



AES Green Financing Framework

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Background

The AES Corporation (NYSE: AES) is a publicly traded Fortune 500 global power company founded in 1981, incorporated in Delaware and governed by a Board of Directors. The company's headquarters are in Arlington, Virginia, United States (US). We serve approximately 2.5 million customers across 14 countries.

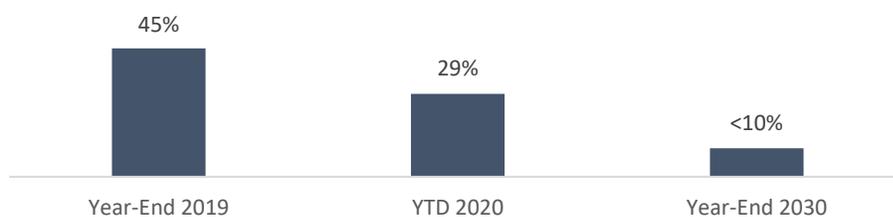
Today, AES leads the industry through our deployment of renewable energy, utility-scale battery storage systems and cutting-edge digital technologies, including the use of data to make energy generation and usage more efficient. Our mission is to accelerate the future of energy, together. AES has 21,492 proportional megawatts (MW) in operation of which 10,316 MW is renewable. We currently have 2,168 MW of renewables under construction. We remain committed to investing in renewables. We have a backlog of 6.8GW of renewables signed under long-term contracts, as of November 2020.

At the core of AES' strategy is also a focus on the growth and promotion of technologies that enable others in the industry to reduce their emissions. One key example is energy storage, which can both allow for the integration of more solar, wind and distributed energy resources across the electric grid and increase the efficiency of existing resources. AES is one of the largest integrators of energy storage in the world with over 2.4 GW of projects deployed or awarded around the world.

Sustainability Commitments

Through our core businesses, investments, and partnerships, AES has committed to significantly lower our overall carbon footprint and reduce reliance of fossil fuels. As of November 2020, we have reduced our coal-fired generation to 29% of total volume (proforma for asset sales and retirements announced in 2020) and we are on track to reducing that figure to less than 10% by the end of 2030.

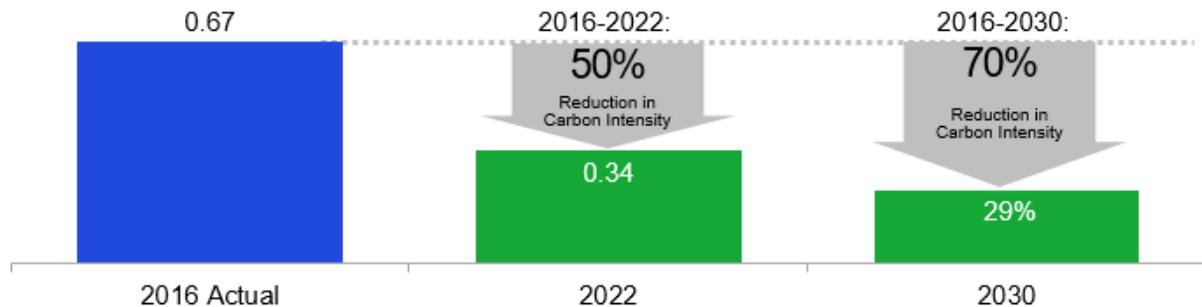
Progress Reducing Generation (MWh) from Coal¹



¹ YTD 2020 based on portfolio as of November 5, 2020, pro forma for asset sales that are announced, but not yet closed, and announced retirements.

In addition, we remain on track to meet our goal of reducing our carbon intensity 50% by 2022 and 70% by 2030, compared to our 2016 figures.

Targets to Reduce Carbon Intensity



We were the first publicly traded owner of utilities and power companies based in the US to disclose its portfolio's resilience consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and third-party scenarios.

Our leadership has been recognized by:

- World's Most Ethical Companies: 2020 (7 consecutive years)
- FTSE4Good
- Dow Jones Sustainability Index: 2020
- CDP: A- Climate and A- Water
- Experience Energy: 2019 best Energy Work Spaces – Renewable Power Category
- Fast Company: 2020 Best Workplaces for Innovators (#81)

Investments in Renewable Energy

sPower and AES Distributed Energy are our primary vehicles for renewable energy growth in the US. One of the reasons for these business' successes is their deep knowledge of customers in their specific markets.



sPower is a leading independent power producer (IPP) that owns and operates more than 150 renewable generation systems across the U.S. sPower operates a leading wind, solar and storage portfolio of nearly 2.0 GW, with 15 GW of projects under development. sPower is differentiated from competitors by remaining the owner and operator throughout the project life, conducting operations and maintenance on projects in-house.



Distributed Energy

AES Distributed Energy is a trusted energy partner delivering reliable and affordable solar PV projects on a stand-alone basis or paired with storage. AES Distributed Energy delivers reliable and affordable power to municipalities, utilities, corporate, and commercial and industrial customers. AES Distributed Energy has more than 345 MW of operating solar and solar + storage projects in the United States with 118 more MWs under construction. AES DE also has 1+GW of active development pipeline.

On November 16, 2020, AES announced an agreement with Alberta Investment Management Corporation (AIMCo) to merge the sPower development platform with AES Distributed Energy's clean energy development business. The merged business will represent one of the top renewables growth platforms. Future projects developed from the combined 12 gigawatts (GW) development pipeline will be owned 75% by AES and 25% by AIMCo.

Innovation

AES' investments in Fluence, Uplight, and 5B strengthen our ability to improve lives by enabling others in the industry to reduce their emissions and accelerate the adoption of renewables.



Fluence is an energy storage technology and services provider that brings proven energy storage solutions and services that overcome the commercial and regulatory barriers that stand in the way of modernizing our energy networks. Fluence offers proven energy storage systems designed for the full spectrum of applications in the market, with delivery and integration in 160 countries. Their comprehensive service offerings address the complete customer journey, including advisory, financing, and project lifecycle services. Energy storage allows for more integration of intermittent renewable sources of energy, and decreases the need to build new thermal generation.



Uplight is a leading provider of end-to-end customer-centric technology solutions dedicated solely to serving the energy ecosystem. More than 80 utilities around the globe use Uplight solutions to power their customer energy experience. Uplight creates a more sustainable future by empowering customers by bringing together all of the pieces of customer energy action management, residential and commercial. Further demonstrating their commitment to

sustainability, Uplight is a certified B Corporation—the highest standard for social corporate responsibility.



5B is a clean technology innovator, based in Sydney and founded in 2013 by solar engineers. 5B’s mission is to accelerate the transformation of the world to a clean energy future by developing and delivering technology and solutions that make clean energy more competitive, accessible and powerful than ever before. 5B is a Prefabricated Solar Solutions Provider, with patented technology which enables 3x faster installation, using half the land.

Green Financing Framework

The Green Bond Principles 2018 (the “Principles”) are a set of voluntary guidelines, published by the International Capital Markets Association (ICMA), for issuers of Green Bonds. AES’ Green Financing Framework is designed to be aligned with the Principles via the following key pillars:

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting

Scope

In accordance with its strategy, The AES Corporation (the “Company”) has designed this Green Financing Framework (“the Framework”) under which the Company and its U.S. subsidiaries intend to finance or refinance new and / or existing projects, in whole or in part, that have environmental benefits, and may also have social benefits. This Framework details which project types are eligible for financing / refinancing with the net proceeds of various types of financing the Company elects to use (e.g., term loans, commercial paper, bond issuances preferred stock, among other options (each, a “Green Financing”).

Use of Proceeds

For each Green Financing under this Framework, an amount equal to the net proceeds (“Net Proceeds”), after payment of the estimated issuance costs, will be allocated to the financing or refinancing, in whole or in part, of existing and new Eligible Green Projects (as defined below).

Eligible Green Projects will include those for which AES made disbursements within the three years prior to the offering. In Green Financings, Eligible Green Projects will include disbursements through the maturity of the Financing.

Eligibility Criteria

1. Renewable Energy

- Investments in the construction and development of wind and solar renewable energy production, energy storage, and associated transmission and distribution in projects located in the United States

2. Energy Efficiency

- Investing in advanced metering infrastructure including smart electric meters and related communication networks
- Investments in digital technologies intended to promote changes in customer behavior leading to improved energy efficiency, including investments in Uplight and predecessor entities. Note that no more than 10% of an amount equal to the net proceeds from any Green Financing will be allocated to this category.

Exclusions

Net Proceeds will not be allocated to the following investments:

- Investments which received an allocation of Net Proceeds under any other Green Financing by the Company or any of its subsidiaries
- Fossil fuel generation and fossil fuel energy efficiency investments
- Gas transmission and distribution infrastructure

Process for Project Evaluation and Selection

Projects selected for allocation of Net Proceeds from a Green Financing will be assessed and evaluated by participants from various functional areas including AES's Treasury and Sustainability Teams.

Management of Proceeds

The Net Proceeds from any Green Financing under this framework will be allocated and managed by AES' Treasury department. Actual spend on Eligible Green Projects will be internally tracked. Pending allocation, net proceeds of any Green Financing will be managed according to the Company's typical treasury liquidity practices, which may include (i) temporary investments in cash, cash equivalents, or short-term investments, or (ii) repayment of short- and long-term borrowings. AES may specify other use of proceeds pending allocation in the documentation for a given Green Financing, and expects to allocate the majority of the proceeds from any Green Financing within three years of the date of such financing.

So long as any Green Financing remain outstanding our internal records will show, quarterly, the amount of the net proceeds from the issuance of such Green Financing

allocated to Eligible Green Projects, as well as the amount of net proceeds pending allocation.

AES will use reasonable efforts to substitute any material Eligible Green Projects that are no longer eligible as soon as practicable upon identifying an appropriate substitute Eligible Green Project.

Payment of principal of and interest on any Green Financing will be made from AES's general funds and will not be directly linked to the performance of any Eligible Green Projects.

Reporting

During the term of the any Green Financing we will provide, and keep readily available, on a designated website, information on the allocation of Net Proceeds of the any Green Financing, to be updated at least annually until full allocation and as necessary thereafter in the event of material developments. This information will include, subject to any confidentiality considerations, (i) amounts allocated to eligible Green Projects, by category, (ii) the amount pending allocation, (iii) case studies with additional information on highlighted projects, and (iv) an assertion by AES management regarding the proportion of the Net Proceeds invested in qualifying Eligible Green Projects. In the first report published after Net Proceeds are fully allocated, the allocations and assertions will be accompanied by a report from an independent accountant in respect of the independent accountant's examination of management's assertion.

Key Performance Indicators (KPIs): Where feasible, AES will report estimated environmental impacts (on an annual basis when relevant) of projects to which a portion of the Net Proceeds of a Green Financing under this Framework are allocated. Potential KPIs include, but are not limited to, the following:

Eligible Asset Category	Potential KPIs
Renewable Energy	<ul style="list-style-type: none">• Expected annual greenhouse gas emissions avoided in metric tons of CO₂• Expected annual electricity output in MWh• Energy storage capacity added (MW and MWh)
Energy Efficiency	<ul style="list-style-type: none">• # of smart meters installed• Number of utilities using digital technologies, and the number of customers receiving reports based on associated data• Most recent annual customer energy usage savings from customers using digital technologies, and estimated greenhouse gas emissions avoided (metric tons of CO₂) as a result

Definition and calculation of KPIs will be at the sole discretion of the Company.

Disclaimer

This Green Financing Framework (the "Framework") is provided by The AES Corporation and its subsidiaries ("AES") for informational purposes only and is subject to change without notice.

AES does not assume any responsibility or obligation to update or revise any statements in this document, regardless of whether those statements are affected by the results of new information, future events or otherwise. No representation or warranty, express or implied, is or will be made in relation to the accuracy, reliability or completeness of the information contained herein. No liability whatsoever is or will be accepted by AES for any loss or damage howsoever arising out of or in connection with the use of, or reliance upon, the information contained in this document.

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This Framework is not incorporated by reference into, or a part of, any Offering Documents or any security. Any failure of AES to comply with this Framework will not constitute a default under or breach of any security.

This Framework should not be considered as a recommendation that any investor should subscribe for or purchase any securities, nor as an assessment of the economic performance and creditworthiness of the securities. Any person who subsequently acquires securities must rely solely on the Offering Documents prepared by AES in connection with such securities, on the basis of which alone purchases of or subscription for such securities should be made. In particular, investors should pay special attention to any sections of Offering Documents describing any risk factors. The merits or suitability of any securities or any transaction described in these materials to a particular person's situation should be independently determined by such person. Any such determination should involve, among other things, an assessment of the legal, tax, accounting, regulatory, financial, credit and other related aspects of the securities or such transaction.

This Framework 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 earnings, growth and financial and operating performance. Forward-looking statements are not intended to be a guarantee of future results, but instead constitute AES' current expectations based on reasonable assumptions. Forecasted financial information is based on certain material assumptions. These assumptions include, but are not limited to, our expectations regarding the COVID-19 pandemic, accurate projections of future interest rates, commodity price and foreign currency pricing, continued 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 the execution of PPAs, conversion of our backlog and growth investments at normalized investment levels and rates of return consistent with prior experience. In addition, the results and the use of proceeds from any Green Financing could differ materially from those expressed or implied in the forward-looking statements.

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 (the "SEC"), including, but not limited to, the risks discussed under Item 1A: "Risk Factors" and Item 7: "Management's Discussion & Analysis" in AES' 2019 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.

Any Stockholder who desires a copy of the Company's 2019 Annual Report on Form 10-K filed February 27, 2020 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 be obtained by visiting the Company's website at www.aes.com.

AES' execution of the Framework is subject to the risk that AES will be unable to execute its strategy because of economic, market or competitive conditions or other factors. AES does not undertake any obligation to publicly correct or update any forward-looking statement if AES later becomes aware that such statement is not likely to be achieved. Please consult any further disclosures AES makes on related subjects in reports to the U.S. Securities and Exchange Commission.