, Hytron, a startup focused on technological evolution for the energy and gas sector, is designing an electrolyzer to generate hydrogen from water. Another partnership of the project is with the Advanced Institute of Technology and Information (IATI), responsible for developing a conversion kit that enables the operation of generators using a hybrid of hydrogen and diesel.

→ Blockchain

The first blockchain in Brazil to commercialize energy, the company's Energy Intelligence Project became part of the Energy Web Foundation (EWF) EW-DOS platform. Developed in partnership with startup Fohat, the solution allows the commercialization of renewable energy certificates (I-RECs) in a Free Hiring Environment, a segment that is expanding rapidly in the domestic market, with security and scalability.

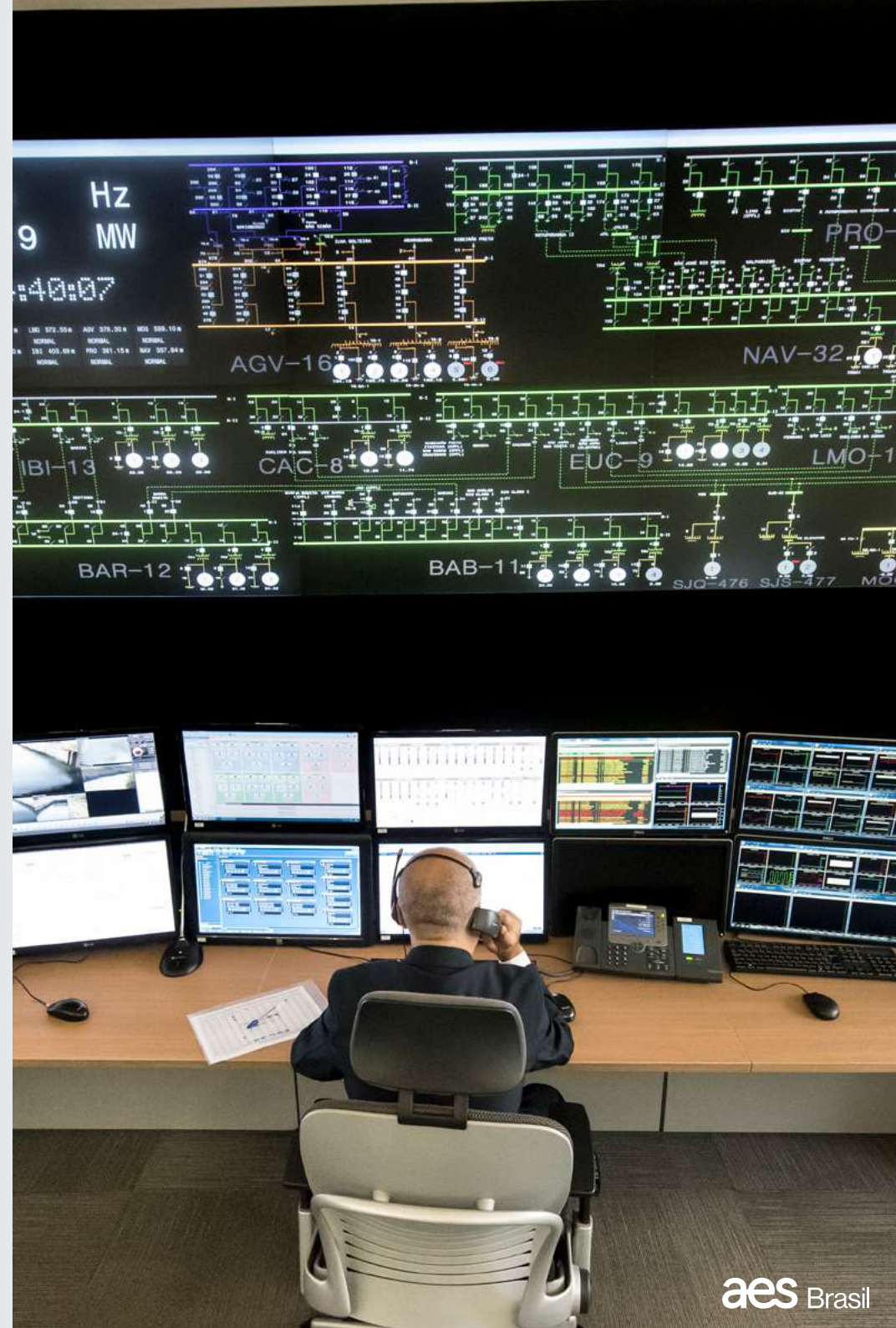
→ Microgrids

The microgrid project, installed and tested in our COGE, was another project that progressed in 2020. The product is one of the solutions for autonomous management and integration of sources of generation, storage and points of energy consumption made available to customers. The tool optimizes the relationship between consumption and storage through dynamic and 100% automated management.

Because of pandemic restrictions, we perform the system proof of concept at COGE itself, instead of using the pre-selected client facilities. The feature will gain more functionalities with the incorporation of Virtual Power Plant (VPP), a virtual plant which integrates microgrids and energy assets of different customers. With the use of artificial intelligence, all participants benefit from the established collaborative environment. Under-utilized cargo volumes, for example, can be stored, dispatched or traded to compensate for other customers' deficits according to the needs of the situation, making management more efficient and optimizing the monetization of transactions.

→ Electric mobility

The company continued its electromobility and energy efficiency projects. For the former, new partnerships were signed to prepare regulatory and market studies and provide recharging infrastructure for the development and testing of new business models. Deployment of the company's Startups Acceleration Program, in the initial stage of the project. An application for the management of charging stations was developed in partnership with the startup movE. The next phase involves proof of concept. Electric mobility is a key segment for the future of transportation in a low carbon economy.





→ Chimerism

Focused on the reproduction of fish species threatened with extinction using the surrogate technique, the study had phase 2 started in 2020 and its continuity is guaranteed, for internalization of the results, creation of a laboratory at AES facilities and use the technique for restocking our reservoirs (read more on page 72).

→ Urban Greenhouses

In order to contribute to the reduction of waste, costs and emissions of pollutants involved in food transport, as well as improving the use of cultivated areas, AES is investing in the urban greenhouse project, carried out in partnership with CSEM Brasil and BeGreen. Urban greenhouses are spaces for the cultivation of vegetables in under-utilized places in the city. The proposal is to test the effects of applying different colors, intensities and powers of LED lighting, verifying their effects on the volume of food produced and identifying the optimum point for reducing energy costs and automating plantations.



Environmental management

Our management structure and internal processes direct our company towards doing business with low environmental impact, managing and mitigating risks for the preservation of fauna and flora. Our focus is the development of action plans so that our current generation assets and new projects contribute to the harmonious coexistence between the environment and the energy infrastructure.

We manage environmental aspects in a centralized manner, supported by our Integrated Management System (IMS), certified according to ISO 14001 and ISO 45001, revalidated in 2020. Internal and external recertification audits found no non-compliance and were conducted remotely because of the pandemic.

The IMS follows the guidelines of our Sustainability Policy and is structured from the IMS Manual and our management and operational procedures. With the expansion of the IMS to our solar and wind power generation assets in 2019, our procedures were revised and we went from 144 regulatory sets to 42. This update strengthened the standardization of processes and made the system management simpler.

Our environmental management is directed by the IMS

ISO 14001 and ISO 45001 certificates, both for 100% of our plants

We have guidelines and procedures to

- Identify the environmental impacts of activities
- Perform internal and external environmental audits
- Ensure 100% compliance with environmental legislation
- Define objectives, goals and deadlines, with monitoring of performance indicators (water consumption, energy, emissions, waste etc.)
- Develop training and awareness programs for employees
- Establish responsibilities and management functions
- Address internal and external communications on environmental management



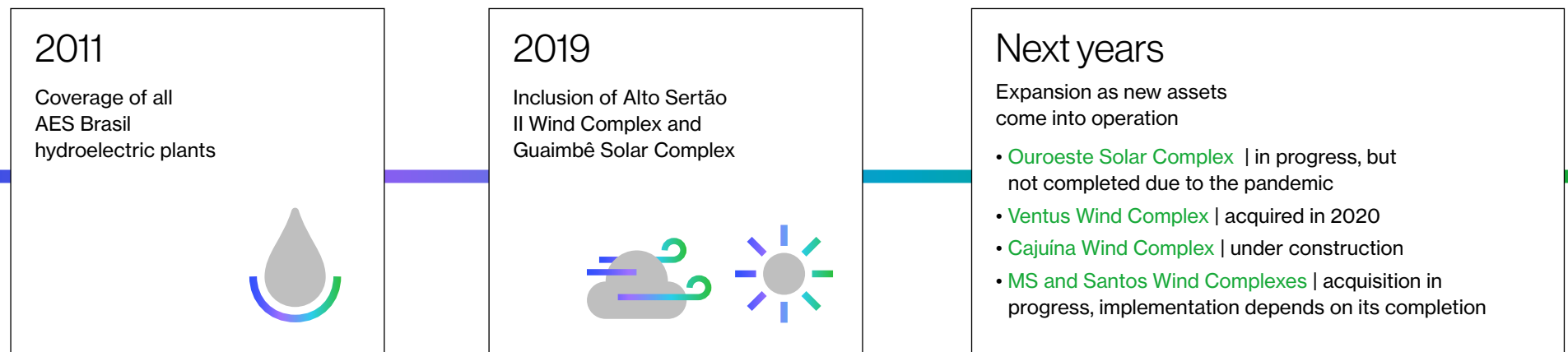
The efficiency of the system is evaluated annually by internal and external audits. Every three years there is an external audit for recertification, the same frequency as the audit performed by AES Corporation. All our operations meet the requirements of the responsible environmental agencies.

The fulfillment of the procedures foreseen in the IMS is carried out through an online platform and the monitoring of indicators on a virtual dashboard, accessible to all employees, in which impacts, risks and threats to health are recorded. We also maintain specific programs for preservation and environmental education in the regions where we operate.

The development of environmental management is monitored by our company's operations officer, who ensures the consistency of strategies and initiatives in this area with asset management. The executive has a chair in the Sustainability Committee, which advises the Board of Directors and monitors the evolution of the management model applied.

All our employees undergo training and orientation regarding IMS. Weekly, they participate in Our EHS Moment (Environment, Health and Safety) in which we address issues related to the topic. Our employees also have access to our IMS guidelines and results in our internal communication channels.

History of IMS implementation



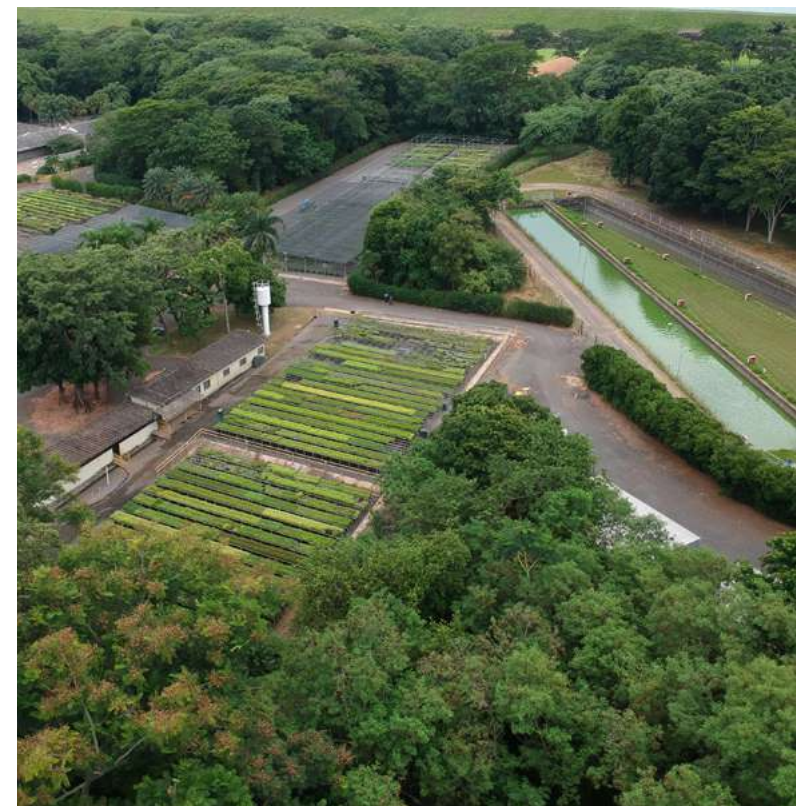
Climate change

Our business model has a natural contribution to the development of a low carbon economy, as we generate 100% renewable energy in our hydroelectric and solar and wind power plants. Our strategy and the governance model we practice allow our company to go beyond this direct benefit. There are no air pollutant emissions in our activities, nor any licensing conditions related to this subject. Therefore, our emissions management is focused on the gases that contribute to global warming, called greenhouse gases (GHG).

The Declaration of Commitments to Climate Change and our Sustainability Policy establish the guidelines for managing the issue and reducing GHG emissions in our production

chain from five fronts: engagement, GHG emissions reduction, innovation, transparency and risk management.

We voluntarily provide information regarding the management of our environmental impact in the Carbon Disclosure Project (CDP), allowing external monitoring of the progress of our actions in this direction. In 2020, we achieved a B score in the evaluation of our performance associated with Climate Change and Water Safety, having raised our score from the previous year, considering the disclosure of emission indexes, risk management and initiatives that contribute to a sustainable performance in environmental impact of companies and cities.



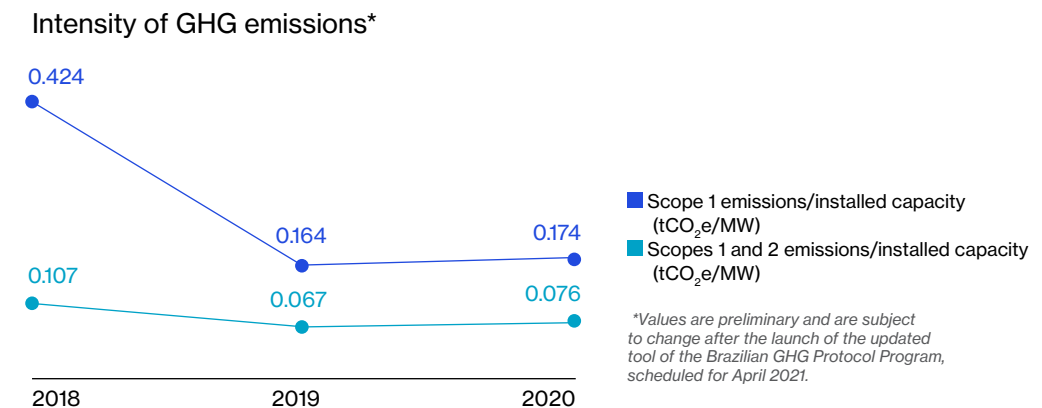
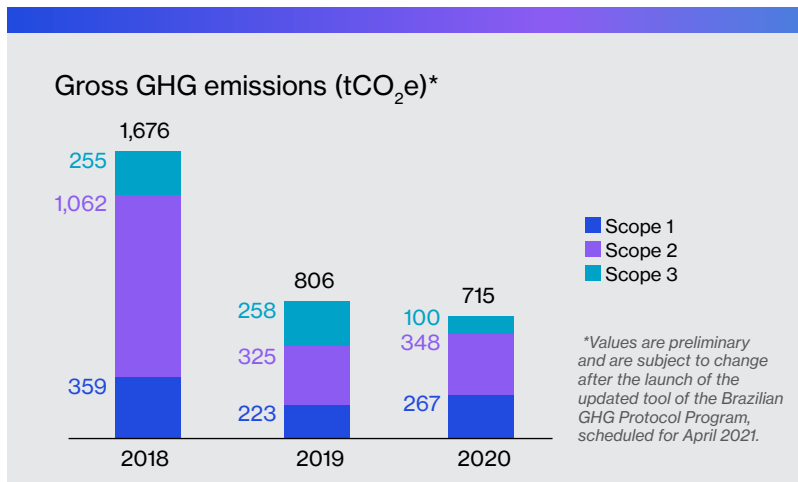
Grade B in the
CDP
Climate Change Questionnaire
in 2020 shows evolution of
management on the theme



Click here and access the company's greenhouse gas inventory at the Public Emissions Registry of the Brazilian GHG Protocol Program, for more details on emissions and inventory preparation parameters

We prepare and make available our GHG emissions inventory annually according to the guidelines of the Brazilian GHG Protocol Program. Our goal is to reduce our emissions by 2% by 2023 compared to 2018, through the reduction of our own internal energy consumption – one of the main factors that cause GHG emissions in our operations.

In 2020, we reduced our GHG emissions by 11.3%, totaling 715 tCO₂e, considering the three scopes. In the annual comparison, we had 61.2% reduction in indirect emissions and in our value chain (scope 3), an index driven by travel restrictions in the context of the pandemic, offsetting increases of 19.7% and 7.1%, respectively, in direct emissions (scope 1) and indirect emissions from the acquisition of electricity (scope 2). Considering the intensity of emissions, as our reduction was driven by scope 3, we had 13.4% increase in this index, considering only scope 1, and 6.3% of elevation adding scopes 1 and 2.





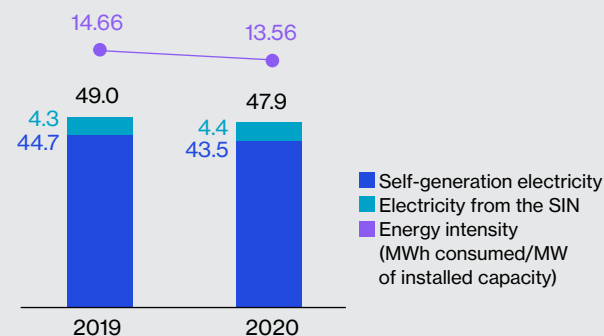
Power consumption impacts the scope 2 emissions of our inventory. In this sense, we always seek to optimize this internal consumption, debating quarterly in the Subcommittee on Climate Change eco-efficient initiatives. We promote employee awareness campaigns and, whenever possible, replace lamps in the facilities with more efficient LED technology. At COGE, we also have a set of photovoltaic panels, which minimize the energy demand of the Brazilian National Interconnected System (SIN), especially at peak times. In the plants, part of the energy generated is diverted by auxiliary systems to supply the equipment, being deducted from the gross generation.

In 2020, however, our consumption of electricity from the SIN was 2.6% higher, due to a one-off demand from the Itaiquara SHP.

The consumption of self-generated energy (by photovoltaic panels and auxiliary systems) was 2.8% lower, due to the reduction of activity levels by the pandemic restrictions. In the general balance of these two sources of electrical energy, our consumption decreases 2.4% in the annual comparison. This factor, combined with the increase in installed capacity, led to a 7.5% improvement in AES Brasil's energy intensity.

A significant share of scope 1 emissions is due to mobile combustion (fuel consumption in the fleet). We manage the use of this fleet, composed of 80% of light vehicles fueled by ethanol, to optimize its use. In 2020, with the decrease of activities due to the pandemic, the energy generated by fuel consumption was 43.0% lower, totaling 4.9 thousand GJ, 54% of which came from the use of ethanol.

Electric power consumption



Energy generated from fuels, by type(GJ)

	2020	2019	2018
Hydrous ethanol*	2,638.66	4,573.51	4,079.07
Diesel	1,276.20	2,236.70	2,087.41
Biodiesel*	133.01	253.42	236.50
Gasoline	737.11	1,191.89	1,143.97
Anhydrous ethanol*	138.03	321.81	308.87
Total	4,923.01	8,577.33	7,855.83

*Fuels from renewable source.

Risks and opportunities

We closely observe the climate change scenario taking into consideration, among other factors, its influence in determining risks and opportunities for the company's business.

The hydroelectric matrix is responsible for a significant part of our generation, which exposes our company to hydrological risk. Our mitigation efforts of this regulatory risk include active portfolio management, adoption of integrated business strategies established with the support of business and market intelligence teams and weather forecasting specialists. The diversification of our non-hydro portfolio complements our initiatives and offers new opportunities linked to climate change.

One of them is the trading of carbon credits through Clean Development Mechanisms (CDM), possible to be acquired by companies interested in offsetting their GHG emissions. In 2020, a technical eligibility study for the Tucano Wind Complex indicated the feasibility of generating 597.3 ktCO₂ equivalent in carbon credits – due to its 322.4 MW of power from the beginning of its operation. We have notified the Ministry of Science, Technology, Innovation and Communications (MiCT) and the UN agency

responsible for the project's eligibility, and we are waiting for the approval to carry on with the certification for the emission of carbon credits.

Currently active in 46 countries, carbon pricing is a regulatory trend. Our asset presents additional revenue generation potential with the sale of credits in the order of R\$ 17 million. Because of its broad perspectives, Tucano has also become an opportunity for learning about risks, opportunities and developing pricing related strategies for future initiatives.



Study of carbon credits of the Tucano Wind Complex

- 322.4 MW
in PPAs 15 years
- 260.4 MW
in the pipeline
- 597.3 ktCO₂
in carbon credits
- R\$ 17 million
in potential revenue

The systematization of risks and opportunities associated with climatic aspects occurs on three fronts. The risks are evaluated according to our corporate risk management model (learn more on page 47). On the opportunity side, the impacts are reflected in strategic planning and the study of plans to expand renewable generation and the demand for energy efficiency solutions. In addition, through the IMS, we annually review risks associated with the topic at the IMS Critical Analysis Meeting, with the participation of top management to determine an action plan to minimize risks and, when applicable, identify opportunities. The short-, medium- and long-term horizons are defined based on the dynamics of energy sales contracts in the regulated and free markets and represent, respectively, periods of up to 2 years, 2 to 5 years and 5 to 40 years.



Click here and access our CDP Climate Change questionnaire for more information on management measures and costs associated with climate change risks and opportunities

Risks identified

- Carbon pricing (regulatory) – The mechanism can be adopted in the market regulation in the medium term. The impact in a baseline scenario of US\$ 10 per ton of carbon would be R\$ 33.1 thousand (equivalent to scope 1 and 2 emissions in 2020).
- Changes in rainfall patterns (physical) – The water availability of the rivers in which our hydroelectric plants are located may reduce our generation capacity. We seek to mitigate this risk by diversifying our portfolio with other renewable sources and we have reduced from 80% to 64% the potential impact on our installed capacity of this occurrence.
- Extreme weather events (physical) – Extreme storms can compromise the safety of dams and cause accidents, impacting our operations, the environment and communities. Every year, we invest R\$ 7 million in dam safety (learn more on page 30).

Opportunities identified

- Carbon pricing (regulatory) – The adoption of this mechanism may represent an opportunity to generate additional revenue from the sale of carbon credits.
- New products and services (other nature) – We contribute to mitigate global warming and to adapt to its consequences by directing part of our R&D investments (read more on page 55) to the development of solutions with this objective. Recent highlights of this effort are the Microgrid and Virtual Power Plant (VPP) projects.
- Growth in the free market and energy solutions (other nature) – Our acquisitions of wind power complexes and the expertise of our team qualifies us to meet the growth in demand from new customers seeking to reduce the carbon footprint of their business.

Biodiversity

In 2020, we invested a total of R\$ 12 million in actions aimed at the protection, conservation and maintenance of biodiversity in the areas we manage. Our 12 hydroelectric plants occupy a total area of 4,803 kilometers in the state of São Paulo, including Legal Reserves



and Permanent Preservation Areas (PPAs) according to the environmental licenses issued by the competent regulatory agencies – IBAMA and CETESB. In addition, we also carry out actions around the Alto Sertão II Wind Complex in Bahia.

The evaluation of the impacts of the energy generation process is made by the environmental agency during the licensing process, resulting in the conditions that we fulfill with the execution of environmental programs focused on reducing negative impacts on the environment and biodiversity. In hydroelectric power plants, programs related to the reproduction and rescue of fish, management and monitoring of macrophytes, archaeological management, environmental education and monitoring and conservation of flora and fauna stand out. Although some impacts are irreversible, such as the flooding

of the reservoirs at the time of construction, these measures allow reversing impacts related to the loss of local biodiversity and are carried out throughout the asset concession period. In the wind farms, we have initiatives for fauna monitoring, environmental awareness, forest recovery and monitoring of springs. In solar parks, the main programs refer to forest recovery and vegetation control.

More than meeting legal conditions, our investments and projects are part of our commitment to ethical and sustainable management of operations. In 2020, exceptionally, fauna monitoring and follow-up activities were suspended between May and July – due to the Covid-19 pandemic. The activities were resumed after this period with calendar adjustments and reduction of field teams, but without prejudice to compliance with legal licensing requirements.



R\$ 12 million invested in environmental actions in 2020

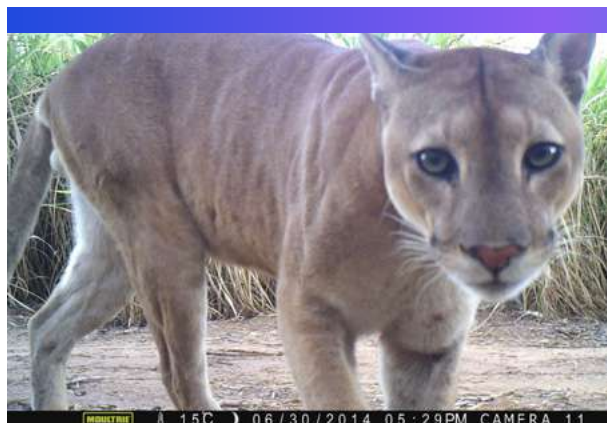
Mountain lion and maned wolf

The environmental projects we develop are focused on animals that play a strategic role in the local fauna. These species work as bioindicators and their presence in the area indicates that the work of environmental protection and recovery contributes to the balance of the native biome of the region.

The Pardas do Tietê and Lobos do Pardo projects study and monitor, respectively, the mountain lion and the maned wolf, both threatened with extinction. Carried out in partnership with Instituto Pró-Carnívoros (Pro-Carnivorous Animals Institute) and Centro Nacional de Pesquisa e Conservação de Mamíferos Carnívoros (CENAP – Brazilian

National Center for Research and Conservation of Carnivorous Mammals) of ICMBio/MMA, these programs contribute to the development of strategies to minimize threats to the welfare of these animals and provide subsidies for the development of public environmental policies.

Currently, 12 mountain lions are monitored in the regions of Promissão, Ibatinga and Barra Bonita and 23 maned wolves in São José do Rio Pardo, Mococa and Caconde, municipalities of São Paulo. The movement of the animals is accompanied by GPS on collars and photographic cameras with presence sensors.



23 maned wolves
and 12 mountain lions
are monitored in regions
of influence of three of our
hydroelectric plants

Bare-faced curassow

The implementation of the Bare-faced curassow Project, another bio-indicator species, has been successfully carried out and is scheduled for 2020. In partnership with Sociedade para a Conservação das Aves do Brasil (Save Brasil – Society for the Conservation of Birds of Brazil), the project is carried out in the surroundings of the Água Vermelha HPP reservoir and benefits an endangered species that is very important for the dissemination of seeds and regeneration of the local forest.

The monitoring of the local ecosystem carried out by the company detected a reduction in the population of birds of the Bare-faced curassow family, leading to the creation of the project. In this first stage, cameras were installed to monitor the species. Afterwards, a diagnosis will be made and a plan will be drawn up to reverse the situation.



Monitoring of fauna in Alto Sertão II

Twice a year, monitoring of the fauna in the region of the Alto Sertão II Wind Complex is also performed. Besides the identification and monitoring of species (chart at the right), actions for the protection and conservation of springs and the recovery of degraded areas were implemented, contributing to the maintenance of the natural biome. The next stage of the project foresees a work to raise awareness among the local population about predatory hunting.

Fauna listed in Alto Sertão II

Species	Quantity
Birds	187
Non-flying wild mammals*	21
Chiroptera (bats)	48

*Medium and large mammals are considered.

Surrogacy for fish

Without similar precedent in the world, the Chimerism Project entered its second phase. Result of the union of the company's innovation sector with sustainability management, the study develops techniques for conservation, reproduction and formation of a gene bank of catfish, an endangered species. Currently, the company is setting up one of the largest fish biotechnology laboratories in Latin America, training teams and the local community.

Another initiative, the Fishing Management Program released 2.5 million fry in the reservoirs of the Água Vermelha, Barra Bonita, Nova Avanhandava, Promissão, Ibitinga, Bariri, Caconde, Euclides da Cunha, Limoeiro and Mogi Guaçu plants. The repopulation is done with the species pacu-guaçu and piracanjuba, curimbatá, dourado, piapara and tabarana, minimizing the impact caused by the construction of hydroelectric dams and helping to balance the aquatic fauna of the rivers Tietê, Pardo, Grande, Mogi Guaçu and Piracicaba.



Breeding technique contributes to the conservation of endangered species



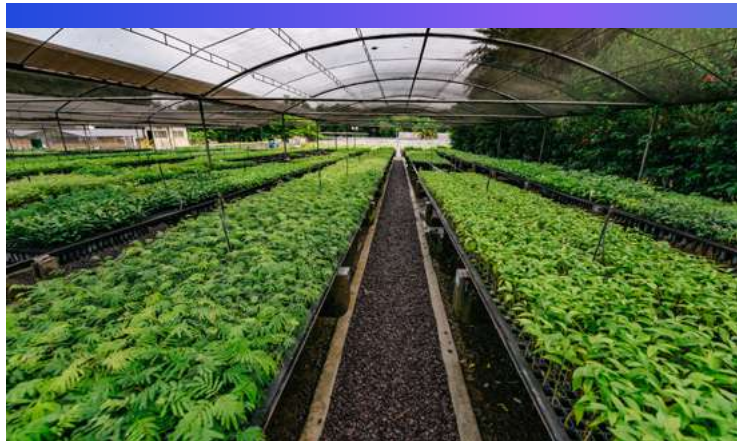
Restoration of areas

Part of the actions for the protection of the borders of the reservoirs, the program Mãos na Mata (“Hands on the Forest”) is carried out in partnership with the SOS Mata Atlântica Foundation. The company’s goal is to recover 1,965 hectares of the Atlantic Forest and the Brazilian savannah by 2029. Last year, 243.44 hectares were replanted and 1 million tree seedlings were produced.

We have expanded our reforestation partnerships and joined We Forest, an organization that operates in several countries and raises funds in Europe to invest in reforestation projects. From this union was developed a methodology that is being applied in the recovery of areas belonging to our assets. From 2021, we expect to use the

funds raised to replicate this methodology in the recovery of Permanent Preservation Areas on third-party properties.

At the same time, the company promoted the recovery of the areas used as site support during the installation of the Alto Sertão II Wind Complex in Bahia. Native seedlings were planted after preparation and improvement of soil quality with appropriate methods of green manure, direct sowing and broiler litter. Also in Bahia, AES Brasil is testing a new technique for recovering degraded areas on slopes using palma. If the system proves to be truly efficient, the company plans to enter into supply partnerships with local producers, generating another income option for the community.



Reuse of photovoltaic panels

The reuse of photovoltaic panels is the result of the integration between the environmental conditioning sectors of the company, operations and R&D and contributes to the reduction of discarded waste.

The pilot project was implemented in the Guaimbê Solar Complex. Currently, each unit recovered allows the electrification of 50 kilometers of fence. The system is being used to protect the perimeter of a Permanent Protection Area belonging to the Promissão HPP, in the process of environmental recovery.

With the improvement of the recovery process, the company plans to increase the energy efficiency of the reused boards and expand their use to benefit the local community.



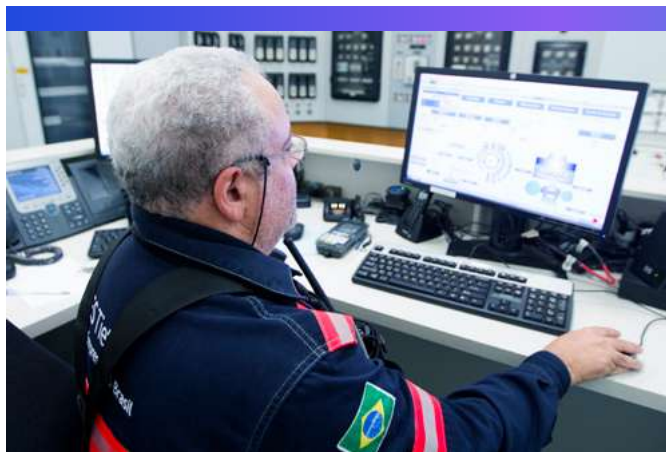
Pilot project at the Guaimbê Solar Complex uses the materials in electric fences



Water

Our business has no impact on water availability in the regions where we operate. Power generation in hydroelectric plants only influences the flow of rivers, since the water resources are dammed in order to drive the generating units later on.

All the volume that passes through the turbines is returned to the system with the same or better quality than that registered at the entrance. Through the Water Monitoring Program, the quality of the water in the company's reservoirs is monitored, ensuring safety and suitability for the multiple uses given to the area by the company and nearby communities.



Considering this dynamic of interaction with water resources, the importance of water and its shared use is inserted in our management model. To give transparency to our management practices, we voluntarily answer the CDP Water Security questionnaire annually. In 2020, we received the B mark in the evaluation of the international organization, which provides data and information to investors focusing on ESG aspects.

In the units, the internal consumption of water is destined to processes and human supply. Most of the water we collect for this purpose comes from artesian wells, as granted by regulatory agencies. Although the volumes are relatively low, we seek a more sustainable performance through the rational use and optimization of the use in internal operations, such as cleaning and sanitation of external areas and bathrooms.

Every month, we monitor to identify and correct any leaks in our facilities. Besides, we promote an internal campaign of awareness about the conscious consumption of water every year. In 2020, we captured 40.7 thousand cubic meters of water, a 29.0% increase caused by the inclusion of wind and solar installations in the monitoring and by a leak, already repaired, at the Nova Avanhandava HPP.

Water collection per unit (cubic meters)*

	2020	2019
Collection of fresh surface water	5,682	5,072
Collection of groundwater	33,428	25,755
Third-party supply (public or private)	1,610	751
Total volume collected directly or indirectly	40,720	31,578

**Information corrected on 26/02/2021.*



Click here and access our CDP Water Security questionnaire for more information on the management measures on water resources in the company

Waste

The generation of waste in our business is mainly related to the maintenance of the plants. In other operational activities, only administrative waste in smaller quantities is generated. The works are also a process with significant waste generation, but in these cases the control and destination are the responsibility of the contractors, who must do this management in line with the IMS guidelines, incorporated into the service contracts with AES Brasil.

We control the generation and destination of waste in the plants on a monthly basis, which follow specific procedures of our IMS. The standardization of this process and formalization into a normative instrument ensure compliance with current legislation and the adoption of good practices for storage, transportation and final disposal. A specialized company is hired by AES Brasil to remove the waste from the units and dispose of it properly, according to jointly established methods provided for in the contracts. Among the monthly check routines are environmental inspection and environmental walk, moments when our technicians and leaders inspect the environmental conditions in the facilities.

We comply with the waste legislation with standardized and formalized procedures of our

IMS. We also have initiatives to minimize our waste generation and improve its destination. Among these we highlight: the reuse of photovoltaic panels (read on page 74), the regeneration of used lubricant oil, the use of ecological material instead of plastic tubes for planting seedlings and selective collection campaigns.

Last year, we disposed of 26.7 tons of non-hazardous waste, a volume 13% greater than the previous year, 71% of the total destined for recycling. We had an 18% increase in hazardous waste, compared to 2019, adding 109.7 tons. We allocate 39% of this total to co-processing.

71%
of non-hazardous waste
generated in 2020 were sent
for recycling

Disposal of non-hazardous waste (tons)	2020	2019
Recycling	18.9	10.9
Landfill	7.8	12.7
Total	26.7	23.6

Disposal of hazardous waste (tons)	2020	2019
Recycling	11.1	0.00
Coprocessing (and other forms of energy-efficient burning)	42.3	25.3
Other ways to recover waste	0.0	4.6
Incineration	0.0	5.6
Landfill	0.0	1.2
Other types of final destination	56.4	56.2
Total	109.7	92.8



Social action

Diversity & Inclusion

Approximately 1,500 people work in our company's activities – among our own employees and third parties hired by the service companies. Our commitment to sustainability also includes building a work environment free of discrimination and prejudice, inclusive and in which diversity among professionals drives innovation and the improvement of the company's different processes.

This vision is expressed in our Diversity and Inclusion Policy and in the Declaration of Commitments on Human Rights, two documents that make up our corporate governance guidelines and underpin the company's decision-making processes.

To strengthen this model, we created and launched our Diversity & Inclusion Program in 2020. The initiative, demanded by the Board as a strategic front of action, was built from a survey conducted in October to identify the opinions and perceptions of employees about the culture of diversity in the company.

The survey pointed out that about 65% of respondents would like to actively engage in actions to promote diversity and that these initiatives would improve the organizational culture. The survey also helped prioritizing the five pillars on which the Diversity and Inclusion Program will work – Gender, Culture, LGBTQIA+, Origins and People with Disabilities (PwD).



Women occupy
19%
of leadership positions
in our company

47%
of administrative positions are
held by female employees

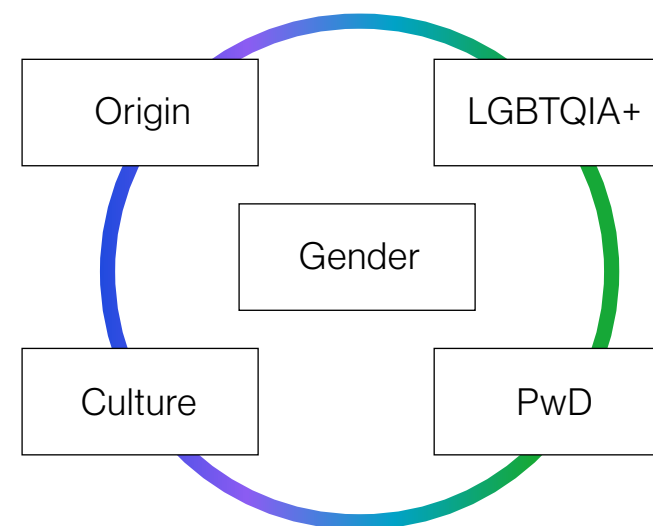
In November 2020 the Program and the work plan were officially presented to all employees. In December, we opened the applications for employees from different areas interested in participating of the Affinity Groups that will develop initiatives as of 2021.

The strategic model of action foresees that, every year, one pillar will be prioritized. For 2021, Gender was chosen as the central theme, based on the survey results. Thus, the projects developed in the other Affinity Groups will have

synergies with the search for a greater gender representation in our company.

A governance structure was created to accompany the implementation of the Diversity and Inclusion Program. The Affinity Groups will be accompanied by the Diversity Committee, initially composed of leaders from the Human Resources and Sustainability areas. The Executive Committee, formed by the top leadership, is responsible for the strategic vision and validation of the actions developed each year.

Pillars of the program



Our Commitments

- Diversity and Inclusion Policy
- Declaration of Commitments on Human Rights
- Women's Empowerment Principles (UN Women)
- Sustainable Development Goals (UN)

Governance and management structure on the topic

Executive Committee

Composition: company's top management

Goal: strategic vision and validation of actions

Diversity Committee*

Composition: HR and Sustainability

Goal: elaboration of an action plan and monitoring of its evolution

Affinity Groups*

Composition: top management sponsor and volunteer employees

Goal: validation and operationalization of the action plan, engagement and connection of people

*Committees and affinity groups began meeting in January 2021



Hiring of women in the Tucano Wind Complex

One of the first projects developed with a focus on promoting diversity was the structuring of an exclusive program for hiring women at the Tucano Wind Complex, which will be built and operated in Bahia. The open positions for the operation and maintenance course of the new asset will be 100% filled by professionals approved in the selection process we are conducting.

Our goal with this initiative is to take advantage of the opportunity to create new jobs to expand female presence in operational positions. In the medium term, through job rotation and training actions, these women will be able to work in other areas and assets of the company.

This action has the partnership of Senai in Bahia to encourage the formation of specialists in operation and maintenance of wind farms in that state. Thus, we contribute to the development of local labor connected to one of the region's main strengths for the electricity sector.



People development

We consider investment in human capital a fundamental part of our ethical and responsible management. With the interruption of face-to-face administrative activities due to the pandemic, we made use of an e-learning platform and carried out most of the scheduled training, avoiding impacts on our operations.

The highly digitalized culture is part of our performance and has facilitated the adaptation of processes that started to be developed in a digital environment with the rules of social distance. Even so, some operational and regulatory trainings were reprogrammed for 2021, as they required face-to-face activities. This condition resulted in a reduction in the average hours of training offered compared to the previous year.



Average hours of training per employee	2020	2019	2018
By gender			
Men	38.98	46.93	38.39
Women	10.12	15.35	10.73
By functional level			
Executive Office	0.45	7.64	0.64
Management	3.07	25.50	14.15
Coordination	9.79	22.66	21.03
Administrative	11.14	23.22	14.37
Operational	65.92	65.74	55.85
Consolidated	31.98	39.24	31.93

The employee training programs are concentrated in the AES Academy. The different existing schools direct the development of administrative, technical and leadership teams. One of the main actions in this sense is the Leadership Development Trail, which provides training and professional development according to the skills and abilities needed for each functional level (coordinators, managers and officers).

The Training Portal, our tool that provides online content and allows the monitoring of employee participation and engagement in training, has mechanisms to evaluate the effectiveness of the training and the satisfaction of the participants.

With the sudden change in interpersonal relations caused by the pandemic, which led to the growth of digital tools on a daily basis, our 2020 trainings addressed, in addition to traditional topics, aspects for conducting commercial, regulatory or remote government negotiations, ensuring respect and ethical and procedural excellence throughout the process.

The impact of this training can be exemplified by the fact that, for the first time, the collective agreement of the category representing our employees has been negotiated and closed remotely. In our company, we respect the right to free trade union association and 100% of the employees are covered by collective bargaining agreements signed with the unions that represent the different functional categories.

In addition to internal training, we encourage personal development and professional qualification by offering scholarships and support for language classes, graduate courses and other types of training. In 2020, 38 employees were benefited by actions of this kind.



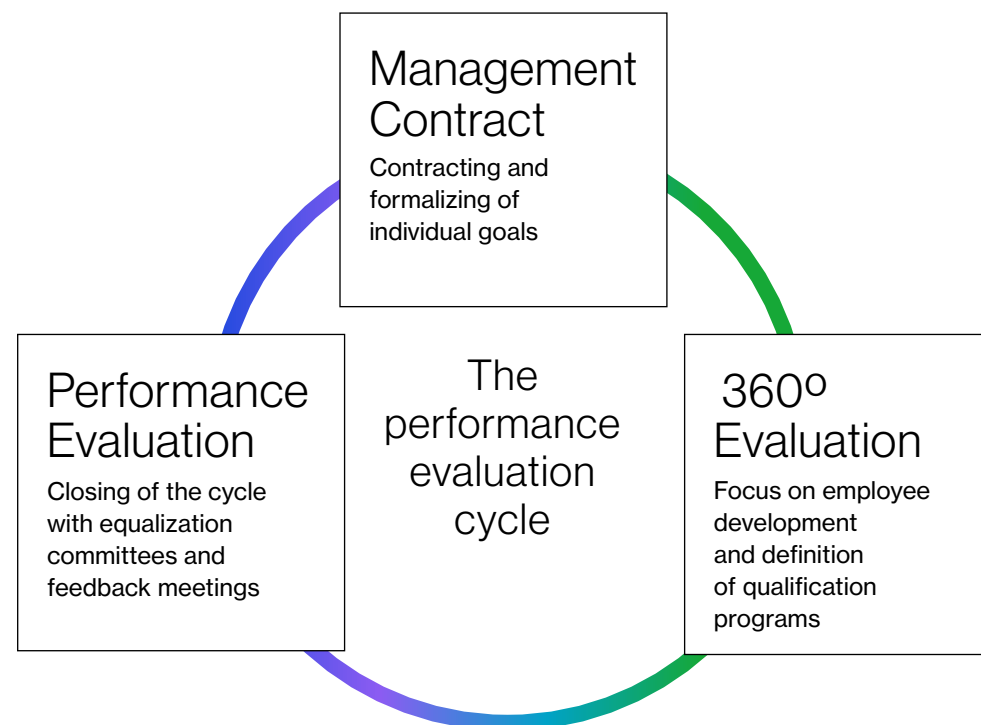
The AES Academy provides training to all employees for the development of skills and abilities

Performance management

Transparency and respect for employees also materialize in the Annual Performance Management Program, through which deliveries and individual performance potential are evaluated. All of our company's professionals participate in the process, with the exception of members of the Board of Directors, apprentices and union directors removed from their duties at the company – as a way to avoid conflicts of interest.

To participate in the Performance Management Program, employees must have been hired at least three months before the start of the evaluation cycle. Professionals who have been absent for medical leave and have not been able to work for at least three consecutive months are also not evaluated.

In the case of leaderships, the process focuses especially on the goals established in the Management Contract, a tool that encourages a balance between individual performance and the company's strategic objectives.



Percentage of employees who underwent performance evaluation	2020	2019
By gender		
Men	95.9%	94.1%
Women	98.2%	88.1%
By functional level		
Executive Office*	90.9%	100.0%
Management	100.0%	91.7%
Coordination	97.0%	93.8%
Administrative	96.0%	89.5%
Operational	96.7%	95.9%
Consolidated	96.5%	92.6%

**In 2020, one Director was not evaluated, as his hiring took place just before the start of the evaluation cycle.*

Relationship with communities

Our commitment to sustainability drives our business model to build solid partnerships for the sustainable development of the communities surrounding our assets, together with the growth of our business. The management model we practice has two objectives: to map the types of impacts caused by our operations and new businesses on people in the different locations where we operate; and to drive initiatives that foster positive changes in the reality of these populations.

To materialize this vision with the efficiency that characterizes our business model, we started in 2020 the structuring of the Social Management System (SMS), in conjunction with the Earthworm Foundation, an international non-profit organization focused on the development of social and environmental projects. As part of the process, we carried out an internal diagnosis with a focus on identifying the potential and improvements of the procedures already implemented. The SMS which will cover all assets – in operation or under construction –, and the Tucano Wind Complex (in Bahia), whose works are planned to begin in 2021, will be the first asset to receive the implementation of the SMS. One

of the initiatives already undertaken was the structuring of an ombudsman service to receive inquiries, complaints and clarify doubts from the surrounding communities of the new development. In addition, we carried out an external diagnosis to learn more about the community and, in the future, structure actions for the locality.

The objective of the SMS is to improve the processes and procedures to respond to social demands, respecting the characteristics and singularities of each territory. With this structured process, we will expand the positive impact of our actions and social investments, strengthening even the initiatives we have already conducted.



In all locations where we operate, for example, we conduct regular campaigns on safety related to the use of reservoirs aimed at the general population. We provide contact channels to clarify doubts and guide the community regarding the rules of use of the reservoirs and the areas around them via e-mail (bordas@aes.com) or by telephone (0800 778 4383 or +55 14 3103-3420).

We offer support for the regularization of private land in the surroundings when allowed and we work towards the evacuation of those in areas where this is not possible.

With the expansion of the incorporation of wind farms into our assets, our performance in land

management has become an important part of our relationship with the community. We understand the relevance of our operation as an alternative source of income for the owners of the areas in which we are installed. In this sense, we act with focus on the economic and social development of those involved, adopting the best practices of governance and sustainability without prejudicing our partners.

R\$118.7
thousand
invested in structuring
the SMS in 2020



The Tucano Wind Complex will be the first of our assets to have the Social Management System implemented

AES Brasil Paths Program

Our investment in social projects is directed at promoting the development of the regions where we are present, strengthening the relationship we establish with the surrounding communities and adding value to our brand. This performance is guided by our Private Social Investment Guidelines, which since 2019 have organized our strategy for resource allocation aligned with one purpose and on three pillars.

In 2020, we further evolved this form of management, with the creation of the [AES Brasil Caminhos \(Paths\) Program](#) which, starting in 2021, will centralize all our initiatives, reinforcing the sustainability attributes of our brand in the communities benefited. In this way, we maintain the comprehensive scope of our business and the customization of investments in local projects and strengthen the formation of partnerships for the development of initiatives.

Private Social Investment Guidelines



Last year, we invested R\$ 2.7 million in different social projects. Due to international guidelines of social isolation, we focused our efforts during the first semester on actions that could be adapted to the digital environment, such as the Geração+. In the second semester, the projects Pulsar (Pulsate) and Cantos de Leitura (Reading Corners) were resumed, with the delivery of the rooms. Some activities that required attendance were postponed to 2021 to ensure the safety of all involved.



Geração+

It promotes the engagement of students and teachers of public schools in research and exploration actions focused on four fronts: fauna and flora, solid waste, electricity and leisure and security.

Pulsar

It promotes the training of young people between 14 and 18 years old who study at State Technical Schools (ETECs) through workshops that stimulate the culture of entrepreneurship and the aggregation of knowledge about energy.

Social projects in 2020

Pillar	Project	Area of influence	Number of beneficiaries	Resources invested (R\$)	Origin of resources
Supporting Local Development	Cantos de Leitura (Reading Corners) Implementation of libraries in social organizations and schools, with donation of 1,200 books and renovation of space with new furniture	Two cities to be defined	About 500 people per city	220,000.00	Incentives (Federal Culture Incentive Law)
	Leitura no Campo (Reading in the Field) Implementation of libraries in social organizations and rural schools, with donation of 1,200 books and renovation of space with new furniture	One city to be defined	About 250 people per city	110,000.00	Incentives (Federal Culture Incentive Law)
	Leiturinha – Mudando o Mundo (Changing the World) Implementation of libraries in daycare centers and preschools, with donation of 1,200 books and renovation of space with new furniture	Two cities to be defined	About 500 people per city	220,000.00	Incentives (Federal Culture Incentive Law)
	Carpinteiros do Futuro (Carpenters of the Future) Implementation of a design and joinery laboratory for young people and adults aged 18 to 24, with free courses and workshops	One city to be defined	100 students	373,843.06	Incentives (Federal Culture Incentive Law)
	Network of Partners in Educational Sports Training of educators in the management of educational sports with the aim of promoting the principles of inclusion, diversity, collective construction, integral education and autonomy in their communities	One city to be defined	50 beneficiaries	230,960.00	Incentives (Federal Sports Law)
	Municipal Councils for the Rights of Children and Adolescents Support for registered social projects, according to the priorities and rules established by the Councils	Barra Bonita, Bauru, Boraceia, Buritama, Pederneiras and São João da Boa Vista (SP) and Tucano (BA)	1,055 direct beneficiaries	230,960.00	Incentives (FUMCAD – Municipal Fund for the Rights of Children and Adolescents)
	Municipal Councils for the Rights of the Elderly Support for registered social projects, according to the priorities and rules established by the Councils	Botucatu, Igaraçu do Tietê, Lins and Promissão (SP)	670 direct beneficiaries	230,960.00	Incentives (FMI – Municipal Fund for the Elderly)
	Donations of PPE to support the fight against Covid-19	-	-	320,659.30	Own

Pilãr	Project	Area of influence	Number of beneficiaries	Resources invested (R\$)	Origin of resources
Education and Awareness	Geração+ Environmental education program for teachers and students of elementary school I, in the areas of leisure and safety, waste management, fauna and flora	Ouroeste, Indaiaporã, Mira Estrela, Brejo Alegre, Guaimbê, Promissão and Sabino (SP)	11 participating schools/ 205 teachers/ 2,943 students	348,775.40	Own
	Litro de Luz (Liter of Light) – Remote Lanterns Workshop Education and awareness workshops on the benefits of energy and construction of solar lamps in municipal schools	Two cities to be defined	73 beneficiaries	50,470.00	Own
	Pulsar (Pulsate) Project Entrepreneurial education for young ETEC students, through training workshops to create innovative solutions involving clean and sustainable energy sources	Barra Bonita, Bauru, Mogi Mirim and São Pedro (SP)	4 schools/ 9 teachers/ 89 students	165,800.00	Own
Productive Inclusion	Sustainable Beekeeping Strengthening the management of the Polo Cuesta Beekeepers Association, so that they expand the marketing of their products and use the areas of the Atlantic Forest and Cerrado restored by AES Brasil	Itatinga (SP)	80 beekeepers	7,761.35	Own
Volunteering	Development of the Corporate Volunteer Program	-	-	7,000.00	Own
Others	Structuring the Social Management System	-	-	118,700.00	Own
	Impact assessment of social projects	-	-	39,960.00	Own
	Project announcement tool	-	-	17,900.00	Own

Volunteering

In 2020, our Internal Volunteering Program was strengthened by digital initiatives, due to social isolation. Guided by our Private Social Investment purpose and driven by the transversal themes of innovation, sustainability and energy, the Program acts on two fronts: institutional actions and local actions.

The institutional actions approach has initiatives open to the voluntary participation of employees identified by the Institutional Relations, Communication and Sustainability Management and validated by the Volunteering Committee, aiming at connecting with the local communities and the priority pillars for social investment.

Created in 2020, the Volunteering Committee is a multidisciplinary group, formed by the so-called “focal points”. These are employees from different hierarchical positions, who work in the different regions in which the company’s assets are present and demonstrate commitment to the voluntary commitment. The purpose of this group is to ensure the alignment of voluntary actions developed on the local action front. On this front, initiatives can be punctual or continuous and are carried out in all locations where our company operates, focusing on the skills and talents of volunteers.

An example of an initiative carried out in 2020 were the financial donation campaigns to support philanthropic organizations that helped needy people during the pandemic. In addition, we involved volunteers in Pulsar actions and promoted AES Volunteer Week for the first time. A mentoring project focusing on the employability of women is also worth mentioning.

113
people
participated in the
donation campaigns

7
social
organizations benefited

8
actions
were carried out

37
employees
participated in volunteer
actions in 2020

102
hours
of volunteer work

Relationship with suppliers

Our supply chain is a strategic audience for the effectiveness of our business planning. Besides the purchase of materials and equipment and various services, we count on partners for outsourcing activities such as maintenance in the generating units, civil works, general conservation, patrimonial surveillance and information technology/telecommunications. We also have hired specialized companies for advisory services, monitoring of employees' medical exams, various audits, waste disposal and emergency operations.

In 2020, we hired 1,465 suppliers, 988 of which were registered in our database in that period. Of this total, 76% are based in São Paulo, where we maintain most of our portfolio of assets; the other 24% are distributed in other regions of the country. We prioritize, when possible, the local hiring of small and medium companies: last year, 27% of the suppliers were classified by the Brazilian legislation as Micro Individual Entrepreneurs (MEI) or subject to the Simples Nacional taxation, modality applicable to companies with up to R\$ 4,8 billion annual invoicing.

1,465
suppliers
contracted in the last year

76%
based
in the state of São Paulo

27%
classified
as MEI or in the Simples
Nacional taxation regime



The management of economic, social and environmental impacts in our chain begins with the pre-qualification of suppliers and includes mechanisms for monitoring the execution of services or delivery of materials purchased from the time of contracting until after the closing of contracts.

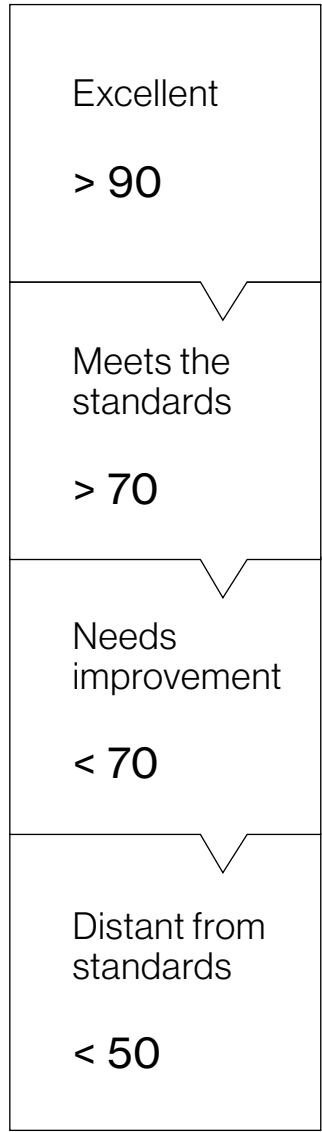
At this moment of pre-qualifying, all suppliers to be registered must present documents that prove their legal compliance and the absence of labor and tax debts. In addition, all partners are given a questionnaire in which they report on the development of social and environmental initiatives,

the guarantee of labor rights and health and safety conditions to their professionals, the adoption of systems and good practices of environmental management, the commitment to the promotion of human rights in their activities (especially the fight against discrimination, harassment and child, compulsory or slave labor) and the compliance with global initiatives such as the Global Compact.



Documentary assessment of suppliers and contractual clauses are tools to verify legal compliance in our value chain

SPI performance ranges



Our standard draft contracts have specific clauses related to non-discrimination, health and safety, child, compulsory or slave labor, working hours, and guarantee of human rights in the application of disciplinary measures. We attach to all contracts our Basic EHS Guidelines and the AES Brasil Values Guide. The Legal area teams conduct all the contract signature processes, ensuring the formal adherence of suppliers to these clauses and the acceptance of these norms. Suppliers also fill out, at the moment of hiring, a due diligence questionnaire, which is evaluated by AES Brasil.

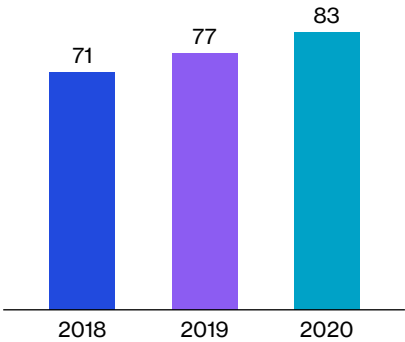
Every month, suppliers who provide labor services at our facilities must present proof of payment of legal charges for the labor rights of their professionals, such as FGTS and INSS. As provided for in our internal policy, we only make the payments foreseen after the delivery of this documentation.

Critical suppliers (related to power generation asset management activities) are monitored through the Supplier Performance Index (SPI). Contract managers evaluate the contracts in force during the period every month on an online platform. The SPI evaluation questionnaire has three versions: one for information technology services; one for works and maintenance; and one for administrative services, all with questions related to safety, environment, health,

social aspects and quality/technical with different statements and weights depending on the type of product or service purchased.

Evaluations with scores below 70 require the definition of action plans together with the supplier. Recurring cases of underperformance can be evaluated by the Asset Management Committee and are subject to suspension from our base, which makes it impossible for the supplier to participate in future bids. Thanks to our active process in the management of suppliers, we assure the inexistence of occurrences with serious deviations such as the proof of child, compulsory or slave labor. Our regulations provide for the possibility of termination of the contract in extreme situations.

Average SPI score for suppliers





Annexes to the Report



The preparation of this Sustainability Report follows the GRI Standards, proposed by the Global Reporting Initiative (GRI), and the recommendations of the Integrated Reporting framework, released by the International Integrated Reporting Council (IIRC). Published annually, the publication covers all businesses of AES Tietê Energia S.A. and subsidiary companies, in line with our Financial Statements (**click here to access them**), except for justified exceptions in the respective indicators and is available in Portuguese and English. No relevant or mandatory data according to the GRI and IIRC premises has been omitted from this document.

The information covers the period from January 1 to December 31, 2020 and was obtained with the collaboration of several areas of the company. As in previous years, all content was subject to external verification. The assurance report is presented on page 108. The Board of Directors and the Fiscal Council participate in the revision of this Report prior to its publication and make adjustments when applicable. Comments, suggestions and questions about its content should be sent to sustentabilidade@aes.com.

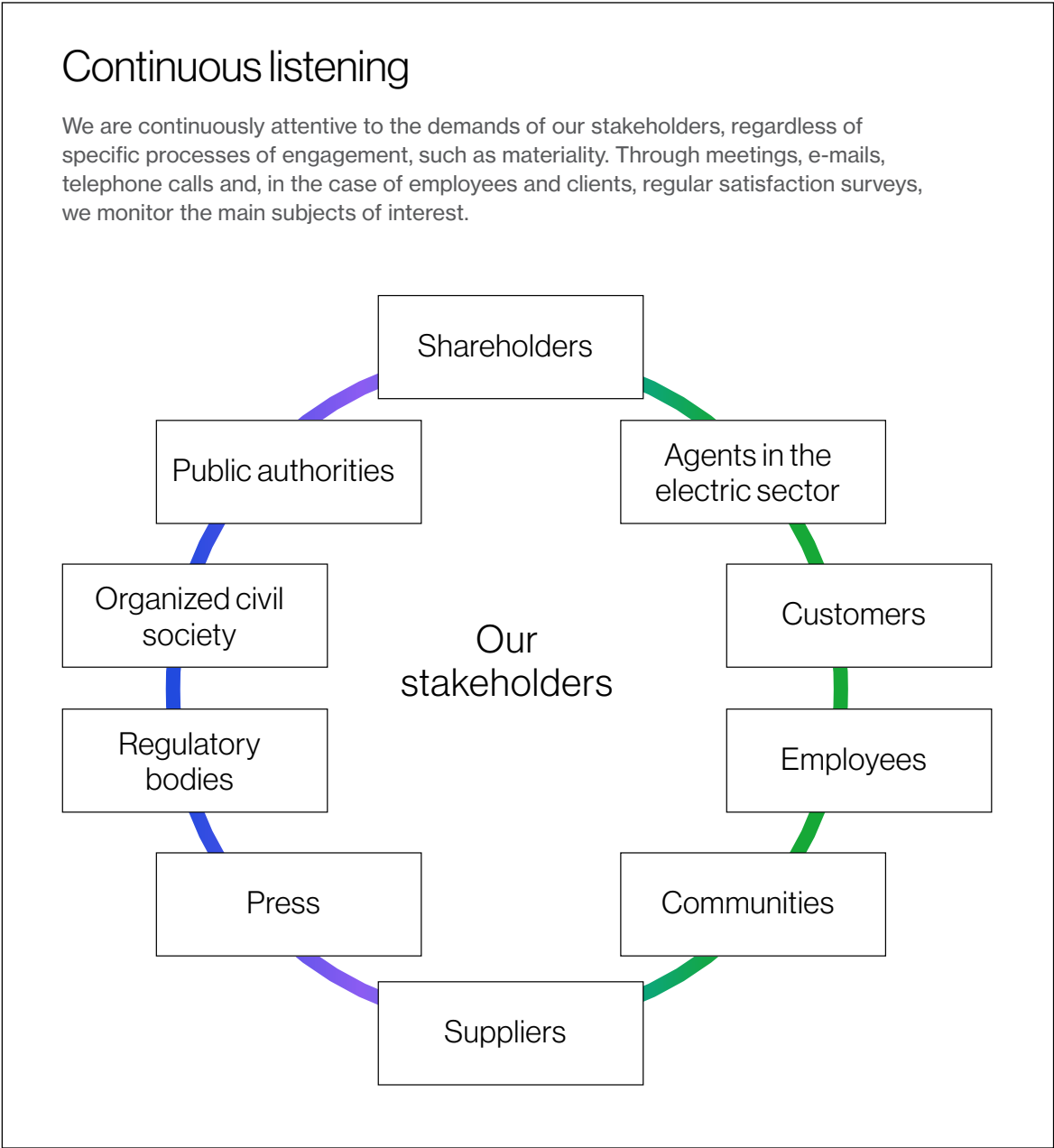
The content of the report, as well as the previous edition published in 2020, is guided by AES Brasil's material topics. These topics reflect issues relevant to the generation of value for the company, since they represent the most relevant economic, environmental and social impacts associated with the business and bring together the topics of greatest interest and relevance in stakeholder decision-making.

Economic and operational performance, customer satisfaction, socio-environmental impact, ethical and responsible management, accessibility and energy intelligence. These are the six material topics of the company, represented by its Sustainability Guidelines (learn more on page 50). They were defined in 2019, after a process of internal and external engagement and trend analysis, and include goals with a target date of 2023.

The process of defining the Guidelines includes extensive listening to employees, customers, suppliers and government representatives. We also evaluated, at that moment, studies, scenarios and sector benchmarks. The 2030 Agenda, proposed by the Sustainable Development Goals (SDGs) of the United Nations, also guided the preparation of the Guidelines. In addition, we involved our leaders in a workshop that discussed our strategic vision of corporate sustainability and formalized a clear positioning of the company, with strategic focus, commitments and goals.

Continuous listening

We are continuously attentive to the demands of our stakeholders, regardless of specific processes of engagement, such as materiality. Through meetings, e-mails, telephone calls and, in the case of employees and clients, regular satisfaction surveys, we monitor the main subjects of interest.



Complement to GRI disclosures

102-8

Information on employees and other workers

By the end of 2020, we had 454 employees, all working full time and with employment contracts for an indefinite period, in addition to 12 apprentices (5 men and 7 women) and 957 outsourced workers. There was no significant variation in AES Brasil's workforce, but we had an 18% reduction in relation to the headcount of outsourced workers, mainly due to the lower demand for maintenance in the plants throughout the year.

Number of employees
by gender and region*

	2020			2019		
	Men	Women	Total	Men	Women	Total
Northeast	6	3	9	6	3	9
Southeast	338	107	445	333	106	439
Total	344	110	454	339	109	448

*The data refer to the base date of December 31 of the respective years and do not consider advisors, trainees and apprentices, since, according to the Brazilian legislation, they do not have an employment relationship established with the company.

102-13

Membership of associations

Our participation in sector associations and entities contributes to the debate of key issues in the markets where we operate and to the sharing of good practices. This engagement is also relevant to the defense of common interests in the public agenda and the dissemination of the company's sustainability vision. Among these, we highlight as strategic:

- Brazilian Association of Electric Power Generating Companies (Associação Brasileira das Empresas Geradoras de Energia Elétrica – Abrage)
- Brazilian Association of Energy Storage and Quality (Associação Brasileira de Armazenamento e Qualidade de Energia – Abaque)
- Brazilian Wind Energy Association (Associação Brasileira de Energia Eólica – Abeeólica)
- Brazilian Association of Photovoltaic Solar Energy (Associação Brasileira de Energia Solar Fotovoltaica – Absolar)
- Brazilian Association of Independent Electricity Producers (Associação Brasileira dos Produtores Independentes de Energia Elétrica – Apine)
- American Chamber of Commerce (Amcham)
- SDG Working Groups and the Global Compact's Energy & Climate
- Energy Industry Union of the State of São Paulo (Sindicato da Indústria da Energia no Estado de São Paulo – SindiEnergia)

102-12

External initiatives

In addition to the commitments indicated on page 53, we are signatories of the Ethos Institute's Business Pact for Integrity and against Corruption.

102-49

Changes in reporting

There was no change in relation to the period covered and the material topics and respective limits.

102-54

Claims of reporting in accordance with the GRI Standards

This report was prepared in accordance with the GRI Standards: Core option.

102-47

List of material topics

Material topic	What it means	GRI disclosures related
Economic and operational performance	Ensuring a solid capital structure and asset optimization, with technical and operational excellence of our activities	201-1 201-2 EU6 EU30
Customer satisfaction	Promote the best experience for our customers, through the safe, sustainable and reliable supply of energy solutions	There is no prioritized GRI disclosure, we only report how to manage the material topic
Socio-environmental impact	Positively impact local communities and reduce the environmental impact of our operations	302-1 302-3 304-2 304-3 305-1 305-2 305-3 305-4 413-1 413-2 EU21 EU25
Ethical and responsible management	Create an ethical, safe and diverse development environment for our employees and suppliers	205-2 205-3 403-1 403-2 403-3 403-4 403-5 403-6 403-7 403-8 403-9 404-1 404-3 405-1 406-1 EU18
Accessibility	Provide broad and easy access to energy solutions through innovative technologies	There is no prioritized GRI disclosure, we only report how to manage the material topic
Energetic intelligence	Develop solutions that enable intelligent and efficient energy consumption	EU8

205-2

Communication and training about anti-corruption policies and procedures

There was no training for the members of the Board of Directors and the Fiscal Council in aspects of combating corruption due to the postponement of the launch of the new Code of Conduct, which occurred in the last quarter due to the Covid-19 pandemic and the new company brand. The training originally scheduled will take place throughout the first quarter of 2021, and the members of the Board of Directors and Fiscal Council are among those invited to conduct online training on the new Values Guide.

403-7

Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

Among all of our business partners, only the service providers outsourced employees are exposed to health and safety risks. They are engaged in accident prevention initiatives and have the accident frequency and severity indicators monitored by AES Brasil (learn more on page 34).

403-8

Workers covered by an occupational health and safety management system

IMS initiatives cover 100% of employees and third parties.

403-9

Work-related injuries

According to the Brazilian legislation, the registration of occurrences follows the Brazilian Regulatory Standard 14,280, which adopts different criteria from OSHA, resulting in different numbers of accident occurrences and severity frequency rates. Based on these criteria, we had three accidents with employees and six with third parties as detailed in the following tables.

Health and safety indicators for employees by region according to NBR 14,280*

	2020			2019		
	NE	SE	Total	NE	SE	Total
Number of accidents	0	3	3	0	0	0
Number of accidents with more than 15 days leave	0	1	1	0	0	0
Days lost/debted	0	141	141	0	0	0
Man-hours worked	17,645	1,018,158	1,035,803	21,053	983,646	1,004,699
Fatal accidents	0	0	0	0	0	0
Frequency rate of accidents with and without lost time	0.00	2.95	2.90	0	0	0
High severity accident frequency rate**	0.00	0.98	0.97	0	0	0
Fatal accident rate	0.00	0.00	0.00	0	0	0
Severity rate	0	138	136	0	0	0

*Rates calculated on the factor of 1,000,000 man-hours worked.

**It considers accidents with leave of more than 15 days.

Health and safety indicators for third parties by region according to NBR 14,280*

	2020			2019		
	NE	SE	Total	NE	SE	Total
Number of accidents	2	4	6	1	15	16
Number of accidents with more than 15 days leave	0	1	1	na	na	na
Days lost/debted	0	112	112	4,660	142	4,802
Man-hours worked	196,186	971,773	1,167,959	223,211	1,753,895	1,977,106
Fatal accidents	0	0	0	0	0	0
Frequency rate of accidents with and without lost time	10.19	4.12	5.14	4.48	8.55	8.09
High severity accident frequency rate**	0.00	1.03	0.86	4.48	8.55	8.09
Fatal accident rate	0.00	0.00	0.00	0.00	0.00	0.00
Severity rate	0	115	96	20,877	81	2,429

*Rates calculated on the factor of 1,000,000 man-hours worked.

**It considers accidents with leave of more than 15 days.

405-1

Diversity of governance bodies and employees

Diversity in the composition of the Board of Directors

	2020	2019
By gender		
Men	6	5
Women	1	1
By age group		
Up to 30 years old	1	0
Between 31 and 40 years old	1	0
Between 41 and 50 years old	0	1
Over 51 years old	5	5

Number of employees by functional level by gender

	2020		2019	
	Men	Women	Men	Women
Executive Office	9	2	9	2
Management	23	6	19	5
Coordination	27	6	24	8
Administrative	106	95	116	93
Operational	179	1	171	1
Total	344	110	339	109

Number of people with disabilities by functional level

	2020	2019
Administrative	6	5
Operational	5	5
Total	11	10

**There are no disabled persons at the other functional levels.*

Number of employees by functional level and age group

	2020				2019			
	Up to 30 years old	Between 31 and 40 years old	Between 41 and 50 years old	Over 51 years old	Up to 30 years old	Between 31 and 40 years old	Between 41 and 50 years old	Over 51 years old
Executive Office	0	2	8	1	0	3	7	1
Management	1	15	5	8	1	15	2	6
Coordination	2	14	12	5	4	12	12	4
Administrative	59	102	28	12	67	97	30	15
Operational	17	65	50	48	22	59	42	49
Total	79	198	103	74	94	186	93	75

EU8

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

R&D investments per research line – ANEEL R&D Manual
(R\$ thousand)

	2020	2019	2018
Alternative sources of electricity generation	2,311.3	2,135.6	3,838.3
Thermoelectric generation	0.0	0.0	0.0
Basin and reservoir management	0.0	0.0	0.0
Environment	96.5	96.7	1,020.9
Safety	944.5	375.2	-26.6
Energy efficiency	778.5	1,971.3	2,319.3
Planning of electric power systems	496.5	792.0	515.8
Operation of electrical power systems	0.0	0.0	0.0
Supervision, control and protection of electrical power systems	2,248.8	2,094.1	901.5
Quality and reliability of electric power services	0.0	0.0	0.0
Measuring, billing and combating commercial losses	877.6	0.0	0.0
R&D Management	334.1	221.3	300.1
Others	3,360.8	224.8	46.2
Total	11,448.4	7,911.0	8,915.5

EU30

Average plant availability factor by energy source and by regulatory regime

Indicators of hydroelectric power plants availability in 2020	Duration of scheduled shutdowns (hours)	Duration of unscheduled shutdowns (hours)	Average availability factor
Água Vermelha	329.9	123.0	99.14%
Bariri	701.0	399.0	95.83%
Barra Bonita	405.6	251.9	98.13%
Caconde	912.1	102.5	94.09%
Euclides da Cunha	211.7	69.8	99.20%
Ibitinga	4,128.7	852.5	81.10%
Limoeiro	255.6	110.9	97.91%
Nova Avanhandava	149.3	60.2	99.21%
Promissão	191.9	179.3	98.59%
Mogi Guaçu SHP	264.9	84.5	98.01%
São Joaquim SHP	8,606.0	55.4	1.40%
São José SHP	142.6	1,091.4	92.98%
Total	16,299.1	3,380.1	97.69%

Indicators of availability of solar complexes in 2020 per plant	Duration of scheduled shutdowns (hours)	Duration of unscheduled shutdowns (hours)	Average availability factor
Boa Hora	NA	177.1	97.98%
Guaimbê	NA	481.5	94.52%
AGV	NA	962.9	89.04%
Total	NA	1,621.5	93.92%

Indicators of availability of the Alto Sertão II Wind Complex in 2020 per power station	Duration of scheduled shutdowns (hours)	Duration of unscheduled shutdowns (hours)	Average availability factor
Da Prata	4,870.5	1,826.1	94.14%
Dos Araçás	1,042.8	4,517.6	96.67%
V Nordeste	817.2	962.7	98.55%
Tanque	1,105.1	1,913.6	98.09%
Morrão	2,649.4	9,249.7	92.47%
Seraíma	1,019.3	6,562.4	95.20%
Maron	787.7	1,083.7	98.82%
Pilões	1,069.8	4,976.8	96.18%
Ametista	932.8	2,359.0	97.80%
Dourados	1,037.5	3,478.8	97.00%
Caetité	1,035.2	1,802.4	98.20%
S. do Espinhaço	553.6	1,463.5	97.91%
Espigão	239.9	573.4	98.46%
Borgo	541.6	1,858.7	97.72%
Pelourinho	644.5	2,901.1	96.90%
Total	18,346.9	45,529.5	96.84%

GRI content index

GRI Standard	Disclosure	Page	Omissions	Global Compact	SDG
GRI 101 Foundation 2016					
General disclosures					
GRI 102 General disclosures 2016	Organizational profile				
	102-1 Name of the organization	16	-	-	-
	102-2 Activities, brands, products, and services	16, 17, 25 and 26	-	-	-
	102-3 Location of headquarters	17	-	-	-
	102-4 Location of operations	29, 32 and 33	-	-	-
	102-5 Ownership and legal form	41, 42 and 43	-	-	-
	102-6 Markets served	17, 25 and 26	-	-	-
	102-7 Scale of the organization	7	-	-	-
	102-8 Information on employees and other workers	97	-	6	8 and 10
	102-9 Supply chain	92	-	-	-
	102-10 Significant changes to the organization and its supply chain	17, 18, 19, 41, 42 and 43	-	-	-
	102-11 Precautionary Principle or approach	13, 14, 15, 34, 61, 62 and 63	-	-	-
	102-12 External initiatives	53, 54 and 97	-	-	-
	102-13 Membership of associations	97	-	-	-
	Strategy				
	102-14 Statement from senior decision-maker	3 and 4	-	-	-
	102-15 Key impacts, risks, and opportunities	10, 11, 12, 40, 47, 48, 49 and 50	-	-	-
	Ethics and integrity				
	102-16 Values, principles, standards, and norms of behavior	23 and 44	-	10	16
	102-17 Mechanisms for advice and concerns about ethics	46	-	10	16

GRI Standard	Disclosure	Page	Omissions	Global Compact	SDG
GRI 102 General disclosures 2016	Governance				
	102-18 Governance structure	41, 42 and 43	-	-	-
	Stakeholder engagement				
	102-40 List of stakeholder groups	96	-	-	-
	102-41 Collective bargaining agreements	83	-	3	8
	102-42 Identifying and selecting stakeholders	96	-	-	-
	102-43 Approach to stakeholder engagement	96	-	-	-
	102-44 Key topics and concerns raised	96	-	-	-
	Reporting practice				
	102-45 Entities included in the consolidated financial statements	95	-	-	-
	102-46 Defining report content and topic Boundaries	96	-	-	-
	102-47 List of material topics	51, 96 and 98			
	102-48 Restatements of information	28	-	-	-
	102-49 Changes in reporting	97	-	-	-
	102-50 Reporting period	95			
	102-51 Date of most recent report	95	-	-	-
	102-52 Reporting cycle	95	-	-	-
	102-53 Contact point for questions regarding the report	95	-	-	-
	102-54 Claims of reporting in accordance with the GRI Standards	97	-	-	-
	102-55 GRI content index	103, 104, 105, 106 and 107	-	-	-
	102-56 External assurance	95, 108 and 109	-	-	-
GRI Electric utilities sector supplement 2013	EU1 Installed capacity, broken down by primary energy source and by regulatory regime	28, 29, 32 and 33	-	-	7
	EU2 Net energy output broken down by primary energy source and by regulatory regime	28 and 33	-	-	7 and 14

GRI Standard	Disclosure	Page	Omissions	Global Compact	SDG
Material topic Economic and operational performance					
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	8, 9, 18, 19, 20, 27, 28, 40, 67 and 68	-	-	-
	103-2 The management approach and its components	8, 9, 18, 19, 20, 27, 28, 40, 67 and 68	-	-	-
	103-3 Evaluation of the management approach	8, 9, 18, 19, 20, 21, 27, 28, 40, 67 and 68	-	-	-
GRI 201 Economic performance 2016	201-1 Direct economic value generated and distributed	8	-	-	8 and 9
	201-2 Financial implications and other risks and opportunities due to climate change	67 and 68	-	7	13
GRI Electric utilities sector supplement 2013	EU6 Management approach to ensure short and long-term electricity availability and reliability	18, 19, 20 and 40	-	-	7
	EU30 Average plant availability factor by energy source and by regulatory regime	29, 32 and 102	-	-	1 and 7
Material topic Customer satisfaction					
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	25 and 26	-	-	-
	103-2 The management approach and its components	25 and 26	-	-	-
	103-3 Evaluation of the management approach	21, 25 and 26	-	-	-
Material topic Energy intelligence					
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	55, 56, 57, 58, 59 and 60	-	-	-
	103-2 The management approach and its components	55, 56, 57, 58, 59 and 60	-	-	-
	103-3 Evaluation of the management approach	21, 55, 56, 57, 58, 59 and 60	-	-	-
GRI Electric utilities sector supplement 2013	EU8 Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	56, 57, 58, 59, 60 and 101	-	-	7, 9 and 17
Material topic Accessibility					
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	25 and 26	-	-	-
	103-2 The management approach and its components	25 and 26	-	-	-
	103-3 Evaluation of the management approach	21, 25 and 26	-	-	-

GRI Standard	Disclosure	Page	Omissions	Global Compact	SDG
Material topic Ethical and responsible management					
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	34, 35, 36, 37, 38, 44, 45, 46, 79, 80, 81, 82, 83 and 84	-	-	-
	103-2 The management approach and its components	34, 35, 36, 37, 38, 44, 45, 46, 79, 80, 81, 82, 83 and 84	-	-	-
	103-3 Evaluation of the management approach	21, 34, 35, 36, 37, 38, 44, 45, 46, 79, 80, 81, 82, 83 and 84	-	-	-
GRI 205 Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	45 and 98	-	10	16
	205-3 Confirmed incidents of corruption and actions taken	46	-	10	16
GRI 403 Occupational health and safety 2018	403-1 Occupational health and safety management system	34	-	-	8
	403-2 Hazard identification, risk assessment, and incident investigation	35 and 38	-	-	8
	403-3 Occupational health services	35 and 36	-	-	8
	403-4 Worker participation, consultation, and communication on occupational health and safety	36	-	-	8 and 16
	403-5 Worker training on occupational health and safety	36 and 37	-	-	8
	403-6 Promotion of worker health	36	-	-	3
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	37 and 98	-	-	8
	403-8 Workers covered by an occupational health and safety management system	34 and 98	-	-	8
	403-9 Work-related injuries	38 and 99	-	-	3, 8 and 16
GRI 404 Training and education 2016	404-1 Average hours of training per year per employee	82	-	6	4, 5, 8 and 10
	404-3 Percentage of employees receiving regular performance and career development reviews	84	-	6	5, 8 and 10
GRI 405 Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	100	-	6	5 and 8
GRI 406 Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	46	-	6	5 and 8
GRI Electric utilities sector supplement 2013	EU18 Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	37	-	-	8

GRI Standard	Disclosure	Page	Omissions	Global Compact	SDG
Material topic Socio-environmental impact					
GRI 103 Management approach 2016	103-1 Explanation of the material topic and its Boundary	30, 31, 61, 62, 63, 64, 65, 66, 69, 70, 71, 72, 73, 74, 85, 86, 87, 88, 89, 90 and 91	-	-	-
	103-2 The management approach and its components	30, 31, 61, 62, 63, 64, 65, 66, 69, 70, 71, 72, 73, 74, 85, 86, 87, 88, 89, 90 and 91	-	-	-
	103-3 Evaluation of the management approach	21, 30, 31, 61, 62, 63, 64, 65, 66, 69, 70, 71, 72, 73, 74, 85, 86, 87, 88, 89, 90 and 91	-	-	-
GRI 302 Energy 2016	302-1 Energy consumption within the organization	66	-	7 and 8	7, 8, 12 and 13
	302-3 Energy intensity	51 and 66	-	8	7, 8, 12 and 13
GRI 304 Biodiversity 2016	304-2 Significant impacts of activities, products, and services on biodiversity	69, 70, 71, 72 and 74	-	8	6, 14 and 15
	304-3 Habitats protected or restored	73	-	8	6, 14 and 15
GRI 305 Emissions 2016	305-1 Direct (Scope 1) GHG emissions	65	-	7 and 8	3, 12, 13, 14 and 15
	305-2 Energy indirect (Scope 2) GHG emissions	65	-	7 and 8	3, 12, 13, 14 and 15
	305-3 Other indirect (Scope 3) GHG emissions	65	-	7 and 8	3, 12, 13, 14 and 15
	305-4 GHG emissions intensity	51 and 65	-	8	13, 14 and 15
GRI 413 Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	87, 88, 89, 90 and 91	-	1	-
	413-2 Operations with significant actual and potential negative impacts on local communities	85 and 86	-	1	1 and 2
GRI Electric utilities sector supplement 2013	EU21 Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans	30 and 31	-	-	1 and 11
	EU25 Number of injuries and fatalities to the public involving company assets including legal judgments, settlements and pending legal cases of diseases	31	-	-	-

Assurance report



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Limited assurance report issued by independent auditors

To the Board of Directors and Shareholders of
AES Tietê Energia S.A.
São Paulo - SP

Introduction

We were engaged by AES Tietê Energia S.A. (“AES Brasil” or “Company”) to apply limited assurance procedures on the sustainability information disclosed in AES Brasil’s Sustainability Report 2020 (“Report”), in the accompanying information to this report related to the period ended December 31, 2020.

Responsibilities of AES Brasil’s Management

The Management of AES Brasil is responsible for adequately preparing and presenting the sustainability information in the Sustainability

Report 2020 in accordance with both the Standards for Sustainability Report of Global Reporting Initiative – GRI and the International Integrated Report Framework of International Integrated Reporting Council (IIRC), 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 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 (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 Brasil’s 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 Brasil and other professionals of the Company involved in the preparation of the information disclosed in the 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 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 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 Brasil'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 Brasil's 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 Report and its structure and content, based on the Principles of Content and Quality of the Standards for sustainability report of the Global Reporting Initiative - GRI (GRI - Standards) as well as The International Integrated Report Framework of International Integrated Reporting Council (IIRC);
- 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 Report;
 - analysis of evidence supporting the disclosed information;

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.

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 reasonable 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 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, to evaluate the adequacy of policies, practices and sustainability performance, nor future projections.

Conclusion

Based on the procedures performed, described in this report, we have not identified any relevant information that leads us to believe that the information in the Report of AES Brasil is not fairly stated in all material aspects in accordance with the Standards for Sustainability Report of Global Reporting Initiative - GRI (GRI- Standards) and the International Integrated Report Framework of International Integrated Reporting Council (IIRC), as well as its source records and corresponding files.

São Paulo, February 24th, 2021

KPMG Auditores Independentes Ltda.
CRC 2SP014428/O-6

Sebastian Yoshizato Soares
Contador CRC 1SP257710/O-4

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AES Tietê collection (part of the pictures were
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