

2022



Improving lives

Accelerating the future
of energy, **together**



This report was published September 15, 2023 and contains forward-looking statements within the meaning of the Securities Act of 1933 and of the Securities Exchange Act of 1934. Such forward-looking statements include, but are not limited to, those related to future energy demand, future power prices, the availability and cost of natural gas, the growth of solar and other renewable forms of electricity generation and energy storage, future carbon taxes or regulations, potential rates of reduction in coal-fired electricity generation, the expected operating life of existing coal-fired electricity generation plants, the level of energy efficiency investments, the impact of demand-side management and AES' corporate strategy. Forward-looking statements are not intended to be a guarantee of future results, but instead constitute AES' current expectations based on reasonable assumptions. These assumptions include, but are not limited to, normal levels of operating performance and electricity volume at our distribution companies and operational performance at our generation businesses consistent with historical levels, as well as achievements of planned productivity improvements and execution of AES' corporate strategy. Actual results could differ materially from those projected in our forward-looking statements due to risks, uncertainties and other factors. Important factors that could affect actual results are discussed in AES' filings with the Securities and Exchange Commission (SEC), including, but not limited to, the risks discussed under Item 1A "Risk Factors" and Item 7 "Management's Discussion & Analysis" in AES' 2022 Annual Report on Form 10-K and in subsequent reports filed with the SEC. Readers are encouraged to read AES' filings to learn more about the risk factors associated with AES' business. AES undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Material contained on our or any external website is not part of and is not incorporated by reference in this report. Any Stockholder who desires a copy of the Company's 2022 Annual Report on Form 10-K filed on March 1, 2023 with the SEC may obtain a copy (excluding Exhibits) without charge by addressing a request to the Office of the Corporate Secretary, The AES Corporation, 4300 Wilson Boulevard, Arlington, Virginia 22203. Exhibits also may be requested, but a charge equal to the reproduction cost thereof will be made. A copy of the Form 10-K may also be obtained by visiting the Company's website at www.aes.com.

Through **innovation** and **partnership**, we can realize the **net-zero future** our world needs.

Improving lives for over 40 years

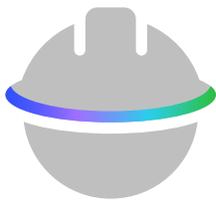
Our purpose

Accelerating the future of energy, **together.**

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

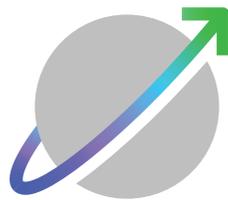


Our values



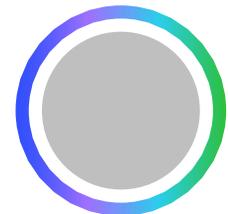
Safety first

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

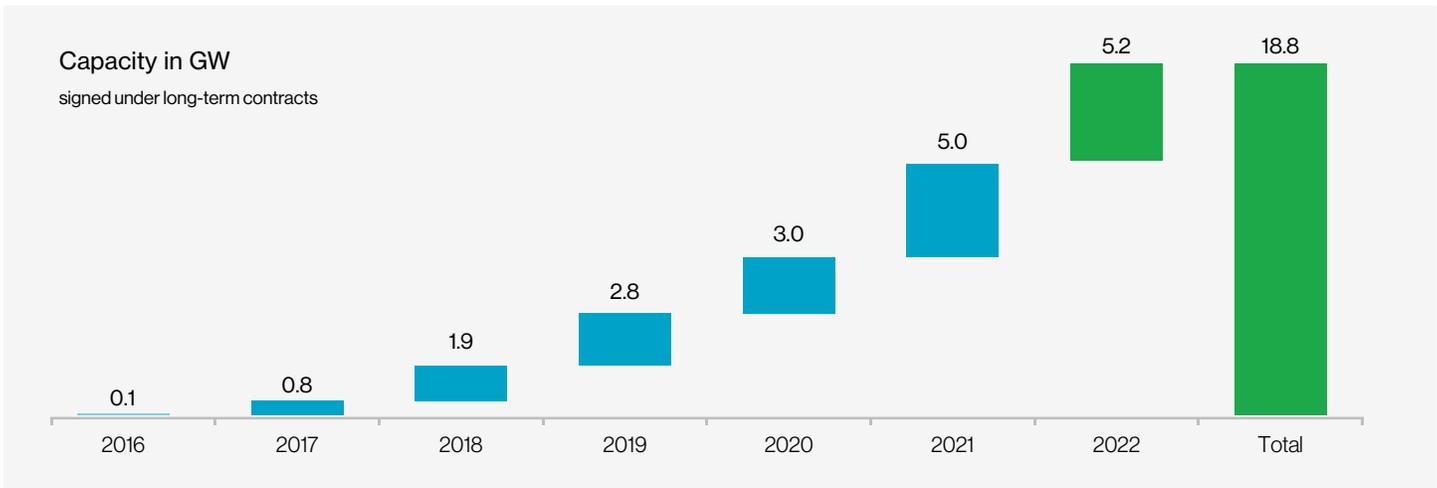
We act with utmost **integrity** towards our people, contractors, customers, partners and communities, and hold the solutions we deliver together to global standards of **excellence**.



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.

One of the fastest growing renewables companies



Investment grade rated by all three major credit rating agencies

S&P Global

BBB-

MOODY'S

Baa3

FitchRatings

BBB-

Recognized for ESG leadership

We are proud to be recognized for our Environmental, Social, and Governance (ESG) performance as well as our business success by third parties

BNEF #1 Seller of Clean Energy to Corporation
through Power Purchase Agreements

Bloomberg
NEW ENERGY FINANCE

Dow Jones Sustainability Index
for North America

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA

Great Places to Work Designation



Ethisphere Institute
World's Most Ethical Companies
9 time honoree



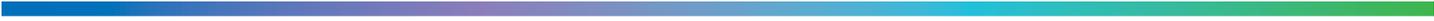


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Chairman and CEO letter

AES is a values-driven company that is **leading this once-in-a-lifetime energy transition**. Working together with our partners, customers, communities and broader stakeholders, our people made 2022 one of our most successful years. We **delivered on our commitments and improved lives**.



We continue to focus on partnering with organizations that are looking to transition to carbon-free sources of electricity. We work with many of the world’s largest companies from US-based technology firms to Chile-based copper mining companies, to develop solutions that incorporate new approaches, technologies and commercial structures.

In 2022 we brought online approximately 2 gigawatts (GW) of wind, solar and energy storage projects and signed PPAs for 5.2 GW of renewables – the most in our history – and were recognized for the second year in a row as the #1 global clean energy developer for corporations by Bloomberg New Energy Finance (BNEF). We acquired several smaller renewable development companies to solidify our scale in the industry and build upon our talent base. We ended the year with a global pipeline of 64 GW, the largest in our history.

In 2023, we updated our [long-term strategy](#). We expect to nearly triple our renewables capacity by 2027, adding 25 to 30 GW of solar, wind and energy storage to our portfolio. Our diversified portfolio will enable this growth as we advance our transformation and our intent to exit coal by year-end 2025 goal.



2025
Intent to have zero coal in our portfolio¹

2040
Net-zero carbon emissions from electricity sales²

¹ Through asset sales, fuel conversions and retirements, while maintaining reliability and affordability, subject to necessary approvals.

² Initiated on March 3, 2021. Actions assume new policies that facilitate transition to low emissions energy systems, such as price on carbon. Includes Scope 1 and 2 emissions.

We are using our scale and capabilities to develop new strategic relationships. In 2022, we partnered with Air Products to announce our plans to develop, build, own and operate one of the largest green hydrogen production facilities in the world and the largest in the United States.

Our talented and diverse workforce is committed to creating customized leading-edge energy solutions on a global scale to accelerate the energy transition and mitigate the impacts of climate change. More than 16 years ago, AES tested the world's first lithium-ion energy storage system connected to an electric grid. In 2022, AES batteries helped enable record setting energy storage during California's heatwave, alleviating the potential brownouts and blackouts.

Our success in 2022 was the result of the extensive work we have done to develop our people, processes, and relationships while maintaining our disciplined approach to execution. Our positive impact, however, extends far beyond the energy we provide.

By working all together, we continue to **meet changing energy needs** while improving lives, building stronger communities, and **creating a more sustainable future.**



John B. Morse Jr.
Chairman and Lead
Independent Director



Andrés Gluski
President and Chief
Executive Officer



Leading the once-in-a-lifetime energy transition

Climate change is one of the most critical issues of our time and we have a **unique opportunity** to have a **positive and profound impact** on future generations.

The execution of our strategy helps mitigate the impacts of climate change. That is why we are working to accelerate the future of energy and creating innovative solutions that enable others to have a positive impact as well.



At AES, we see an enormous business opportunity from the once-in-a-lifetime transformation of the electricity sector. There is a massive need for more renewable energy as well as an opportunity for innovative products and solutions that help customers achieve their individual decarbonization goals. As we electrify a growing number of industries and a larger portion of our lives, we believe that the opportunity for new forms of low carbon energy will continue to grow at a rapid pace. AES is well-positioned to lead the green energy transition.

We see the **energy transition** as a journey with three key stages:

Energy Security

providing reliable and affordable access to energy

Green Electricity

continuing to accelerate the buildout of renewables, energy storage and other clean technologies to fully decarbonize the electricity grid

Electrify Everything

helping hard-to-decarbonize sectors replace fossil fuel energy sources with clean energy

Our Solution Categories



Greener
Capacity



Smart
Grid



Carbon Free
Electricity



Digital
Solutions



E-Everything

Accelerating the future of energy, together.

AES is a global leader in innovating, developing and operating energy solutions. Together with our partners, customers, and stakeholders, our more than 9,000 people are supporting the transition to zero and low-carbon sources of energy and the achievement of the Paris Agreement's goal of net-zero emissions by 2050.



Expanding our green project growth platform

In 2022 we were recognized for the second year in a row by [BNEF](#) as the #1 global clean energy developer for corporations. We signed long-term contracts for 5.2 GW of renewable power, bringing our backlog of projects – those with signed contracts not yet in operation – to 12.2 GW.

Central to our purpose and strategy is partnership and collaboration. Trust-based relationships result in customized solutions to meet changing energy needs. By working together, we continued to co-create several first-of-their-kind industry innovations that go beyond the output of a single product. This approach not only contributes to customer satisfaction and repeat business, but it also allows AES to continue to scale and to work with key customers on a bilateral basis rather than just through participation in bid processes.



At AES, we have created models that can be replicated for various sectors, companies and, eventually, power grids to accelerate the clean energy transition. Our 24/7 carbon-free offering provides large corporate customers renewable energy when they need it or in specific time blocks, and we have had success partnering with global data centers to provide around-the-clock energy and helping them achieve their bold sustainability goals. In 2022, we expanded our renewable energy agreement with Microsoft to have 100% of the electricity at its data centers in California matched by zero-carbon resources all the time.



#Strategic Partnership

Learn more about how AES is powering data centers with clean energy for every hour of the day, 24/7, every day of the year.

[Read more →](#)

Our unique capabilities in developing tailored energy solutions enabled us to partner with Air Products to announce our plans to develop, build, own, and operate the largest [green hydrogen](#) production facility to date in the United States. The renewable power to hydrogen project will include approximately 1.4 GW of wind and solar power. Green hydrogen is a critical technology to reaching economy-wide net-zero as it helps to decarbonize difficult-to-electrify sectors such as transportation and industrial markets. Over the project lifetime, there is an opportunity to avoid more than 50 million metric tons of CO₂, the equivalent of avoiding emissions from nearly five billion gallons of diesel fuel.

AES is already reducing the emissions of major supply chains by working with several of the world's largest mining companies in their transition to renewable energy in South America. Through our Green Blend offering, the mining industry is integrating renewable energy with thermal power during select hours of the day, reducing overall thermal generation and lowering emissions.

With our utilities, we are working with a broad range of stakeholders to responsibly transition to lower carbon forms of energy while promoting a [Just Transition](#) for the workers and communities who may be impacted by the conversions and closures of fossil fuel facilities. In Indiana, in 2022, we filed our latest integrated resource plan that shares how we are working to retire the remaining coal generation at AES Indiana by the end of 2025, while adding 1.3 GW of solar, wind and storage as well as natural gas to the grid.



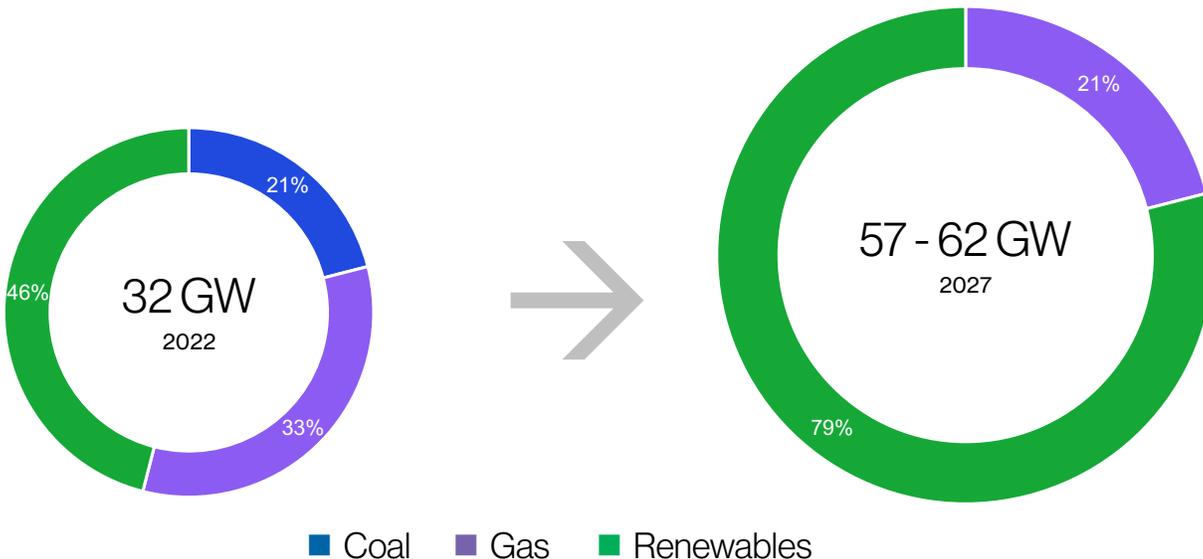
#SmartEnergySolutions

Learn more about how AES is decarbonizing businesses and industries through green hydrogen.

[Read more →](#)

This renewable growth strategy is enabling significant future growth. We expanded our pipeline of development projects from 55 GW in January 2022 to 64 GW as of the end of 2022, both through acquisitions and increased investment in development activities, such as securing land or advancing permitting and interconnection processes. For late-stage development projects, we worked to secure supplier arrangements to avoid potential delays due to industry shortages, aided by our scale, supplier relationships, and advanced planning measures.

Growing our installed capacity to deliver [renewable energy](#)



Developing and scaling innovative energy solutions

The energy industry is changing rapidly, and we aim to proactively seek or create solutions that will give us a continued competitive advantage. At the core of our innovation strategy is AES Next, our business and technology incubator.



#SmartEnergySolutions

Using energy storage to support a resilient power grid, a clean energy future and local communities in California, US.

[Watch the video →](#)

AES Next works to identify new and innovative business ventures that provide leading-edge and greener energy solutions to add value today and in the future. From there, we either develop capabilities in house, form new partnerships, or make strategic investments in third-party ventures, targeting those in which we see benefit to our overall portfolio and where we believe AES can add value.

One area in which AES Next has added significant value is through the early development of energy storage. AES was one of the first developers of battery-based energy storage, deploying the first-ever battery storage system on an electric grid in 2008. This business evolved to be [Fluence](#), a joint venture with Siemens, the leading energy storage integrator in the world. Our long history and deep insight into battery energy storage systems have allowed us to be at the forefront of developing new energy storage applications and incorporating them into existing technologies to give us a competitive advantage such as solar + storage designs and virtual reservoirs for hydroelectric projects. Our people's expertise and ability to drive local adoption has been key to scaling these solutions.

AES Next is also working to develop and incubate other technologies that help accelerate the deployment of renewables. One example is our investment in 5B, a prefabricated solar solution company with patented technology allowing projects to be built in one-third of the time and on half as much land while being resistant to hurricane force winds. We see 5B's MAVERICK technology as a source of competitive advantage for AES, allowing us to build more projects in places where there is land scarcity, constraints around height or soil disruption or hurricane risk. 5B benefits from the ability to grow rapidly on our platform, and we are currently developing projects with 5B technology in the US, Puerto Rico, Chile and Panama.

Another example is Atlas, a first-of-its-kind AES-developed solar robot designed to enhance the speed, efficiency and safety of solar installations. Atlas complements AES' skilled workforce by performing the heavy lifting, placing, and attachment of solar panels. We see both Atlas and 5B as tools to help build and scale our solar business safely and efficiently.

AES Next is also identifying opportunities to enable energy efficiency and resource optimization through digital systems. In 2018, AES invested in the company now known as Uplight, an energy efficiency software company that works directly with more than 80 utilities and has access to over 100 million households and businesses in North America. Uplight is on the forefront of the shift to low-carbon and digital solutions and uses data and analytics to help utilities incorporate consumer energy efficiency programs and optimize supply and demand.



#Strategic Partnership

AES El Salvador and Blink Charging Promote Electromobility in El Salvador

[Read more →](#)

Helping customers meet their energy & ESG objectives

We focus on long-term, sustainable outcomes rather than simply projects or technologies. As customers work on their own transitions to lower-carbon sources of energy, our work is defined by how we can help them achieve their goals.

FLUENCE

A Siemens and AES Company



Originator and leader in grid battery storage

[Fluence and Uplight Named to Reuters Top 100 Innovators](#)

[TIME Hails Fluence Mosaic as a 2022 Best Invention](#)

5B



Build in 1/3 of the time, with ~1/2 the land

[Named one of the "APAC Cleantech 25," Asia-Pacific's 25 most forward-thinking innovators](#)

More than 1 MW in 1 day! Our partner [5B](#) just smashed its speed record for solar deployment.

Watch the video to see how they did it: youtu.be/4wZQVjWsacs

uplight



Demand-side orchestration across U.S.

[Top Product of the Year Award](#)

Uplight joins AES as one of [Fast Company's "100 Best Workplaces for Innovators"](#)

MOTOR



Grid-integrated EV adoption for utilities

[Motor has developed an EV partnership with real estate firm F.C. Tucker](#)

Atlas



Install with 1/2 the cost, 1/2 the time

An industry-first robotic technology for solar panel installation

[Watch the video to learn more about ATLAS](#)

Green Hydrogen



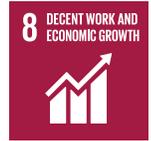
Key to reaching net-zero by eliminating emissions from difficult-to-decarbonize sectors

[Leveraging existing capabilities and insight-based innovation to increase efficiency and drive substantial cost reduction of green hydrogen](#)

Empowering our people

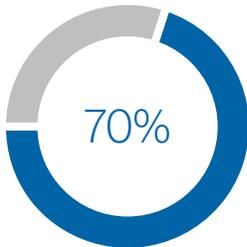
At the core of AES' success is a focus on the wellbeing of our people and a work culture that is inclusive, supportive and dynamic. We aim to create a workplace where people feel valued, engaged in the work they are doing, and united by the common goal of improving lives by delivering greener, smarter energy solutions.

The success we have achieved would not be possible without the passion, knowledge and unique backgrounds and perspectives that our more than 9,000 people based around the world bring to work every day. We are committed to attracting, developing and retaining talent to deliver innovative solutions that bring positive global impact, providing our customers, communities and countries the opportunity for growth propelled by the availability of greener, reliable and affordable electric power.



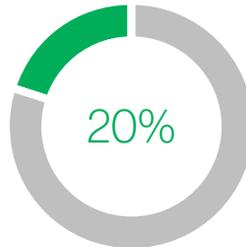
Talent development

We support and invest in our people's professional and personal growth so that everyone can reach their full potential while working at AES. We know when our people are at their best, that is when they can focus on making the greatest positive impact through their work. We use a comprehensive 70-20-10 Learning and Development framework, to manage our talent and develop leaders to ensure our people have the right skills for today and tomorrow.



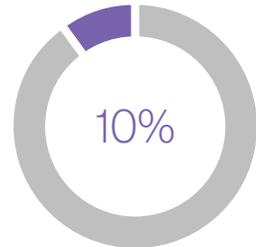
Experience and exposure

to new career development opportunities



Assessment and career planning

Including development planning, objective-setting and regular feedback



Formal learning

by means of our ACE (attributes, competencies, experiences) academy for Talent Development

Multi-disciplinary transformation teams

Accelerating the future of energy requires us to continue innovating and transforming as a company from the inside out. Our Energy Star program provides AES people with an opportunity to expand their skills, enhance their capabilities, and be a part of a cross-functional team that oversees a project that is considered transformational for the entire company. As a part of this macro workstream, they engage with an Executive Steering committee and lead the deployment, adoption and monitoring of innovative solutions and processes across AES businesses.



Empowering the next generation of leaders

AES' Energy4Talent program is designed to prepare people personally and professionally to be a leader in our fast-paced, sustainably innovative, corporate environment. The two-year rotational program, intended for recent college graduates, allows people to gain practical experience, unique insights and professional connections while working on cross-functional teams throughout our company. Trainees are responsible for leading strategic projects developed with the help of an AES mentor and function leaders. We welcome students of all backgrounds and levels of work experience.

#Talent

[Energy 4 Talent Trainees on how the program has enriched their professional lives.](#)

#Empowered

[AES Is "Standout for Early Career-Workers"](#)



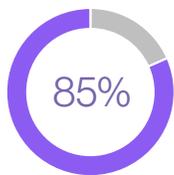
Belén Gallo
Argentina

"It is a program that takes you out of your comfort zone. It allows you to work on high-impact projects and assume responsibilities with the support of great leaders willing to teach you what is necessary and give you their support to get good results."

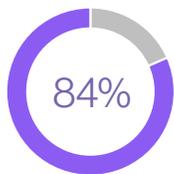


glassdoor

AES corporation reviews



Recommend to a friend



Positive business outlook

Human Rights Campaign

2022 Score

90



Powerful Pathways Program

At our U.S. utilities we have developed a pathway program for people who start in entry level jobs, such as customer service, to complete in 12-18 months an internally designed learning journey, built using our 70-20-10 development model, and move into other roles in the organization which would historically require a two- or four-year degree.

Diversity and Representation



At AES, our culture of diversity, equity, inclusion and belonging is what strengthens us as an organization. As a U.S.-based company with a significant international presence and a diverse group of businesses, we are unique in that we are both global and local, and our workforce inherently encompasses people from a wide set of backgrounds. These diverse backgrounds, experiences, insights and perspectives empower our people to make better decisions and deliver the greatest value to the customers and communities we serve. We prioritize fostering a work environment where people feel respected, safe and empowered.

AES workforce by country of origin

US.....	42%
El Salvador	12%
Chile.....	10%
Argentina.....	10%
Brazil.....	7%
Bulgaria.....	5%
Panama	4%
Vietnam	3%
Mexico.....	2%
Dominican Republic.....	2%
Colombia.....	2%
Others.....	1%

Current Workforce Statistics

Gender



Operations and Maintenance 71% of total workforce



General and Administrative 26% of total workforce



Male ■ Female ■



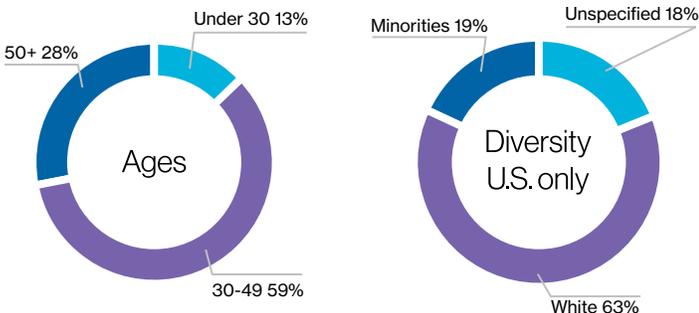
AES Brasil's first all-women operations and maintenance team

In 2021, the first all-women operations and maintenance team began work at the wind park with 28 professionals trained and contracted. Construction of the Tucano Wind Complex now exceeds 95%. Following the success of this pilot, AES Brasil is extending the initiative to the Cajuina Wind Complex in Rio Grande do Norte.

AES Mujer

Since 2016, more than 600 women have participated and received training through our Residential Electrical Installation courses in AES El Salvador.

[Watch the 2022 graduating class →](#)



Diversity and representation

2022 hires

60%

Under-represented groups overall, including women and racial/ethnic minorities (US only)

34%

Women (global)



Employee Resource Groups (ERGs)

We want our people to feel connected to the work they do and the people they work with across AES. ERGs are voluntary, employee-led groups that raise awareness and build relationships among our people of various demographics and their allies. With offices around the world, ERGs encourage connection and collaboration around a specific mission or cause, amplify voices and can promote change. The groups exist to provide support, help personal and career development and to create safe and inclusive spaces where employees and their allies can bring their whole selves to the table while learning about the experiences and perspectives of others.



Our mission is to promote intersectional dialogue and activities and provide a platform for ERGs to reach their fullest potential

Advocate for the role of allies in furthering diversity, equity and inclusion across AES and the communities we serve.

Support ERGs by providing a platform for them to further their missions and goals and create a space for allies to self-examine and grow a shared understanding.

Engage in intersectional dialogue and activities with other ERGs and in collaboration with the AES DEI councils to inform the council's actions and priorities.

Benefits and Wellbeing Programs



Domestic partner benefits, parental leave and fertility benefits in the U.S.

AES offers domestic partner benefits in the U.S. for anyone in a committed relationship regardless of gender or marital status. Similarly, AES has a parental leave program in the U.S. to provide equal benefits to all parents, including the birth mother and father, adoptive parents and nonbiological parents. The new parent benefit provides six weeks of leave at full pay. This additional six weeks of medical leave is also provided to birth mothers with an additional two weeks for a cesarean section. The program continues to evolve, in 2021, AES launched a fertility program that anyone in the U.S. can utilize, in 2022 we expanded that benefit to include adoption benefits as well, and in 2023 we expanded parental leave eligibility to include those seeking time off for long-term foster placement, to allow parents to be with their child, adjust to new family situations and balance professional obligations.



Providing flexible work arrangements

Which enables our people to balance home and work obligations in a way that makes sense for them.

Offering wellbeing programs

Wellbeing resources are available on a dedicated intranet site and through a third-party benefit program that include tools to improve physical and mental wellbeing, reduce stress, and enhance productivity, physical and psychological health and professional goals.

Setting the bar higher for the environment

Today, our environmental focus is even more central to the work that we are doing and is fundamentally linked to our business strategy. AES supports the objectives of the Paris Agreement to limit the average rise in global temperature to 2°C above preindustrial levels and to pursue efforts to limit the increase to 1.5°C. We are taking decisive action to transform our own portfolio to reduce carbon emissions while working to develop new solutions that are designed to enable our customers to reduce their reliance on fossil fuels.

AES' [Environmental Sustainability Policy](#) sets the principles and foundation of our environmental management approach. Our Environmental Management System governs our environmental practices through a set of standards consistent with industry best practices waste management, water management, biodiversity protection, hazardous materials, spill prevention and control, and contractor environmental management, among others.



#StrategicPartnerships

[Coastal Enhancement Program California](#) – for watershed improvement and under-served community benefits.



#Conservation

[St Nikola Wind Farm](#) Integrated Early Warning System reduces the risk of bird collision and has helped us achieve zero collisions in the entire 12 years of operation of the facility.



#Dual Use Innovation

AES works with landowners and communities to enhance the positive impact of our clean energy projects. AES is implementing livestock grazing on more than 6,500 acres across 35+ projects across the U.S.

Our goals and targets

We have set a wide range of goals covering various aspects of our portfolio and operations to decarbonize. These targets drive major business decisions – from investments in new projects to retirements of existing thermal power plants – and serve as the basis for much of our strategy. In 2021, we set the following targets, and we aim to achieve these targets by reducing our coal generation while increasing the share of renewables in our portfolio.



¹Through asset sales, fuel conversions and retirements, while maintaining reliability and affordability, and subject to necessary approvals. ²Based on renewables growth and the feasibility of multiple possible asset scenarios. Sectoral Decarbonization Approach target for power generation of 0.16 tCO₂e/MWh based on 2016 baseline and modeled 2030 portfolios. ³Actions assume new policies that facilitate transition to low emissions energy systems, such as a price on carbon. Includes scope 1 and 2 emissions. ⁴Actions assume new policies that facilitate transition to low emissions energy systems, such as a price on carbon. Includes scope 1, 2 and 3 emissions.



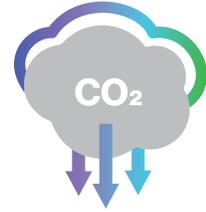
Net-zero by 2040

We have a target to achieve net-zero carbon emissions from electricity sales by 2040. We also have a broader target to achieve net-zero carbon emissions for all business scopes by 2050.



Renewable growth

For 2022, our target was to sign 4,500 to 5.5 GW and we ended the year with signed contracts for 5.2 GW of new renewables, the most in our history. By 2027, we expect to add 25-30 GW of renewables, tripling our current capacity.



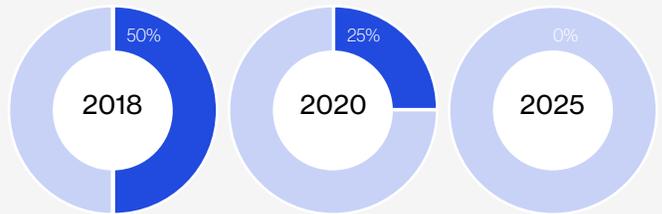
Coal phase out

We intend to reduce our coal-fired generation to zero by 2025⁶. Since 2017, we have announced the sale or retirement of almost 13.1 GW of coal generation, secured plans for approximately 66% of the remaining 7.1 GW of coal and continue making progress for the remaining 34%.

Carbon intensity and emissions

We have a target to reduce the carbon intensity of our portfolio to align with a well below 2°C scenario by 2030 based on the Sectoral Decarbonization Approach for power generation. This approach sets an intensity target for power generation that includes renewables growth and the feasibility of multiple possible asset scenarios.

Generation (% of MWh) from coal¹



¹ Pro-forma annual generation in MWh from the portfolio as of, or expected by, the relevant date, adjusted for: (i) (+) generation from new assets added to the portfolio, including renewables backlog; and (ii) (-) actual generation from announced asset sales or retirements.



⁶ Through asset sales, fuel conversions and retirements, while maintaining reliability and affordability, and subject to necessary approvals

⁷ Actions assume new policies that facilitate transition to low emissions energy systems, such as a price on carbon. Includes scope 1 and 2 emissions.



Economy-wide path to net zero

As we work to [support a net-zero future](#) for the entire economy, we have developed a vision of what that future—across all sectors—could entail. We believe it is feasible to achieve a significant portion of this goal by relying predominantly on existing technology, with the support of strong policies that enable this transition. We see four major components of the [future energy system](#).

Electrification

By 2050, we expect renewables to be the primary energy source for virtually all activities. Economy-wide, electricity may either be directly consumed via the electrification of end uses such as a transition to electric vehicles, or indirectly consumed via the conversion of electricity to synthetic fuels.

Hydrogen and synthetic fuels

Difficult-to-electrify industries may largely be served by synthetic fuels derived from green hydrogen combined with other inputs such as captured carbon or nitrogen. These technologies can allow renewables to serve as the primary energy source for applications such as long-haul transit, industrial processes, and clean flexible power generation.

Flexible loads

We anticipate an increase in flexible electricity usage, such as with hydrogen production and fuel synthesis, which can be served exclusively during times of renewable generation, such as when the sun is shining, or the wind is blowing.

Low deployment, high value gas infrastructure

Gas infrastructure may continue to play a role in providing flexible capacity during the occasions in which renewable resources cannot directly meet demand. Carbon capture technology will likely advance to enable either capture of emissions at the plant, or production of carbon neutral renewable synthetic natural gas for these applications.

At AES, we believe our strategy and portfolio are well suited to meet the demands of this vision. Our robust investment in renewable energy and new technologies will help us deploy at even greater scale to meet the increasing demand. Battery storage and power generation infrastructure using carbon neutral fuels can ensure reliability in a future dominated by renewables. Our digital platforms and energy management products can help ensure that an interconnected grid operates smoothly and that we optimally utilize energy to decarbonize all sectors.

For more detail on our vision for a net-zero future, see [AES Climate Report](#)

Climate Scenario Report

In 2018, we became the first publicly-traded U.S. utility and power company to publish a [Climate Scenario Report](#) in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and third-party scenarios for physical risk and transition risk from climate change. We have since updated our analysis to consider an even broader range of risks and opportunities.

In addition to analyzing the impact of climate change risks and opportunities on our portfolio, this report addresses the specific steps that AES is taking to reduce our exposure to climate risks and articulates how our corporate strategy and product lines are positioned to lead and accelerate decarbonization of the electric sector overall.

The analysis in our Climate Report concluded that the AES portfolio is resilient under various climate scenarios based on our future growth trajectories and our progress thus far to transition away from reliance on fossil fuels.

Our results also highlight the significant growth potential of our strategy and solutions, which we believe position us to not only lead the transition to a low-carbon economy, but also to reduce AES' portfolio-wide physical risks.



AES support for emission-reduction policies

AES supports a broad range of policies that support the Paris Agreement, including

1. Placing a price on carbon through mechanisms like a carbon tax or cap and trade system
2. Government support for carbon reducing technologies
3. Global cooperation of stakeholders to achieve net zero emissions by 2050
4. Public and private actions to manage the impact on workers and communities dependent on fossil fuels to ensure a just transition

Please see our [website](#) and our [Climate Scenario report](#) for a list of related policies, commitments, and support activities related to the Paris Agreement.

Setting the bar higher

Partnering with communities and suppliers



We are committed to **strengthening our positive impact** through socioeconomic and environmental programs and partnerships that **improve lives today** and support a **more just and equitable future**.

By collaborating with communities and suppliers, we strive to make a positive impact wherever we operate. Not only is this consistent with our values and a source of motivation for our people, but it has a direct impact on the success of our business.

Our people often live in the communities where we operate, and we respect and understand the local cultures, communities and environment. We aim to hire locally, when possible, offer capacity-building programs and seek out other areas of collaboration where we can make a meaningful contribution. We engage in open and consistent dialogues with local stakeholders so we can exchange information understand resources and opportunities, and keep informed on community needs.

We have a Stakeholder Engagement playbook available internally to our people and businesses that highlights the key elements and objectives of our engagement strategy and outlines steps to ensure strong, positive, proactive, and sustainable relationships. These internal guidelines were developed using the AA1000 Stakeholder Engagement Standard. We recognize that our work can impact local stakeholders in different ways. Should a stakeholder have a concern, we are available and responsive.

AES' commitment goes beyond the positive impacts our energy solutions deliver. Together with our community partners, we tailor social impact programs that respond to the specific local needs and aim to deliver long-lasting benefits. We partner with stakeholders, such as federal, state and local government officials, communities, non-profits and unions to develop social impact programs designed with the local values and characteristics in mind that enable long-term benefit.

Aligned with our business, we focus on four areas – Access to Energy, Inclusive Economic Growth, Environmental Support, and Community Resilience and Relief Services, and we are guided by the United Nations' Sustainable Development Goals. Our internal corporate guidelines for developing social impact programs cover topics such as communications, program design and tools for measuring impact, and best practices for identifying and partnering with third-party organizations that bring additional expertise.



Types of community engagement tools

- Newsletters
- Social media
- Landowner dinners and meetings
- Project websites
- Site tours
- In-person meetings
- Open houses
- Virtual meetings
- Phone hotlines

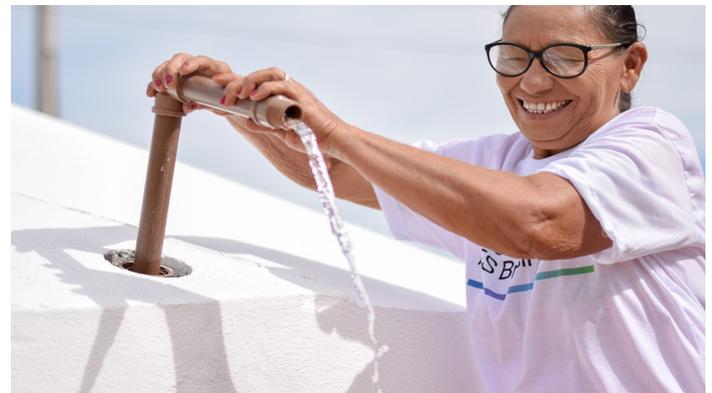


Volunteer program

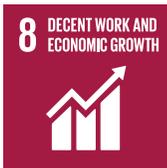
The Global AES Volunteer Program was launched in 2022 to complement previously established volunteer programs in our teams and ensure that all AES teams have a mechanism in place to support volunteer efforts in their local communities. The program provides up to 16 hours of paid volunteer time per calendar year and establishes a process by which volunteer events can be identified, funded, and communicated to our people.

Community partnership highlights

In 2022, AES businesses engaged in over 250 community-oriented initiatives globally, including coordinated employee volunteer opportunities, long-term community investments through our social impact programs, commercial initiatives in the community and charitable donations. More than 2 million people have access to these initiatives, both directly through active participation and indirectly through education campaigns and investments in community infrastructure.



over 250
community-oriented
initiatives globally



Social impact focus areas

Access to energy and basic services

Inclusive economic growth

Environmental support

Community resilience and relief services

Social impact programs:

Partnering for **access to safe, efficient, and affordable energy** and basic services

The safety of our people, contractors, and communities comes first. We work with our partners on programs focused on public safety, access to basic services, and resource efficiency. This strategic focus pillar enables us to prioritize partnerships that provide basic resources, such as first responder capacity, tools for public health, food security and affordable energy to the communities where we work and operate.



Highlight: AES Rural Energy Program (El Salvador)



Since its founding, it has expanded electricity access to over 84,000 rural communities throughout the country, including those in remote zones located far from the grid, leading to improved quality-of-life for thousands of families due to better education, the opportunity to start new businesses, health services, and traffic safety as well as reduced dependence on burning fuels. These initiatives are complemented with awareness campaigns on the safe use and efficient consumption of electricity. In 2022, our program brought electricity to 800 new families.

#Smart Energy Solutions

[Self-sufficiency with renewable energy in the Islands of the Gulf of Fonseca](#)



Highlight: GRID Alternatives

AES partners with GRID Alternatives, a U.S. 501(c)(3) energy equity nonprofit that installs solar power systems and provides job-training for underserved communities. GRID Alternatives envisions a rapid, equitable transition to a world powered by renewable energy that benefits everyone. Its mission is to build community-powered solutions to advance economic and environmental justice through renewable energy.



Highlight: Stem career coalition



AES has partnered with Discovery Education and other corporations to form the [STEM Careers Coalition](#), a large-scale STEM education and workforce development initiative to address critical gaps that exist in early education today, prepare the next generation for the future of work, and build an inclusive talent pipeline. 6.7 million students have been impacted by the Coalition as of 2022. AES has directly supported 39 schools in the country and 113,000 students have engaged with AES education materials.



Highlight: Strengthening innovative entrepreneurship



AES has partnered with The Trust for the Americas, a non-profit organization affiliated with the Organization of American States in Puerto Rico and the Dominican Republic to support local entrepreneurs by providing training programs, tools to strengthen their business models and funding to high impact projects to promote sustainable socioeconomic growth in the communities. To date more than 500 entrepreneurs directly benefitted with a majority of participants being women.

Partnering for inclusive economic growth



We work with our partners to contribute to the economic and social development in the communities where we work. Our programs are focused on education and capacity building while promoting diversity, equality, and cultural preservation.

As the clean energy sector grows rapidly, we see a critical need to support workforce development. This starts with equitable STEM Education and carries into direct training efforts for the clean energy workforce of the future.

At the kindergarten through 12th grade level, AES is proud to support students through curriculum development partnerships and educational tours of our sites. At the university level, AES partners provide programmatic support for students as well as funding for research opportunities. For direct workforce training, we partner with union labor organizations and solar installation training institutions to ensure prospective workers have the educational and training resources they need.



Partnering for the environment

We work with our partners to develop programs focused on biodiversity protection and sustainable living. This focus pillar allows us to prioritize activities such as conservation, restoration, creation of green spaces, and equitable access to the outdoors. We strive to serve the communities where we operate with the highest standard of excellence.



Highlight: Agrivoltaics



[AES' Grafton Solar](#) project is an innovative 2 MW community solar farm with 1.4 MW of battery energy storage capacity located at Knowlton Farms in Grafton, Massachusetts.

This project integrates solar energy generation, onsite agricultural production, and numerous partnerships within the research community.

Grafton Solar was designed with agricultural production and research in mind. As such, the solar panels are elevated, with the low edge of the panels being a minimum of 10 feet 6 inches (3.2 meters) above ground level, and there is larger spacing between the rows of panels, to allow for unencumbered access for farm equipment and cattle grazing. Such modifications from standard solar facility design boost agricultural production opportunities.

The Grafton Solar project is proud to serve as a research site trial for the U.S. Department of Energy Solar Energy Technology Office. At Grafton Solar, research partners University of Massachusetts Amherst and American Farmland Trust are working to establish site trials and assess crop productivity, soil health and micro-climatic conditions, to generate insights into the impact of co-locating agriculture and solar. AES continues to build and support these partnerships, with the goal of promoting understanding, future improvement and lessons learned in the field of agrivoltaics.

Partnering for community resilience

As we continue to see the widespread impacts of climate change, resiliency and preparedness becomes critical. We work as one team with our people, contractors, customers, and communities to respond to natural disasters or catastrophes in the communities. This includes making resources available, volunteering, and supporting front-line workers and organizations before, during, and after an event.



Highlight: The American Red Cross – Disaster Responder Program



In 2022 AES became a member of the American Red Cross Disaster Responder Program. Through our membership and individual contributions, we have helped the American Red Cross respond following disasters and emergencies of all kinds – from hurricanes to home fires, climate-related crises and displacement caused by conflict around the globe. Through the Disaster Responder Program, we give before a disaster strikes and our now inviting our people to be trained to be volunteers when called.

Just and responsible transition

As part of our commitment to the transition to a low-carbon economy, we believe that it must be shaped in a responsible way and is a matter that goes beyond a single industry or stakeholder. We work with key stakeholders, including local and national governments, communities and unions to develop a transition plan designed with the local conditions in mind, that can include capacity building, social and economic development opportunities.

During 2022 in Chile and Hawaii, we announced the retirement or sale of 2.4 GW of coal generation and signed agreements for 2.4 GW of new solar, wind and energy storage projects. We continue to engage key stakeholders, and we have developed reskilling programs to provide our people with the necessary knowledge and skills to fully participate in the transition to a more renewable future either inside or outside the organization.

[Watch Empowered Hawaii cover AES in Hawai'i](#) →



Our suppliers

We are deliberate and thoughtful in selecting our suppliers and contractors, who we see as partners in helping us achieve our goals. We hold them to the same high ethical standards that we have for ourselves, and through our supplier relationships, we work to promote acceptable working conditions and environmentally responsible management.

AES businesses have diverse needs, but we believe in standardized processes to ensure that all procurement activities are carried out in alignment with our values and operational standards. We have a [Supplier Code of Conduct](#) that defines the basic requirements and expectations applicable to all suppliers, contractors, consultants and third-party intermediaries of the company and its affiliates. This Supplier Code of Conduct is incorporated into our contracts with suppliers, who are responsible for ensuring that all subcontractors are in compliance as well.

Please see [supplier guidelines and policies](#).



Human rights

AES adopted a [Human Rights Policy](#) in 2016 to formalize our long-standing commitment to uphold and respect human rights. While our subsidiaries have teams that manage the daily operations at our businesses, we believe AES' Human Rights Policy can foster greater awareness of human rights issues in three areas relevant to our businesses: people, communities and suppliers. We support the Universal Declaration of Human Rights and our Policy is consistent with the United Nations' Guiding Principles on Business and Human Rights.



All Together with our suppliers

During 2022, AES Colombia suppliers were included in the development of the second phase of the human rights management training program. This program consisted of five individual virtual work sessions to identify and evaluate risks, develop scenarios, and define actions to create a roadmap to measure progress and risk management around human rights.

Setting the bar higher

In governance

We believe operating under the highest standards for corporate governance is an essential element to the success of the company. We believe in best practices in corporate governance. Highlights for our corporate governance practices are described below.



Independent board

Ten out of eleven Directors are independent.

Separation of the roles of CEO and Chairman

These roles are separate and our Chairman is an independent Director.

Annual elections of directors by majority vote

All of our Directors are accountable to Stockholders through an annual election with a majority vote standard.

Rigorous director stock ownership requirements

Non-employee Directors are expected to hold equity ownership in the Company of at least five times the Director's annual Board retainer within five years after election to the Board.

Director engagement

Our Directors attended an average of 96% of Board and committee meetings in 2022.

Annual say on pay vote

The Company's Say on Pay approval rating exceeded 93% at each annual meeting since 2011.

Limit on director tenure to ensure fresh board perspectives

Under our Corporate Governance Guidelines, we expect that Directors will serve for at least four consecutive one-year terms but no more than 15 cumulative one-year terms.

Diverse pool of director nominee candidates

Our Corporate Governance Guidelines encourage diversity. 50% of our independent Directors are women.

For additional details please refer to our [2023 Proxy Statement](#), which includes details of: Corporate Governance, Board Committees and Structure; Director Characteristics and Biographies; Director and Executive Compensation; Audit Matters and Stock Ownership, among other matters.

Ethics and compliance

Ethics, integrity and compliance are the foundation and principles that guide our company and our people. As a global power industry leader, we operate under a broad range of economic, political, social and cultural customs as well as different local, regional, and international laws and regulations. We strive to conduct business with the highest level of integrity in all situations.

AES was selected as one of the 2022 [World's Most Ethical Companies™](#) for the ninth year in a row. Our Ethics and Compliance Program defines our business practices and corporate expectations worldwide. Our [Code of Conduct](#) and [Anti-Corruption Policy](#) encourage internal and external stakeholders to bring matters of concern to the company's attention for prompt resolution. Our people and our stakeholders are empowered with a strong sense of ownership and accountability for their work, and we fully expect each person to adhere to our corporate values as described in the Code of Conduct.

Anti-harassment and discrimination policy

It is our policy to treat all employees with respect and dignity and to maintain a work environment free from harassment. We endeavor to abide by laws that prohibit discrimination everywhere that we do business, and we actively train for and work to remove unconscious bias.

Along with our Code of Conduct, we have an Anti-Harassment Policy that clearly states that we do not tolerate discrimination, harassment or mistreatment of any individual in the AES work environment, and strictly prohibits harassment on the basis of sex, sexual orientation, gender, gender identity and/or expression or other types of workplace harassment on the basis of, race, national origin, ethnicity, age, religion, marital status, physical or mental disability, pregnancy, childbirth, or related medical condition, military or veteran status, or any other characteristic protected under applicable law.

This Policy applies to all AES people worldwide and it is introduced as part of the new employee onboarding, and digital courses are required to be completed on D&I (Managing Bias), Compliance and AES Code of Conduct, and on Harassment and Discrimination Prevention. In addition, temporary workers, contractors, consultants, agents, representatives, and all others who perform AES work are required to ensure that their actions on behalf of AES meet the same high standards expected of AES people. AES People can use the Helpline as a confidential reporting channel. Complaints of harassment are taken seriously, are investigated promptly and appropriate actions are to be taken, up to and including termination of employment, to remedy violations of this Policy.



Appendix

Direct GHG emissions (Scope 1) - equity adjusted

Direct GHG emissions (thousand Mt)	2022
Total Scope 1 (thousand Mt CO ₂ e)	40,011
Power generation	
CO ₂	39,669
CH ₄	122
N ₂ O	162
Other sources	
CO ₂	47
SF ₆ , HFCs and CH ₄	11
Emissions intensity (Mt- CO ₂ e / MWh)	0.51

CO₂ emissions from biologically sequestered carbon - equity adjusted (values included in table above)

Biogenic CO ₂ emissions (thousand Mt CO ₂ e)	2022
Biomass	63
Landfill Gas	17
TOTAL	80

Indirect GHG emissions (Scope 2) - equity adjusted

Electricity-related indirect emissions (thousand Mt CO ₂ e)	2022
Location-based method	515
Market-based method	515

Indirect GHG emissions (Scope 3) - equity adjusted

Other indirect emissions (Scope 3) (thousand Mt)	2022
Category 3 - Emissions due to sale of electricity to end users	3,173
Category 3 - Mining & transport of coal for generation to Puerto Rico and Chile	263.52
Category 1 - Purchased goods and services (municipal water)	0.52
Category 6 (Business air travel and hotel stays)	1.39
Category 7 - Employee commuting	0.13

Total water usage

Water (million m ³)	2022	% in water stressed areas
Withdrawn	2,758.67	48.64
Discharged	2,665.99	49.47
Consumption	92.68	24.70

Fresh water usage

Water (million m ³)	2022	% in water stressed areas
Withdrawn	760.17	2.1
Discharged	676.73	0.3
Consumption	83.44	16.6

Total energy generated - equity adjusted

Energy generation		2022
Gross (MWh)		77,843,946
Net (MWh)		73,596,877

Occupational fatality cases

		2022
AES people		0
Contractor		2

LTI (lost time incident) rate

		2022
AES people		0.150
Operational contractors		0.019
Construction contractors		0.056

Note: We are excluding values from OVEC from our generation, and all environmental data. AES Ohio owns a 4.9% equity ownership in OVEC, an electric generating company. OVEC has a combined generation capacity of approximately 2,109 MW.



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