

**THE AES CORPORATION
POLICY AND PROCEDURES WITH RESPECT TO
RELATED PERSON TRANSACTIONS**

A. Policy Statement

The Board of Directors (the “Board”) of The AES Corporation (the “Company”) recognizes that Related Person Transactions (as defined below) may present potential or actual conflicts of interest and create the appearance that Company decisions are based on considerations other than the interests of the Company and its stockholders. The Board also recognizes that certain transactions between the Company and Related Persons (as defined below) may be permissible and not inconsistent with the interests of the Company and its stockholders. It is the Company’s policy to approve or ratify Related Person Transactions only when the Board, acting through the Financial Audit Committee (the “Committee”) or as otherwise described herein, determines that the Related Person Transaction in question is in, or is not inconsistent with, the interests of the Company and its stockholders. Accordingly, the Company has adopted the procedures set forth below for the review, approval, ratification and oversight of Related Person Transactions.

This policy is intended to supplement, and not to supersede, the Company’s other policies that may be applicable to or involve transactions with related persons, such as the Company’s Code of Conduct, policies for determining Director independence in the Corporate Governance Guidelines and Board Committee charters.

B. Related Person Transactions

For the purposes of this policy, a “Related Person Transaction” is a transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness), or any series of similar transactions, arrangements or relationships, in which (i) the Company (including any of its subsidiaries) was, is or will be a participant and the amount involved exceeds \$120,000 and (ii) any Related Person had, has or will have a direct or indirect material interest, except those transactions, arrangements or relationships that would not be required to be disclosed pursuant to Securities and Exchange Commission rules after considering the materiality thresholds and exceptions to disclosure set forth in Item 404 of Regulation S-K.

For purposes of this policy, a “Related Person” means:

1. any person who is, or at any time since the beginning of the Company’s last fiscal year was, a director or Executive Officer (as defined below) of the Company or a nominee to become a director of the Company;
2. any person or entity who is known to be the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) of more than 5% of any class of the Company’s voting securities (a “Significant Stockholder”); and

3. any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, Executive Officer, nominee or Significant Stockholder, and any person (other than a tenant or employee) sharing the household of such director, Executive Officer, nominee or Significant Stockholder.
4. any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a 10% or greater beneficial ownership interest.

An “Executive Officer” is any employee of the Company or its subsidiaries designated as an “officer” of the Company within the meaning of Rule 16a-1(f) under the Exchange Act.

Whenever a director or Executive Officer of the Company or a director nominee has any question about whether he or she (or an immediate family member) has an indirect material interest in a transaction between the Company (including any of its subsidiaries) and another entity, person or organization, the director, Executive Officer or director nominee shall review the matter with the General Counsel.

C. Approval Procedures

The Board has delegated to the Committee the responsibility for conducting a reasonable prior review of, and overseeing, Related Person Transactions for potential conflicts of interest, and approving, ratifying or rejecting Related Person Transactions in accordance with this policy. Any transaction that may be a Related Person Transaction, prior to the consummation thereof or amendment thereto, shall be consummated or amended only if the following steps are taken:

1. Prior to entering into, or amending, the Related Person Transaction (a) the Related Person or (b) the business unit or function/department leader responsible for the potential Related Person Transaction shall provide notice to the office of the General Counsel of the facts and circumstances of the proposed Related Person Transaction, including: (i) the Related Person’s relationship to the Company and interest in the transaction, including the Related Person’s position or relationship with the firm, corporation, or other entity that has an interest in the transaction and the dollar value of the amount of the Related Person’s interest in the transaction; (ii) the Company’s interest or participation in the transaction; (iii) the material facts (including terms, purpose and timing) of the transaction, including the proposed aggregate value of such transaction or, in the case of indebtedness, the principal and interest that would be involved; (iv) the benefits to the Company of the transaction; (v) the benefits to the Related Person of the transaction; (vi) if applicable, the commercial reasonableness of the transaction and the availability of other sources of comparable products or services; (vii) an assessment of whether the proposed Related

Person Transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally; (viii) any reputational risks the transaction may pose to the Company and (ix) any other relevant information. In the event the notice is provided to the office of the General Counsel by someone other than the business unit or function/department leader responsible for the potential Related Person Transaction, a member of the office of the General Counsel shall meet with the relevant business unit or function/department leader to confirm and supplement the information provided in the original notice. The office of the General Counsel will assess whether the proposed transaction is a Related Person Transaction for purposes of this policy;

2. If the office of the General Counsel determines that the proposed transaction is a Related Person Transaction, the proposed Related Person Transaction shall be submitted to the Committee for review and consideration at the next Committee meeting or, in those instances in which the office of the General Counsel, in consultation with the Chief Executive Officer, determines that it is not reasonable or practicable for the Company to wait until the next Committee meeting, to a member of the Committee who will possess delegated authority to act between Committee meetings (the “Designated Committee Member”);
3. The Committee, or where submitted to the Designated Committee Member, the Designated Committee Member, shall consider all of the relevant facts and circumstances available to the Committee or the Designated Committee Member, including (if applicable) but not limited to: (i) the benefits to the Company; (ii) the materiality and character of the Related Person’s direct or indirect interest, and the actual or apparent conflict of interest of the Related Person; (iii) the impact on a director’s independence in the event the Related Person is a director or a nominee to become a director, an immediate family member of a director or a nominee to become a director or an entity in which a director or a nominee to become a director is an executive officer, partner, or principal; (iv) the commercial reasonableness of the transaction and the availability of other sources for comparable products or services; (v) the terms of the transaction; (vi) the terms available to unrelated third parties or to employees generally; (vii) any reputational risks the transaction may pose to the Company; and (viii) any other relevant information. No member of the Committee shall participate in any review, consideration or approval of any Related Person Transaction with respect to which such member or any of his or her immediate family members or any entity in which such member is a partner, principal, equityholder or employee, is the Related Person. The Committee (or the Designated Committee Member) shall prohibit a Related Person Transaction if the Committee (or the Designated Committee Member) determines it to be inconsistent with the interests of the Company and its stockholders, as the Committee (or the Designated Committee Member) determines in good

faith. The Committee or Designated Committee Member, as applicable, shall convey the decision to the General Counsel, who shall convey the decision to the appropriate persons within the Company; and

4. Any approvals by the Designated Committee Member between Committee meetings pursuant to delegated authority must be reported to and ratified by the Committee at the next Committee meeting.

D. Ratification Procedures

In the event that the Company becomes aware of a Related Person Transaction that has not been the subject of a reasonable prior review and approval or previous ratification under this policy, the following steps shall be taken:

1. If the transaction is pending or ongoing, it will be submitted to the Committee or Designated Committee Member of the Committee as promptly as practicable, and the Committee or Designated Committee Member shall consider all of the relevant facts and circumstances available to the Committee or the Designated Committee Member, including (if applicable) but not limited to: (i) the impact to the Company of ratifying, amending or terminating such transaction; (ii) the benefits to the Company; (iii) the materiality and character of the Related Person's direct or indirect interest, and the actual or apparent conflict of interest of the Related Person; (iv) the impact on a director's independence in the event the Related Person is a director or a nominee to become a director, an immediate family member of a director or a nominee to become a director or an entity in which a director or a nominee to become a director is an executive officer, partner, or principal; (v) the commercial reasonableness of the transaction and the availability of other sources for comparable products or services; (vi) the terms of the transaction; (vii) the terms available to unrelated third parties or to employees generally; (viii) any reputational risks the transaction may pose to the Company; and (ix) any other relevant information. Based on the conclusions reached, the Committee or the Designated Committee Member shall evaluate all options, including, but not limited to, ratification, amendment or termination of the Related Person Transaction; and
2. If the transaction is completed, the Committee or Designated Committee Member of the Committee shall evaluate the transaction, taking into account the same factors described above, to determine if rescission of the transaction and/or any disciplinary action is appropriate, and shall request that the General Counsel evaluate the Company's controls and procedures to ascertain the reason the transaction was not submitted to the Committee or Designated Committee Member for reasonable prior review and approval and whether any changes to this policy are recommended.

E. Review of Ongoing Transactions

If a Related Person Transaction will be ongoing, the Committee will be responsible for overseeing such Related Person Transaction and may establish guidelines for the Company's management team to follow in its ongoing dealings with the Related Person. At the Committee's first meeting of each fiscal year, the Committee shall review any previously approved or ratified Related Person Transactions that remain ongoing. Based on all relevant facts and circumstances, taking into consideration the Company's contractual obligations, the Committee shall determine whether each Related Person Transaction remains appropriate and whether it is in the interests of the Company and its stockholders to continue, modify or terminate each Related Person Transaction.

F. Disclosure

All Related Person Transactions that are required to be disclosed in the Company's filings with the Securities and Exchange Commission, as required by the Securities Act of 1933, as amended, and the Exchange Act and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations.

The material features of this policy shall be disclosed in the Company's annual report on Form 10-K or in the Company's proxy statement, to the extent required by applicable laws, rules and regulations.