

AES CORP
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to 240.14a-12

THE AES CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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No fee required.

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NOTICE OF 2014 ANNUAL MEETING OF STOCKHOLDERS OF THE AES CORPORATION
TO BE HELD ON THURSDAY, APRIL 17, 2014

March 4, 2014

TO THE HOLDERS OF COMMON STOCK OF THE AES CORPORATION:

Notice is hereby given that the 2014 Annual Meeting of Stockholders of The AES Corporation (the “Company” or “AES”) will be held on Thursday, April 17, 2014, at 9:30 a.m. EDT, at the Westin Arlington Gateway Hotel, 801 N. Glebe Road, Arlington, VA 22203, Hemingway Salon, for the following purposes, as more fully described in the accompanying Proxy Statement:

1. To elect twelve members to the Board of Directors;

2. To ratify the appointment of Ernst & Young LLP (“E&Y” or the “Independent Registered Public Accounting Firm”) as the independent auditors of the Company for the year 2014;

3. To approve, on an advisory basis, the Company’s executive compensation; and

4. To transact such other business as may properly come before the Annual Meeting.

Doors to the meeting will open at 8:30 a.m. EDT. Stockholders of record at the close of business on February 21, 2014 are entitled to notice of, and to vote at, the Annual Meeting. If you plan to attend the Annual Meeting, please note that, for security reasons, before being admitted, you must present your admission ticket or proof of stock ownership and valid photo identification at the door. All hand-carried items will be subject to inspection and any bags, briefcases or packages must be checked at the registration desk prior to entering the meeting room.

Brian A. Miller

Executive Vice President, General Counsel
and Corporate Secretary

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PROXY STATEMENT

March 4, 2014

The Board of Directors (the “Board”) of The AES Corporation (the “Company” or “AES”) is soliciting Proxies to be voted on the Stockholders behalf at the 2014 Annual Meeting of Stockholders.

The Annual Meeting will commence at 9:30 a.m. EDT on Thursday, April 17, 2014. The Annual Meeting will be held at the Westin Arlington Gateway Hotel, 801 N. Glebe Road, Arlington, VA 22203 in the Hemingway Salon.

This Proxy Statement provides information regarding the matters to be voted on at the Annual Meeting as well as other information that may be useful to you. In accordance with rules adopted by the United States Securities and Exchange Commission (the “SEC”), instead of mailing a printed copy of our proxy materials to each Stockholder of record, we are furnishing proxy materials to our Stockholders on the Internet. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials other than as described below. Instead, the Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review all of the important information contained in the proxy materials. The Notice of Internet Availability of Proxy Materials also instructs you as to how you may submit your Proxy over the Internet. If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Notice of Internet Availability of Proxy Materials.

It is anticipated that the Notice of Internet Availability of Proxy Materials will first be sent to Stockholders on or about March 7, 2014. This Proxy Statement and accompanying Proxy Card, Annual Report on Form 10-K and related proxy materials will first be made available to Stockholders on or about March 7, 2014 at

www.envisionreports.com/aes for registered holders of AES stock and, at www.edocumentview.com/aes for beneficial holders of AES stock. In accordance with SEC rules, the websites, www.envisionreports.com/aes and www.edocumentview.com/aes provide complete anonymity with respect to a Stockholder accessing the websites. At the close of business on February 21, 2014, there were 723,927,523 shares of common stock outstanding. Each share of common stock is entitled to one vote.

Questions And Answers Regarding the Proxy Statement and Annual Meeting

WHAT IS THE RECORD DATE?

The record date has been established by the Board as permitted by Delaware law. Owners of record of our common stock at the close of business on the record date are entitled to receive notice of the Annual Meeting. Such owners of record are also entitled to vote at the Annual Meeting and any adjournments of the Annual Meeting. Each share of common stock is entitled to one vote. The record date for the Annual Meeting is February 21, 2014.

HOW DOES A STOCKHOLDER SUBMIT A VOTE ON A PROPOSAL?

A Stockholder may vote by telephone, via the Internet, or in person by attending the Annual Meeting. A Stockholder may also vote by marking, signing, dating and returning the Proxy Card to the Office of the Corporate Secretary at 4300 Wilson Boulevard, Arlington, Virginia 22203. Only Stockholders registered on the books of our transfer agent may vote in person at the Annual Meeting. Instructions on how to vote by phone or via the Internet are set forth on the enclosed Proxy Card. If a Stockholder owns shares through a broker or other intermediary, voting instructions will be set forth on the voting instruction card provided by your broker or other intermediary.

WHAT ARE THE APPROVAL REQUIREMENTS?

If a Proxy is properly executed, the shares it represents will be voted at the Annual Meeting in accordance with the instructions noted on the Proxy. If no instructions are specified in the Proxy with respect to the matters to be acted upon, the shares represented by the Proxy will be voted in accordance with the recommendations of the Board. The recommendations of the Board regarding the matters to be acted upon at the Annual Meeting are set forth in this Proxy Statement. Each share of common stock is entitled to one vote on each proposal contained herein. For any proposal, except as otherwise provided by law, rule, AES’ Sixth Restated Certificate of Incorporation or our Amended and Restated Bylaws (“Bylaws”), the affirmative vote of a majority of the shares of common stock present in person or represented by Proxy at the meeting and entitled to vote on the matter is required for approval, including for the election of Directors. In tabulating the voting results for any particular proposal, abstentions have the same effect as

votes against the matter. If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may be treated as “broker non-votes.” Generally, broker non-votes occur when a broker is not permitted to vote on a particular matter without instructions from the beneficial owner and instructions have not been given. Brokers that have not received voting instructions from their clients cannot vote on their clients’ behalf on “non-routine” proposals, such as the election of Directors and the advisory approval of the Company’s executive compensation, although they may vote their clients’ shares on “routine” proposals such as the proposal seeking ratification of E&Y as

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the independent registered public accounting firm for the year 2014. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal.

WHAT CONSTITUTES A QUORUM?

For business to be conducted at the Annual Meeting, a quorum must be present or represented by Proxy. Under our Bylaws, the presence of a majority of the outstanding shares of our common stock entitled to vote at the Annual Meeting will constitute a quorum. The number of outstanding shares of common stock entitled to vote at the Annual Meeting is determined as of the record date. Abstentions and broker non-votes will be counted in determining whether a quorum is present for the Annual Meeting. A copy of the Bylaws is available on our website (www.aes.com).

MAY A STOCKHOLDER CHANGE A VOTE?

Stockholders are entitled to revoke their Proxies at any time before their shares are voted at the Annual Meeting. To revoke a Proxy, a Stockholder must file a written notice of revocation with the Company, deliver a duly executed Proxy bearing a later date than the original submitted Proxy, submit voting instructions again by telephone or the Internet, or attend the Annual Meeting and vote in person. Attendance at the Annual Meeting will not, by itself, revoke your Proxy. If you hold shares in street name, you must contact your broker, bank or other nominee to change your vote or obtain a Proxy to vote your shares if you wish to cast your vote in person at the meeting.

ARE VOTING RECORDS CONFIDENTIAL?

We require vote tabulators and the Inspector of the Election to execute agreements to maintain the confidentiality of voting records. Voting records will remain confidential, except as necessary to meet legal requirements and in other limited circumstances such as proxy contests.

HOW DOES THE COMPANY SOLICIT PROXIES?

The Company will solicit Proxies by mail, telephone, or other means of communication. We will bear the cost of the solicitation of Proxies. The Company has retained Computershare Trust Co., N.A. and Georgeson Inc. to assist in soliciting Proxies from Stockholders and we will pay a fee estimated at \$15,000, plus expenses, for such services. In addition, solicitation may be made by our Directors, Officers, and other employees. We reimburse brokerage firms, custodians, nominees, and fiduciaries in accordance with the rules of the Financial Industry Regulatory Authority for reasonable expenses incurred by them in forwarding materials to the beneficial owners of our common stock.

DO I NEED AN ADMISSION TICKET TO ATTEND THE ANNUAL MEETING?

Yes. You must present both an admission ticket or proof of stock ownership and valid photo identification to attend the Annual Meeting.

If you received these materials by mail, your admission ticket is attached to your Proxy card. Please detach the ticket and bring it with you to the Annual Meeting.

If you vote electronically through the Internet, you can print an admission ticket from the online site.

If you hold shares through an account with a bank or broker, contact your bank or broker to request a legally valid Proxy from the owner of record to vote your shares in person. This will serve as your admission ticket.

A recent brokerage statement or letter from your broker showing that you owned AES common stock in your account as of February 21, 2014, also serves as an admission ticket.

If you do not have an admission ticket or proof of ownership and valid photo identification, you will not be admitted into the Annual Meeting.

Please also note that, if you attend the Annual Meeting, the use of cell phones, smartphones, pagers, recording and photographic equipment and/or computers is strictly prohibited at the Annual Meeting.

BOARD OF DIRECTORS

PROPOSAL 1: ELECTION OF DIRECTORS

The Board has nominated twelve Directors (the “Nominees”) for election at the Annual Meeting. The Nominees are identified and discussed in the paragraphs below for election at this year’s Annual Meeting to each serve a one-year term expiring at the Annual Meeting in 2015.

Andrés R. Gluski, age 56, has been our President and Chief Executive Officer (the “CEO”) and a Director of AES since September 2011 and serves as Chairman of the Strategy and Investment Committee of the Board. **Qualifications and Experience:** As the chief executive of AES, he provides our Board with in-depth knowledge about the Company’s business and issues confronting our business, the electric industry and international markets. Mr. Gluski was appointed to the U.S. Brazil CEO Forum in 2012 and the President’s Export Council in 2013. Prior to his current leadership position, Mr. Gluski served as Executive Vice President and Chief Operating Officer of the company from March 2007 to September 2011, Regional President for Latin America from 2006 to 2007, Senior Vice President for the Caribbean and Central America from 2003 to 2006, CEO of La Electricidad de Caracas (“EDC”) from 2002 to 2003 and CEO of AES Gener (Chile) in 2001. Before joining AES, Mr. Gluski was Executive Vice President and Chief Financial Officer of EDC, Executive Vice President of Banco de Venezuela (Grupo Santander), Vice President for Santander Investment, and Executive Vice President and Chief Financial Officer of CANTV (subsidiary of GTE). Mr. Gluski has also worked with the International Monetary Fund in the Treasury and Latin American Departments and served as Director General of the Ministry of Finance of Venezuela. **Education:** Mr. Gluski is a magna cum laude graduate of Wake Forest University and holds a M.A. and a Ph.D in Economics from the University of Virginia.

Directorships for the Past Five Years: Mr. Gluski currently serves on the Board of Directors of Cliffs Natural Resources (from January 2011 to the present), The Council of the Americas (from 2011 to the present), US Spain Council and The Edison Electric Institute (from 2010 to the present), and is Chairman of AES Gener (from May 2005 to the present) and AES Brasiliana (from March 2006 to the present).

Zhang Guo Bao, age 69, has been a Director of AES since December 2011. He is the Director nominee of Terrific Investment Corporation (“Investor”), a subsidiary of China Investment Corporation’s (together, “CIC”). As of February 21, 2014, Investor was the holder of approximately 8% of AES Common Stock. The nomination was made pursuant to that certain Stockholder’s Agreement dated March 12, 2010 between AES and the Investor (the “Stockholder Agreement”). **Qualifications and Experience:** Mr. Zhang is currently Vice-Chairman of the Chinese National Development and Reform Commission and previously served as the Administrator (Minister-Level) of the Chinese National Energy Administration from 2008-2011. **Education:** Mr. Zhang graduated from Xi’an Jiaotong University and is a Senior Engineer.

Directorships for the Past Five Years: Mr. Zhang is Vice Chairman of the World Energy Council (from 2003 to the present).

Charles L. Harrington, age 55, has been a Director of AES since December 2013 and serves on the Financial Audit Committee of the Board. **Qualifications and Experience:** Mr. Harrington brings to the AES Board a strong record of driving innovation and sustainable results. Since May 2008, Mr. Harrington has served as Chairman and CEO of Parsons Corporation, an engineering, construction, technical and management services firm, and has spent over 30 years with Parsons in various operations, finance (including Chief Financial Officer) and business development roles. During his tenure as CEO, Mr. Harrington has focused on expanding into strategically important new business areas and led Parsons to record profitability. **Education:** Mr. Harrington received a B.S., magna cum laude, in Engineering from California Polytechnic State University and a MBA in Finance and Marketing from the Anderson School of Management, UCLA.

Directorships for the Past Five Years: Mr. Harrington has been a member of the following privately-held or non-profit companies: Parsons Corporation (from 2008 to the present), Anderson School of Management at UCLA (from 2008 to the present), California Polytechnic State University (from 2008 to the present), Blumenthal Performing Arts Center (2006-2012), California Science Center (from 2008 to the present) and Business-Higher Education Forum (from 2011 to the present).

Kristina M. Johnson, age 56, has been a Director of AES since January 2011, and currently serves on the Compensation Committee and Management's Technology and Innovation Advisory Council. Dr. Johnson previously served on the Board from April 2004 to April 2009.

Qualifications and Experience: Dr. Johnson currently is the Chief Executive Officer of Enduring Hydro LLC, a company that invests in, develops, and modernizes hydroelectric facilities and provides consulting services on hydroelectric power and other clean energy projects, since April 2011 and is the former Undersecretary for Energy at the U.S. Department of Energy (from May 2009 to November 2010). Prior to government service, Dr. Johnson was Provost and Senior Vice President for Academic Affairs at the Johns Hopkins University from September 2007 to April 2009. Previously, she served as the Chief Academic and Administrative Officer and Chief Budget Officer of the Edmund T. Pratt, Jr., School of Engineering at Duke University ("Duke"), joining Duke in July 1999. Prior to joining Duke, Dr. Johnson served on the faculty of the University of Colorado at Boulder from 1985 to 1999 as a Professor of Electrical and Computer Engineering and a co-founder and director (from 1993 to 1997) of the National Science Foundation Engineering Research Center for Optoelectronic Computing Systems Center. Education: Dr. Johnson received her BS with distinction, MS and PhD from Stanford

University in Electrical Engineering. She is an expert in liquid crystal electro-optics and has over forty-five patents or patents pending in this field. Dr. Johnson has received numerous recognitions for contributions to her field, including the John Fritz Medal, considered the highest award given in the engineering profession.

Directorships for the Past Five Years: Since 2006, Dr. Johnson served on the boards of directors of Minerals Technologies, Inc., Boston Scientific Corporation and Nortel Networks, until her appointment to the Department of Energy when she resigned from all public boards. After leaving the Department of Energy, she was re-elected to the board of directors of Boston Scientific Corporation (from December 2010 to the present) and elected to the board of directors of Cisco Systems, Inc. (from August 2012 to the present).

Tarun Khanna, age 47, has been a Director of AES since April 2009 and serves on the Nominating, Governance and Corporate Responsibility Committee and the Strategy and Investment Committee of the Board. Dr. Khanna is also a member of Management's Technology and Innovation Advisory Council. Qualifications and Experience: Dr. Khanna is the Jorge Paulo Lemann Professor at the Harvard Business School, joining the faculty in 1993. He brings substantial expertise regarding global business, emerging markets and corporate strategy to the Board. Dr. Khanna's scholarly work has been published in a range of economics, management and foreign policy journals and he recently published *Billions of Entrepreneurs: How China and India are Reshaping their Futures*, and *Yours*, a book focusing on the drivers of entrepreneurship in Asia. He also co-authored the book, *Winning in Emerging Markets: A Roadmap for Strategy and Execution*, which was published in March 2010. He was appointed a Young Global Leader (under 40) by the World Economic Forum in 2007, was elected as a Fellow of the Academy of International Business in 2009, and was appointed Director of Harvard University's South Asia Institute in 2010. Education: Dr. Khanna received a BSE from Princeton University and PhD from Harvard University.

Directorships for the Past Five Years: Dr. Khanna is also a member of the boards of directors of SKS Microfinance (from February 2009 to the present) and the following privately-held companies: GVK Bio Sciences (from 2007 to the present) and TVS Logistics (from 2008 to the present).

Philip Lader, age 68, has been a Director of AES since April 2001 and serves as Chairman of the Nominating, Governance and Corporate Responsibility Committee and a member of the Strategy and Investment Committee of the Board. Mr. Lader is also a member of Management's Technology and Innovation Advisory Council. Qualifications and Experience: Mr. Lader brings substantial executive, board and government experience to AES. The former U.S. Ambassador to the Court of St. James's, he has served as Chairman of WPP plc, the world's largest global advertising and marketing services company, comprised of approximately 170,000 people in 112 countries, which includes J. Walter Thompson, Young & Rubicam, and Ogilvy & Mather from 2001 to the present. A lawyer, Mr. Lader is also a Senior Advisor to Morgan Stanley, and serves as a member of the Investment Committees of Morgan Stanley's Global Infrastructure Fund and was Vice Chairman of RAND Corporation. Mr. Lader served as White House Deputy Chief of Staff, Assistant to the President, Deputy Director of the Office of Management and Budget, and Administrator of the U.S. Small Business Administration during the Clinton Administration. Mr. Lader was also President of Sea Pines Company, Executive Vice President of the U.S. holdings of the late Sir James Goldsmith, and president of several universities in South Carolina and Australia. Education: Mr. Lader graduated with a BA from Duke University where he was a member of Phi Beta Kappa, an MA from the University of Michigan, completed graduate law studies at Oxford University, and received a JD from Harvard Law School.

Directorships for the Past Five Years: Mr. Lader is or has been a member of the boards of directors of WPP plc (from 2001 to the present), Lloyd's of London (2005-2010), Marathon Oil Corporation (from 2002 to the present), UC RUSAL (from 2006 to the present), Songbird Estates, plc (2006-2009), and the following privately-held or non-profit companies: Duck Creek Technologies (2009-2011), RAND Corporation (2001-2011), Atlantic Council of US (from 2008 to the present), Smithsonian Museum of American History (from 2006 to the present), Salzburg Global Seminar (from 2008 to the present), Lader Foundation, and Bankinter Foundation for Innovation (from 2007 to the present).

James H. Miller, age 65, has been a Director of AES since June 2013 and serves on the Financial Audit Committee and Compensation Committee of the Board. Qualifications and Experience: Mr. Miller brings to the AES Board his substantial experience in the energy industry both in the US and internationally, including experience in regulated utilities and the competitive power markets. With more than 35 years of experience in the energy industry, Mr. Miller served as Chairman of PPL Corporation from 2006 until his retirement in March 2012. He joined PPL as President of its US generation businesses in 2001. Previously, he was Executive Vice President of USEC Inc. and President of two ABB Group subsidiaries: ABB Environmental Systems and ABB Resource Recovery Systems. He began his career at the former Delmarva Power & Light Co. Education: Mr. Miller holds a bachelor's degree in electrical engineering from the University of Delaware and served in the US Navy nuclear submarine program.

Directorships for the Past Five Years: Mr. Miller has been a member of the boards of directors of Rayonier, Inc. (from 2011 to the present), Lehigh Gas Partners LP (from 2012 to the present) and Crown Holdings, Inc. (from 2010 to the present).

Sandra O. Moose, age 72, has been a Director of AES since April 2004, and serves as Chair of the Compensation Committee and a member of the Strategy and Investment Committee of the Board. Qualifications and Experience: Dr. Moose brings substantial executive, strategic, planning, operations, consulting, and corporate governance experience to the Board. Dr. Moose is President of Strategic Advisory

Services, a global business advisory firm, and from 1975 to 2003 served as a director and Managing Partner of The Boston Consulting Group (“BCG”). At BCG, Dr. Moose provided strategic planning, operational effectiveness and related consulting services to global clients in a variety of industries, including consumer and industrial goods, financial services and telecommunications, for over 35 years. Dr. Moose managed BCG’s New York office from 1988-1998 and was chair of the East Coast region, which accounted for approximately 20% of BCG’s overall revenues, from 1994-1999. In addition to her strategic planning expertise, Dr. Moose has been the chair or presiding director of several public companies and several charitable organizations, which has given her extensive expertise in corporate governance. Education: Dr. Moose received her PhD and MA in economics from Harvard University and BA, summa cum laude, in economics from Wheaton College.

Directorships for the Past Five Years: Dr. Moose is also a member of the boards of directors of Verizon (from 2000 to the present), serving as its presiding director (since November 2005), chairperson (since 2005) of the board of trustees of Natixis Advisor Funds (from 1982 to the present), Loomis Sayles Funds (from 2003 to the present), and the Alfred P. Sloan Foundation (from 2000 to the present), serving as its Chairman since July 2012. Dr. Moose also served on the board of directors of Rohm and Haas Company (1981-2009) and as its lead director from 1998.

John B. Morse, Jr., age 67, has been a Director of AES since December 2008 and serves as Chairman of the Financial Audit Committee and as a member of the Strategy and Investment Committee of the Board. Qualifications and Experience: Mr. Morse brings substantial executive experience to the Board, including board, investment and other finance expertise. Before his retirement in December 2008, Mr. Morse served as the Senior Vice President, Finance and Chief Financial Officer of The Washington Post Company (the “Post”), a diversified education and media company whose principal operations include educational services, newspaper and magazine print and online publishing, television broadcasting and cable television systems recording over \$4.4 billion in annual operating revenues. During Mr. Morse’s 19 year tenure, the Post’s leadership made more than 100 investments in both domestic and international companies and included new endeavors in emerging markets. Prior to joining the Post, Mr. Morse was a partner at Price Waterhouse (now PricewaterhouseCoopers), where he worked with publishing/media companies and multilateral lending institutions for more than 17 years. Education: Mr. Morse graduated with a BA from the University of Virginia and an MBA from the Wharton School of Finance at the University of Pennsylvania. Mr. Morse is a Certified Public Accountant.

Directorships for the Past Five Years: Mr. Morse is also a member of the boards of directors of Host Hotels & Resorts Corporation (from 2005 to the present), the Home Shopping Network (from 2008 to the present), Former Trustee and President Emeritus of the College Foundation of the University of Virginia (2002-2012), and completed a six-year term as a member of the Financial Accounting Standards Advisory Council (2004-2010).

Moisés Naím, age 61, has been a Director of AES since April 2013 and serves on the Nominating, Governance and Corporate Responsibility Committee of the Board. Qualifications and Experience: Dr. Naím is the Senior Associate in the International Economics Program at the Carnegie Endowment for International Peace and has served in that role from June 2010 to present. For fourteen years (1996-2010), Dr. Naím served as Editor in Chief for Foreign Policy magazine (first, at The Carnegie Endowment for International Peace and subsequently, at The Washington Post Company). He has written extensively on international economics and global politics, economic development and the consequences of globalization, and Dr. Naím is the chief international columnist for El País and La Repubblica, high circulation daily newspapers in Spain and Italy, respectively, and is also the host and producer of Efecto Naím, a global Spanish language news and analysis broadcast. His columns are syndicated worldwide. Dr. Naím brings substantial international economics and political expertise to AES through his tenure as Venezuela’s Minister of Industry and Trade and Director of Venezuela’s Central Bank in the early 1990s and as an Executive Director of the World Bank in the early 1990s. He is also the author of many scholarly articles and more than ten books on economics and politics. He also has broad experience as a consultant to corporations, governments and non-governmental organizations. Education: Dr. Naím holds MSc and PhD degrees from the Massachusetts Institute of Technology.

Directorships for the Past Five Years: Dr. Naím is a member of the board of directors of FEMSA (from 2011 to the present).

Charles O. Rossotti, age 73, has been a Director of AES since March 2003 and has served as Chairman of the Board and Lead Independent Director since April 2013. Qualifications and Experience: Mr. Rossotti brings substantial executive, entrepreneurial, global business, operations, and finance experience to our Board as a result of his previous positions. He serves as a Senior Advisor with the Carlyle Group, one of the world's largest private equity firms, since March 2003. From November 1997 until November 2002, Mr. Rossotti was the Commissioner of Internal Revenue at the United States Internal Revenue Service ("IRS"), where he was responsible for regulatory and financial and accounting functions for \$2 trillion a year in tax revenues. Prior to joining the IRS, Mr. Rossotti was a founder of American Management Systems, Inc. ("AMS"), a technology and management consulting firm which grew from inception to 9,000 employees and \$800 million in revenue, where he oversaw operations in the U.S., Europe, and Asia. Mr. Rossotti held the position of President of AMS from 1970 to 1989, Chief Executive Officer from 1981 to 1993 and Chairman from 1989 to 1997, where he oversaw expansion into developed international markets, risk management of contracting functions, and strategic actions. From 1965 to 1969, he held various positions in the Office of Systems Analysis within the Office of the Secretary of Defense. He is currently a member of the board of directors of Capital Partners for Education, a non-profit organization and a member of the Controller General's Advisory Board

of the U.S. Government Accountability Office. Education: Mr. Rossotti graduated magna cum laude from Georgetown University and received an MBA with high distinction from Harvard Business School.

Directorships for the Past Five Years: Mr. Rossotti serves or served as a member of the boards of directors of Bank of America Corporation (2009-2013), Booz, Allen, Hamilton (from 2008 to the present), and Merrill Lynch Corporation (2004-2008) and the following privately held companies: Apollo Global (2008-2012), Compusearch Systems, Inc. (2005-2011), Liquid Engines, Inc. (2004-2006), Quorum Management Solutions (from 2010 to the present), Primatics Financial (from 2011 to the present), and Wall Street Institute (2005-2010).

Sven Sandstrom, age 72, has been a Director of AES since October 2002 and serves on the Financial Audit Committee and the Nominating, Governance and Corporate Responsibility Committee of the Board. Qualifications and Experience: Mr. Sandstrom brings substantial experience in global finance, strategy, operations, industry knowledge, as well as risk management to our Board. He is the former Managing Director of the World Bank where he served for 30 years, retiring in 2001. As Managing Director for ten years, Mr. Sandstrom was responsible for all aspects of the Bank's work including financial policy and risk management, global strategy, and operations. Since 2001, Mr. Sandstrom has been a director and adviser at private corporations and public institutions in Europe, Africa, Asia and the U.S., including the European Commission, the African Development Bank and the International Union for the Conservation of Nature ("IUCN"). For six years, he chaired the international funding negotiations for the African Development Bank and the Global Fund to Fight AIDS, TB and Malaria. He is the CEO and Director of Hand in Hand International, a UK public charitable trust that funds and supports development and microfinance operations in India, Afghanistan and Eastern and Southern Africa. He is also the sole owner and operator of a small hydropower plant in northern Sweden. Education: Mr. Sandstrom graduated with a BA from the University of Stockholm, an MBA from the Stockholm School of Economics, and a DrSc from the Royal Institute of Technology in Stockholm. For three years, he was a joint Research Associate at MIT and Harvard Business School.

Directorships for the Past Five Years: Mr. Sandstrom is also a member of the board of directors of Hand in Hand International, UK (from 2009 to the present) and IUCN, Switzerland (2004-2008).

THE BOARD RECOMMENDS A VOTE FOR THE
ELECTION OF EACH OF THE TWELVE DIRECTORS DISCUSSED ABOVE.

INFORMATION CONCERNING OUR BOARD OF DIRECTORS

Director Independence

We are required to have a majority of independent Directors serving on our Board and may only have independent Directors serving on each of our Financial Audit, Compensation and Nominating, Governance and Corporate Responsibility Committees pursuant to the rules of the New York Stock Exchange (the "NYSE") and, with respect to our Financial Audit Committee, the rules and regulations existing under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Our Board undertook an annual review of Director and Director Nominee independence in February 2014. The purpose of this review was to determine whether any relationships or transactions involving Directors and Director nominees (including their family members and affiliates) were inconsistent with a determination that the Director or Director nominee is independent under the independence standards set forth in the NYSE rules and our Corporate Governance Guidelines and, with respect to Financial Audit Committee members and Financial Audit Committee nominees, under the independence standards for audit committee members under the Exchange Act.

In making this determination, the Board considered not only the criteria for independence set forth in the listing standards of the NYSE but also any other relevant facts and circumstances that may have come to the Board's attention, after inquiry, relating to transactions, relationships or arrangements between a Director or a Director nominee or any member of their immediate family (or any entity of which a Director or Director nominee or an immediate family member is an Executive Officer, general partner or significant equity holder) on the one hand, and AES or any of its subsidiaries or affiliates, on the other hand, that might signal potential conflicts of interest, or that might bear on the materiality of a Director's or a Director nominee's relationship to AES or any of its subsidiaries. As described in the preceding sentence, the Board considered the independence issue not merely from the standpoint of the Director or Director nominee, but also from that of the persons or organizations with which the Director or Director nominee is affiliated.

Based on its review, our Board determined that Messrs. Harrington, Lader, Miller, Morse, Rossotti and Sandstrom and Drs. Johnson, Khanna, Moose and Naím each qualify as independent under the independence standards existing under the NYSE rules. Our Board also determined that Messrs. Harrington, Miller, Morse, and Sandstrom qualify as "independent" under the independence standards for audit committee members adopted by the SEC.

Board Leadership Structure

Our Corporate Governance Guidelines require the separation of the offices of the Chairman of the Board (“Chairman”) and CEO. If the Chairman is independent, he or she will also serve as Lead Independent Director. Since 1993, we have separated the offices of Chairman and CEO. Since 2003, our Chairman has been an independent Director who has also acted as Lead Independent Director.

We believe the structure described above provides strong leadership for our Board, while positioning our CEO as the leader of the Company for our investors, counterparties, employees and other stakeholders. Our current structure, which includes an independent Chairman serving as Lead Independent Director, helps ensure independent oversight over the Company. Our Corporate Governance Guidelines state that the Lead Independent Director’s duties include coordinating the activities of the independent Directors, coordinating the agenda for and moderating sessions of the Board’s independent Directors, and facilitating communications among the other members of the Board. At the same time, our current structure allows the CEO to focus his energies on management of the Company.

Our Board has ten independent members. A number of our independent Board members are currently serving or have served as Directors or as members of senior management of other public companies. We have three Board Committees comprised solely of independent Directors, each with a different independent Director serving as Chairman of the Committee. We believe that the number of independent experienced Directors that make up our Board, along with the independent oversight of the Board by the non-executive Chairman, benefits our Company and our Stockholders.

Pursuant to our Bylaws and our Corporate Governance Guidelines, our Board determines the best leadership structure for the Company. As part of our annual Board self-evaluation process, the Board evaluates issues such as independence of the Board, communication between Directors and Management, the relationship between the CEO and Chairman, and other matters that may be relevant to our leadership structure. The Company recognizes that in the event that circumstances facing the Company change, a different leadership structure may be in the best interests of the Company and its Stockholders.

THE COMMITTEES OF THE BOARD

In 2013, the Board maintained four standing Committees: Compensation Committee, Strategy and Investment Committee, Financial Audit Committee, and Nominating, Governance and Corporate Responsibility Committee. The Board has determined that each of the members of the Compensation Committee, Financial Audit Committee, and Nominating, Governance and Corporate Responsibility Committee meets the standards of “independence” established by the NYSE as currently in effect. A description of each Board Committee is set forth below.

STANDING COMMITTEES:

Compensation Committee

The members of the Compensation Committee are Kristina M. Johnson, James H. Miller, and Sandra O. Moose (Chair). For information regarding the role of our Compensation Committee, including its processes and procedures for determining executive compensation, see “Information About our Compensation Committee.” The Compensation Committee operates under the Charter of the Compensation Committee, which has been adopted and approved by the Board. Consistent with the requirements of the Charter, the Board determined that all Compensation Committee members are Independent within the meaning of the SEC rules and listing standards of the New York Stock Exchange. The Compensation Committee may form subcommittees and delegate to those subcommittees such power and authority as the Compensation Committee deems appropriate and in compliance with law. A copy of the

Compensation Committee's Charter can be obtained from the Company's website (www.aes.com) or by sending a request to the Office of the Corporate Secretary, The AES Corporation, 4300 Wilson Boulevard, Arlington, VA 22203.

Strategy and Investment Committee

The members of the Strategy and Investment Committee are Andrés Gluski (Chair), Tarun Khanna, Philip Lader, Sandra O. Moose, and John B. Morse, Jr. The Strategy and Investment Committee focuses on the evaluation of strategic plans and of capital deployment in the context of the Company's corporate strategy. In addition, at the request of the Board, the Committee or Management, individual transactions may also be reviewed by the Committee including, potential investments, asset sales, proposed equity and/or debt offerings, or other transactions. The Strategy and Investment Committee operates under the Charter of the Strategy and Investment Committee adopted and approved by the Board. A copy of the Charter can be obtained from the Company's website (www.aes.com) or by sending a request to the Office of the Corporate Secretary, The AES Corporation, 4300 Wilson Boulevard, Arlington, Virginia 22203.

Financial Audit Committee (the “Audit Committee”)

The members of the Audit Committee are Charles L. Harrington, James H. Miller, John B. Morse, Jr. (Chair), and Sven Sandstrom. The Audit Committee is responsible for the review and oversight of the Company’s performance with respect to its financial responsibilities and the integrity of the Company’s accounting and reporting practices. The Audit Committee may delegate its authority to subcommittees when it deems such delegation to be appropriate and in the best interests of the Company. The Audit Committee, on behalf of the Board, also appoints the Company’s independent auditors, subject to Stockholder ratification, at the Annual Meeting. The Audit Committee operates under the Charter of the Audit Committee adopted and approved by the Board. A copy of the Charter can be obtained from the Company’s website (www.aes.com) or by sending a request to the Office of the Corporate Secretary, The AES Corporation, 4300 Wilson Boulevard, Arlington, Virginia 22203. Our Board has determined that all members of the Audit Committee are independent within the meaning of the SEC rules and under the current listing standards of the NYSE. The Board has also determined that each member of the Audit Committee is “financially literate” as required by the NYSE rules and an Audit Committee Financial Expert within the meaning of the SEC rules based on, among other things, the experience of such member, as described under “Proposal 1: Election of Directors” of this Proxy Statement.

Nominating, Governance and Corporate Responsibility Committee (the “Nominating Committee”)

The members of the Nominating Committee are Tarun Khanna, Philip Lader (Chair), Moisés Naím and Sven Sandstrom. The Nominating Committee provides recommendations for potential Director nominees for election to the Board, establishes compensation for Directors, considers governance, social responsibility and cyber security issues relating to the Board and the Company and considers the scope of the Company’s internal environmental and safety audit programs. The Nominating Committee may form subcommittees and delegate to those subcommittees such power and authority as the Committee deems appropriate and in compliance with law. The Nominating Committee operates under the Charter of the Nominating Committee adopted and approved by the Board. Consistent with the requirements of the Charter, the Board determined that all Nominating Committee members are Independent within the meaning of the SEC rules and listing standards of the New York Stock Exchange. A copy of the Charter can be obtained from the Company’s website (www.aes.com) or by sending a request to the Office of the Corporate Secretary, The AES Corporation, 4300 Wilson Boulevard, Arlington, Virginia 22203.

Director Qualifications. Director nominees are selected on the basis of, among other things, experience, knowledge, skills, expertise, integrity, ability to make independent analytical inquiries, understanding the Company’s global business environment and willingness to devote adequate time and effort to Board responsibilities so as to enhance the Board’s ability to oversee and direct the affairs and business of the Company.

Diversity. The Company does not maintain a separate policy regarding the diversity of the Board. However, the charter of the Nominating Committee requires that the Committee review the composition of the Board to ensure it has the “appropriate balance” of attributes such as knowledge, experience, diversity and other attributes. In addition, the Company’s Corporate Governance Guidelines establish that the size of the Board shall be nine to twelve members, a range which “permits diversity of experience without hindering effective discussion or diminishing individual accountability.” Consistent with these governing documents, both the Nominating Committee and the full Board seek Director nominees with distinct professional backgrounds, experience and perspectives so that the Board as a whole has the range of skills and viewpoints necessary to fulfill its responsibilities. As part of our annual Board self-evaluation process, the Board evaluates whether or not the Board as a whole has the skills and backgrounds for the current issues facing the Company. The Board also evaluates its effectiveness with regard to specific areas of expertise.

Director Nomination Process. Pursuant to our Corporate Governance Guidelines, our Nominating Committee reviews the qualifications of proposed Director nominees to serve on our Board and recommends Director nominees to our Board for election at the Company’s Annual Meeting. The Board proposes a slate of Director nominees to the

Stockholders for election to the Board, using information provided to the Committee.

In certain instances, a third party may assist in identifying potential Director nominees. The Nominating Committee also considers potential nominations for Director provided by Stockholders and submits any such suggested nominations, when appropriate, to the Board for approval. Stockholder nominees for Director are evaluated using the criteria described above. As described under “Proposal 1: Election of Directors,” Messrs. Harrington and Miller were recommended for nomination by several Board members. Stockholders wishing to recommend persons for consideration by the Nominating Committee as nominees for election to the Board can do so by writing to the Office of the Corporate Secretary, The AES Corporation, 4300 Wilson Boulevard, Arlington, Virginia 22203 and providing the information and following the additional procedures set forth in the Bylaws, which are described in “Stockholder Proposals and Nominations for Director” of this Proxy Statement.

Director Compensation. The Nominating Committee periodically reviews the level and form of compensation paid to Directors, including our Director compensation program’s underlying principles. Under the Corporate Governance Guidelines, a Director who is also an Officer of AES is not permitted to receive additional compensation for service as a Director. In reviewing and determining the compensation

paid to Directors, the Nominating Committee considers how such compensation relates and compares to that of companies of comparable size and/or equivalent complexity. The Committee's review includes looking at both direct and indirect forms of compensation paid to our Directors, including any charitable contributions made by the Company, on behalf of such Directors, to organizations with which Directors are affiliated. The General Counsel's Office assists the Nominating Committee with its review of our Director compensation program. The General Counsel's office conducts research on other companies' director compensation practices by reviewing broad-based director compensation studies, which generally include a hundred or more companies, and providing the Committee with a benchmarking analysis of such companies' practices as compared to the Company's Director compensation program. These reports are further described in "Director Compensation for Year 2013" below. Neither the General Counsel's Office nor the Nominating Committee retains an independent compensation consultant to assist with recommending or determining Director compensation. Any proposed changes to the Director compensation program are recommended by the Nominating Committee to the Board for consideration and approval. For further information regarding our Director compensation program, see "Director Compensation for Year 2013" of this Proxy Statement.

BOARD'S ROLE IN RISK MANAGEMENT

Our Management is responsible for the management and assessment of risk at the Company, including communication of the most material risks to the Board and its Committees, who provide oversight over the risk management practices implemented by Management. Our full Board provides oversight with respect to risk management, except for the oversight of risks that have been specifically delegated to a Committee of the Board. Even when the oversight of a specific area of risk has been delegated to a Committee, the full Board may maintain oversight over such risks through the receipt of reports from the Committee Chairpersons to the full Board at each regularly-scheduled full Board meeting. In addition, if a particular risk is material or where otherwise appropriate, the full Board may assume oversight over a particular risk, even if the risk was initially overseen by a Board Committee. The Board and Committee reviews occur principally through the receipt of regular reports from Management to the Board on these areas of risk, and discussions with Management regarding risk assessment and risk management.

Full Board. At its regularly scheduled meetings, the Board generally receives a number of reports which include information relating to risks faced by the Company. The Company's Chief Financial Officer and/or Treasurer provides a report on the Company's liquidity position, which may include an analysis of prospective sources and uses of funds, and the implications to the Company's debt covenants and credit rating, if any. The Chief Operating Officer or his designee provides operational reports, which may include risks related to tariffs, efficiency at our subsidiaries' plants, construction, and related matters. The Company's Vice President of Risk provides a report to the Board which explains the Company's primary risk exposures, including currency, commodity and interest rate risk. Finally, the Company's General Counsel provides a privileged dispute resolution report which provides information regarding the status of the Company's litigation and related matters. At each regularly-scheduled Board meeting, the full Board also receives reports from Committee Chairpersons, which may include a discussion of risks initially overseen by the Committees for discussion and input from the full Board. As noted above, in addition to these regular reports, the Board receives reports on specific areas of risk from time to time, such as regulatory, geopolitical, cyclical or other risks.

Committees. The Audit Committee maintains initial oversight over risks related to the integrity of the Company's financial statements; internal controls over financial reporting and disclosure controls and procedures (including the performance of the Company's internal audit function); the performance of the independent auditor; and the effectiveness of the Company's Ethics and Compliance Program. The Company's Nominating Committee maintains initial oversight over risks related to workplace safety and cyber security, and our subsidiaries' continuing efforts to ensure compliance with the best practices in these areas. When appropriate, the Nominating Committee also receives environmental reports regarding our subsidiaries' compliance with environmental laws and their efforts to ensure continuing compliance with governing laws and regulations. The Company's Compensation Committee maintains initial oversight over risks related to the Company's compensation practices, including practices related to hiring and retention, succession planning (approved by the full Board), and training of employees. The Strategy and Investment

Committee maintains initial oversight over risks related to our overall strategic plans and capital deployment in the context of our corporate strategy.

DIRECTOR ATTENDANCE

In 2013, our Board convened 13 times, including 8 telephonic meetings, and our Board Committees held the following number of meetings: (i) Audit Committee - 10 meetings; (ii) Compensation Committee - 7 meetings; (iii) Strategy and Investment Committee - 5 meetings; and (iv) Nominating Committee - 7 meetings.

Under our Corporate Governance Guidelines, Directors are expected to attend Board meetings and meetings of Committees on which they serve in person or by conference telephone, and Directors are also encouraged to attend the Annual Meeting. Messrs. Gluski, Koskinen, Lader, Morse, Odeen, Rossotti, Sandstrom and Zhang and Drs. Johnson, Khanna, Moose and Naím attended the 2013 Annual Meeting of Stockholders on April 18, 2013. All of our current Directors attended at least 75% of the aggregate of all meetings of the Board and the Committees on which they served.

In accordance with the Company’s Corporate Governance Guidelines, non-management Directors met in executive session after each in-person meeting of the Board. Non-management Directors met 5 times in 2013, with Mr. Odeen presiding as Lead Independent Director January 1-April 17, 2013 and Mr. Rossotti presiding as Lead Independent Director April 18-December 31, 2013.

BOARD RESPONSE TO 2013 SHAREHOLDER VOTE

In December 2011, after the 2012 Board calendar had been approved, the Board appointed Mr. Zhang to the Board. Mr. Zhang was nominated to the Board by CIC pursuant to the Stockholder Agreement between the Company and CIC. At the 2012 Annual Meeting, Mr. Zhang received a “For” vote from over 99% of the votes cast. Because of the late date of his nomination and subsequent appointment, he incurred certain scheduling and other issues, and as result, did not attend 75% of the Board meetings in 2012, his first full year as a Board member. For this reason, he did not receive a majority of the votes cast at the 2013 Annual Meeting. In response to the vote, the Board took action to ensure that in 2013, he and all other Board members did attend at least 75% of all meetings of the Board and the Committees on which they served. First, the Board ensured that its 2013-2014 Board calendar accommodated the schedules of all Board members. Second, the Board emphasized the importance of attendance to the Board members and reviewed Board attendance throughout the year. As noted above, these efforts resulted in attendance well above the 75% threshold for Board and Committee members in 2013.

During 2013, with the knowledge and support of the Board, the Company engaged in substantial stakeholder outreach regarding the shareholder vote. The Company engaged in a dialogue with several key AES Stockholders, Stockholder advocacy groups and proxy advisors to ensure that the steps taken above would satisfy the various stakeholders. Based on our discussions with these stakeholders, Management and the Board believe that the Board has successfully addressed the issues with Director attendance at Board and Committee meetings.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis (“CD&A”)

Executive Summary

The CD&A includes compensation details for our “Named Executive Officers” (“NEOs”), including:

Name	Title
Mr. Andrés Gluski	President & Chief Executive Officer (“CEO”)
Mr. Thomas O’Flynn	EVP & Chief Financial Officer (“CFO”)
Mr. Andrew Vesey	EVP & Chief Operating Officer (“COO”)
Mr. Brian Miller	EVP, General Counsel & Corporate Secretary (“General Counsel”)
Ms. Elizabeth Hackenson	SVP, Global Business Services & CIO (“SVP, GBS & CIO”)

Discussion of 2013 Performance

AES’ compensation philosophy emphasizes pay-for-performance. As context for understanding our 2013 NEO compensation, the following discussion summarizes the Company’s financial and operational results and other notable accomplishments in 2013. Non-GAAP measures (Adjusted EPS and Proportional Free Cash Flow) are reconciled to the nearest GAAP financial measures in the section titled “Non-GAAP Measures” of this CD&A.

Actual 2013 results met or exceeded Management’s 2013 performance guidance and demonstrated improvement over 2012 results as summarized in the following table:

Financial Measure	FY2013	FY2012
Adjusted EPS	\$1.29	\$1.21
Proportional Free Cash Flow (FCF)	\$1,271M	\$1,250M

Note: FY12 Adjusted EPS was \$1.24 before reclassification of assets sold as discontinued operations; also, the above Proportional FCF for FY12 and FY13 are based on the revised definition which excludes environmental projects that

generate a regulated rate of return as presented in the February 26, 2014 earnings release.

• Total Stockholder Return of 37.3%, which exceeded that of the S&P 500 Utilities Index (13.2%);

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Plant performance, distribution system reliability, customer service and collections performance that significantly exceeded our target expectations as measured by our Operational Key Performance Indicator Index score of 130%;

The Company increased its cumulative annual cost savings target by \$55M to \$200M by 2015 from 2011 and since September 2011, the Company has reduced its costs by \$143M;

Continued execution of the Company's strategy to focus on markets where AES holds a competitive advantage, including the announcement of eight asset sale transactions for \$497M in equity proceeds to AES upon closing;

Since September 2011, the Company has announced or closed 24 asset sales representing \$1.4B in equity proceeds to AES and the exit of operations from eight countries;

Completion of four platform expansion and new generation projects which added 522 MW of new capacity and installation of 40 MW of grid-scale storage resources at DP&L's Tait Generation Station in Ohio (AES has a total of 174 MW of grid-scale storage resources);

Prepayment of debt and share buybacks for a total of \$621M bringing total investment in our balance sheet through debt prepayments and share buybacks to \$1.7B since September 2011; and

Investments to grow our platform in key markets, including \$3B of non-recourse financings to fund the Company's ongoing construction program and the \$511M investment program to upgrade 2,400 MW of baseload coal-fired capacity at IPL.

At the end of 2013, the Company's construction activities represented 2,762 MW of new generation capacity, including the 531 MW Alto Maipo hydroelectric generation project in Chile.

In early 2014, the Company commenced construction of the 1,320 MW OPGC II coal-fired project in the Indian state of Odisha, bringing total capacity under construction expected to come on-line through 2018 to 4,082 MW.

2013 Compensation Highlights

Compensation determinations made for 2013 reflect our pay-for-performance philosophy and the Company's intent to align its Executive Officer compensation with the interests of stockholders. The key compensation determinations made with respect to our NEOs are summarized below.

Increased base salaries by 13% and 12%, respectively, for our CEO and COO to move their base salaries closer to the market 50th percentile, though both continue to have salaries and total compensation that are between the 25th and 50th percentile;

Increased base salaries by 3% for our other NEOs in line with our general merit increase guidelines for U.S. employees, with the exception of Mr. O'Flynn whose 2013 base salary was set at the time of his hire in September 2012;

Awarded annual incentives to our NEOs at 124% of the target award based on our 2013 Company performance score; Vested 2011-2013 performance stock units at 23.4% of the initial target grant based on performance against the pre-established goals.

50% of this performance stock unit award was forfeited because the Company did not attain the performance threshold which was Total Stockholder Return equal to the 30th percentile of S&P 500 companies.

The other 50% of this performance stock unit award paid out at 46.7% of the target number of shares based on our actual Cash Value Added result of \$6.2B, which was 89.3% of the target Cash Value Added goal.

Given the 35.6% growth in the value of AES Common Stock during 2013, the total realizable value of long-term compensation grants to our NEOs has increased as shown in the following chart which compares the current value of long-term compensation grants made in the last three years to their original grant date fair market value.

Realizable value is defined as the pre-tax value of all stock options, restricted stock units and performance stock units granted from 2011 to 2013 as of December 31, 2013 with certain assumptions regarding performance stock units as discussed below.

For the 2011-2013 performance stock unit grant, the 23.4% vesting level, discussed above, is reflected in the chart. For performance stock unit awards for which the performance period is not yet complete (2012-14 and 2013-15), the value is based on our period-to-date results through December 31, 2013 which are generally at or above the target performance level.

Our Executive Compensation Practices

The Compensation Committee frequently reviews developments in governance practices and market trends relating to executive compensation and has taken several actions intended to align the design and structure of AES' executive compensation program, including our NEOs' compensation, with current standards of governance and our stockholders' interests. Key policies and actions taken by the Compensation Committee are summarized below.

• Target Total Compensation at 50th Percentile of Companies Comparable in Size

Our philosophy is to target total compensation at the size-adjusted 50th percentile of survey data to ensure a competitive compensation opportunity compared to similarly-sized companies;

• Heavy Weight on Performance-based Compensation

Our compensation program is heavily weighted to performance-based pay with the majority of our compensation being paid through our annual incentive and long-term compensation plans;

• Relative Pay-for-Performance Alignment

In 2013, the Compensation Committee reviewed an analysis of AES' performance, primarily defined as Total Stockholder Return, and CEO compensation relative to 16 utility and generation companies with revenues generally over \$10B from the S&P 500 Utilities Index to whom investors may compare AES.

The analysis summarized in the below chart indicated that AES' CEO compensation and Total Stockholder Return were both in the bottom quartile for the three-year period from January 1, 2010 to December 31, 2012, which indicates that compensation actually realizable by our CEO aligns with value creation to AES Common Stockholders.

Executive Stock Ownership Guidelines

We maintain market-competitive stock ownership guidelines to align our NEOs' interests with those of our stockholders;

Clawback Policy

In 2013, the Company adopted a "clawback" policy that provides the Compensation Committee with the discretion to seek recoupment of certain previously-paid incentive awards in the event that such awards are linked to a financial restatement caused by executive misconduct;

Executive Severance Provisions Comparable to Market Practice

The Company maintains an Executive Severance Plan which provides for severance benefits under certain termination scenarios, including termination in connection with a change-in-control. The benefits under these plans are comparable to what other companies similar in size offer to their executives;

No Change-in-Control Excise Tax Gross-ups

In the Company's executive change-in-control severance arrangements, we have entirely discontinued the provision of change-in-control excise tax gross-ups;

No Perquisites for our Executive Officers

We do not provide perquisites to any of our Executive Officers;

No Special Retirement Benefit Formulas for our Executive Officers

Our supplemental executive retirement benefits are designed primarily to restore benefits capped under our broad-based retirement plans due to statutory limits imposed by the Internal Revenue Code (the "Code");

No Backdating or Option Repricings

We have not participated in the practice of backdating or repricing stock options, nor have we modified pre-set targets for annual incentive or performance equity awards;

No Hedging or Pledging of AES Common Stock

In 2013, the Board of Directors adopted a policy that prohibits Section 16 Officers (including our NEOs) and Directors of the Company from hedging their economic interest in AES Common Stock or using AES Common Stock as collateral in a financial transaction;

Independent Consultant Retained by the Compensation Committee

Our Compensation Committee has retained and directs an independent compensation consultant who does not provide any other services to the Company; and

Annual Review of Risk Related to Compensation Programs

The Compensation Committee's independent consultant annually conducts a review of the risks associated with our executive and incentive compensation programs and has determined that our compensation programs are not reasonably likely to have a material adverse effect on the Company.

These practices are discussed in further detail throughout the remainder of this CD&A.

Results of 2013 Advisory Vote to Approve Executive Compensation (“2013 Say on Pay Vote”)

At its 2013 annual meeting of stockholders, AES received over 95% support for its NEO compensation based on the shares voted in favor of the 2013 Say on Pay vote. This outcome confirmed the Company’s view that the NEO compensation program is performance-based and aligns with our stockholders’ interests. In making future decisions on NEO compensation, the Compensation Committee will consider the outcome of future annual Say on Pay votes, including the vote to be taken in 2014.

Our Executive Compensation Process The Role of Our Compensation Committee

The Compensation Committee has primary responsibility for oversight of the Company’s compensation and employee benefit plans and practices which cover our NEOs. The Compensation Committee Chair and the full Board of Directors also review the Company’s succession plan for the NEOs and other key positions.

Our philosophy is to provide compensation opportunities that approximate the size-adjusted 50th percentile of survey data based on our revenue size and industry. We then design our incentive plans to pay for performance with more compensation paid when performance exceeds expectations and less compensation paid when performance does not meet expectations. Thus, the actual compensation realized by an NEO will be commensurate with our actual performance.

In applying this philosophy, the Compensation Committee annually reviews the compensation of our NEOs to determine whether compensation changes are appropriate and may make changes to target total compensation opportunities as a result. In making these decisions, the Compensation Committee reviews survey data as described in the section titled “How We Use Survey Data in our Executive Compensation Process.”

The Compensation Committee also considers additional factors in making its decisions on each NEO’s target total compensation opportunity. The specific factors include: (1) survey data (as discussed above); (2) the individual’s performance against pre-set goals and objectives for the year, and Company performance; (3) the individual’s experience and expertise; (4) the individual’s position and scope of responsibilities; (5) the individual’s future prospects with the Company; and (6) how changes to one compensation element affect total compensation. Also, as discussed further below, the Compensation Committee retains an independent compensation consultant who provides advice and information that the Compensation Committee reviews in evaluating executive compensation decisions.

The Compensation Committee is also responsible for assessing Company performance to determine and recommend payouts under incentive plans. To assess Company performance, the Compensation Committee receives a detailed summary of the Company’s overall performance against its pre-set targets for the year and, in the case of long-term compensation awards with performance criteria, the Company’s performance against pre-set targets for the three-year performance period.

The Role of the Compensation Committee’s Independent Consultant

In 2013, the Compensation Committee retained the services of its own independent consultant, Meridian Compensation Partners, LLC (“Meridian”), who provided the Compensation Committee with independent knowledge and experience related to executive compensation. Throughout the year, Meridian reported directly and exclusively to the Compensation Committee and provided objective input and analysis with reference to market data, trends, regulatory initiatives, governance best practices and emerging governance norms. Meridian’s services included reviewing survey data and the underlying methodologies used by management, and providing advice on determining

the actual compensation amounts to be paid to the NEOs. During 2013, Meridian participated in seven Compensation Committee meetings either in person or by telephone. During 2013, Meridian provided no services to AES other than executive compensation services.

The Compensation Committee has reviewed the independence of Meridian relative to the final rules released by the SEC relating to the engagement of advisors by a compensation committee. In reviewing the six factors identified in the final rules, no information was presented which would affect Meridian's independence.

The Role of Our Management

Our CEO participates in all Compensation Committee meetings, excluding any of the executive sessions or sessions of the Compensation Committee in which his compensation and performance are discussed or approved. His role in the process of determining executive compensation is to provide the Compensation Committee with an assessment of each NEO's performance against his/her pre-set goals and objectives, and to provide his initial recommendations for each NEO's compensation (other than his own).

Our SVP, Global Human Resources and Internal Communications (“SVP, HR”) develops written background and supporting materials for review by the Compensation Committee prior to its meetings and presents information relating to specific elements of our compensation program. If warranted, she also proposes changes to our annual incentive and long-term compensation plans. In addition, she attends all Compensation Committee meetings.

The CEO and SVP, HR also provide the Compensation Committee with information about the Company’s overall performance to enable the Compensation Committee to make compensation decisions based on the Company’s performance, consistent with our pay-for-performance philosophy.

With the Compensation Committee’s knowledge and approval, the Human Resources team also directly interfaces with Meridian to prepare the necessary background information for the Compensation Committee.

How We Use Survey Data in our Executive Compensation Process

At the time it decides target total compensation opportunities, the Compensation Committee reviews survey data from Towers Watson. The data enables the Compensation Committee to compare compensation for our NEOs to compensation provided by similarly-sized general industry and energy companies for executives in comparable positions to our NEOs.

In 2013, we used survey data from Towers Watson’s U.S. General Industry and U.S. Energy Industry Databases.

The U.S. General Industry Database consisted of 435 companies, including 94 companies with revenues from \$10B to \$20B (AES is in this size category).

The U.S. Energy Industry Database consisted of 95 companies, including 33 companies with revenues over \$6B (AES is in this size category). Also, the majority of the companies comprising the S&P 500 Utilities Index in February 2013 were included in the U.S. Energy Industry Database.

Survey data typically lag the year for which the compensation decision will apply and therefore are aged at an annualized rate of 3% per year.

To size-adjust market data, we used regression analysis, when available, to provide the most accurate indication of the compensation that companies with revenue size comparable to AES provide to executives in comparable roles. Regression analysis predicts the compensation paid by companies closest to us in size. Executive target total compensation more closely correlates with revenue than any other company size indicator for general and energy industry companies.

The Compensation Committee reviewed survey data at the time it made decisions on target total compensation for our NEOs in 2013. For some NEOs, a blend of general industry and energy industry data is appropriate based on the operational knowledge required of their positions and the international scope of their roles. For other NEOs, general industry data is appropriate based on the NEO’s responsibility over a major staff function within the Company (e.g., Legal, IT) and the international scope of their roles. This approach is summarized below.

NEO	Equal Blend of General Industry and Energy Company Data	General Industry Data
Mr. Gluski, CEO	ü	
Mr. O’Flynn, CFO	ü	
Mr. Vesey, COO	ü	
Mr. Miller, General Counsel		ü
Ms. Hackenson, SVP, GBS & CIO		ü

For 2013, target total compensation for our NEOs compared to the market percentile data are summarized in the following table.

NEO	Market Percentile of 2013 Target Total Compensation
Mr. Gluski, CEO	Between 25 th and 50 th percentile
Mr. O'Flynn, CFO	At 50 th percentile (within 5%)
Mr. Vesey, COO	Between 25 th and 50 th percentile
Mr. Miller, General Counsel	Above the 50 th percentile (but within 15%)
Ms. Hackenson, SVP, GBS & CIO	Above the 50 th percentile (but within 15%)

The Compensation Committee views the Towers Watson survey data as an appropriate benchmark of compensation practices and levels of similarly-sized companies with international operations against whom we compete for talent.

CEO Compensation Relative to other NEOs

Our CEO's compensation is higher than the compensation paid to our other NEOs largely due to the scope of his position and his overall responsibility for the Company's strategy and direction, as well as his overall influence on AES' near- and long-term performance, in general. When compared to our other NEOs, our CEO's total compensation is more heavily weighted towards incentive compensation and his stock ownership guideline is higher. The higher compensation and different mix for our CEO are consistent with the survey data described above.

Overview of AES Total Compensation

Elements of Compensation

The following table lists each element of compensation and explains what the element is designed to reward, the objective of each element, and why we choose to pay each element.

Element of Compensation	Description
Base Salary	<p>Objective: Provide fixed cash compensation for each job position that is competitive and reflects the individual's experience, responsibility and expertise</p> <p>Designed to reward: Rewards accomplishment of day-to-day job responsibilities; increases in salary take into account individual performance as well as other factors such as an NEO's competitive positioning</p> <p>Why we choose to pay: Market competitive and helps to attract and retain our NEOs</p>
Performance Incentive Plan (our annual incentive plan)	<p>Objective: Provide performance-based, short-term cash compensation relative to the achievement of pre-set, financial, operational and strategic objectives, and individual performance accomplishments and contributions</p> <p>Designed to reward: Subject to achieving threshold performance goals, NEOs may receive 50-200% of the target incentive award based on achievement of pre-set financial, operational and strategic objectives</p> <p>Why we choose to pay:</p> <ul style="list-style-type: none"> • Direct incentive to achieve the Company's financial, operational and strategic objectives for the year • Market competitive and helps to attract and retain our NEOs
Long-Term Compensation	<p>Objective: Provide equity-based awards that align the interests of our executives with those of our stockholders</p> <p>Designed to reward: Share price growth, dividend performance and attainment of long-term financial goals</p> <p>Why we choose to pay:</p> <ul style="list-style-type: none"> • Directly links NEOs' interests with those of stockholders and AES long-term financial performance • Helps to build NEO stock ownership which further aligns NEOs' interests with those of stockholders • Market competitive and helps to attract and retain our NEOs
Retirement and Health and Welfare Benefits	<p>Objective: Provide competitive retirement and health and welfare benefits that are generally comparable to those provided to our broad-based U.S. employee population</p> <p>Our non-qualified Restoration Supplemental Retirement Plan ("RSRP") is provided to restore benefits limited under our broad-based retirement plans due to statutory limits imposed by the Internal Revenue Code (there are no special or enhanced benefit contribution formulas under the RSRP)</p> <p>Designed to reward:</p> <ul style="list-style-type: none"> • All U.S. employees are offered retirement and health and welfare benefits in connection with their performance of services for the Company • All individuals above a certain income threshold, including our NEOs, are offered the RSRP <p>Why we choose to pay:</p> <ul style="list-style-type: none"> • Consistent with our approach for the broad-based population • Market competitive and helps to attract and retain our NEOs

How We Determine Each Element of Compensation

The Company does not target a specific allocation of cash versus equity compensation, nor does it target a specific allocation between short- and long-term compensation. Instead the Compensation Committee sets each individual element of total compensation based on a review of:

• Survey data for each element of total compensation;

- Individual performance against pre-set goals and objectives for the year, and Company performance;
- An individual's experience and expertise;
- Position and scope of responsibilities;
- An individual's future prospects with the Company; and
- The new total compensation that would result from any change and how the new total compensation compares to survey data on total compensation.

CEO Target Total Compensation Mix

Other NEO Target Total Compensation Mix

For our CEO, over 70% of compensation is at-risk and performance-based, and over 60% is equity-based.

For our other NEOs, on average, 65% of compensation is at-risk and performance-based, and over 50% is equity-based.

The Compensation Committee does not explicitly consider other factors in making compensation decisions, including prior years' awards or current equity holdings. The Compensation Committee does, however, annually review "Tally Sheets" to ensure it has a detailed understanding of how its decisions on individual compensation elements affect other compensation elements and total compensation. For each NEO, the Tally Sheets provide the Compensation Committee with detailed information on:

Year-over-year changes in total compensation;

The value of outstanding long-term compensation awards under various share price and financial performance scenarios;

Payouts and realized gains from past long-term compensation awards; and

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The value of benefits payable upon termination and change-in-control.

A discussion of how the Compensation Committee determined each element of compensation for 2013 is provided in the next section of this CD&A.

2013 Compensation Determinations

Base Salary

As explained in the section titled “Our Executive Compensation Process,” the Compensation Committee reviews the base salaries of our NEOs annually. In addition, the Compensation Committee will review the base salary of an Executive Officer if there is a promotion or in the case of a newly-hired Executive Officer.

The following table shows the 2013 base salary and the percentage increase from 2012 for each NEO.

NEO	2013 Base Salary	Percentage Increase from 2012 Base Salary	Rationale for Increase
Mr. Gluski, CEO	\$1,130,000	13%	Increase competitiveness; 2013 salary is between 25 th and 50 th percentile
Mr. O'Flynn, CFO	\$650,000	-	2013 salary was set at time of his hire in September 2012
Mr. Vesey, COO	\$650,000	12%	Promotion in late 2012; salary is based on market data for his new role as COO over all Company operations
Mr. Miller, General Counsel	\$568,000	3%	General merit guideline for U.S. employees
Ms. Hackenson, SVP, GBS & CIO	\$420,000	3%	General merit guideline for U.S. employees

Further details on 2013 base salaries paid to our NEOs can be found in the Summary Compensation Table of this Proxy Statement.

2013 Performance Incentive Plan Payouts

2013 Company Performance Score Targets: Our NEOs are eligible for annual incentive awards under the Performance Incentive Plan, a stockholder-approved plan which is intended to preserve the tax deductibility of annual incentive awards paid by the Company under Section 162(m) of the Internal Revenue Code. Under the Performance Incentive Plan, the NEOs were eligible to receive a maximum payout capped at 0.17% of EBITDA for the CEO and 0.07% of EBITDA for each of the other NEOs. Assuming the Company achieves positive EBITDA and awards are payable, the Compensation Committee has the right (but not the obligation) to exercise negative discretion.

Subject to the Compensation Committee’s discretionary authority to reduce the award, the final annual incentive awards paid to the NEOs were based on certain additional pre-established measures. As described more fully below, in the first quarter of 2013, the Compensation Committee established measures in four categories: Safety, Financial, Operational KPIs and Enterprise Objectives. In setting these additional performance measures, the Compensation Committee considered information provided by Management about the Company’s strategy, financial budget for the year and operational objectives. The Compensation Committee approved performance measures and objectives across all four categories that it considered to be highly challenging.

Safety: 10% Weight

Safety is a critical measure for AES given the dangers inherent in the operation of our business. The Company has a global safety program which encourages its businesses to promote safety, and safety is a key corporate value. While goals are set for each measure below, the Compensation Committee approves a score based on its qualitative assessment.

- Workplace safety incidents
- Improvement in lost time incident (LTI) case rate
- Monthly safety walk targets
- Monthly safety meeting attendance
- Safety Perception Survey participation rate

Financial Measures: 60% Weight

Financial measures were included to ensure the payouts to our NEOs align with value creation to stockholders. The 2013 targets, set forth below, were equal to our 2013 budget, subject to pre-established guidelines for adjusting the targets for portfolio changes during the year.

Provided the threshold financial requirement for each measure is met, the score ranges from 50% to 200%. A 50% score corresponds to actual results at 80% of the target goal. A 200% score corresponds to actual results at or above 120% of the target goal.

- Adjusted EPS: \$1.30 (30% weight)
- Proportional Free Cash Flow: \$994M (15% weight)
- Subsidiary Distributions: \$1,239M (15% weight)
- Subsidiary distributions are important to AES because AES is a holding company that does not derive any significant direct revenues from its own activities, but instead relies on its subsidiaries' business activities and the resultant distributions to fund its debt service, investment and other cash needs.
- Subsidiary Distributions should not be construed as an alternative to Net Cash Provided by Operating Activities, which is determined in accordance with GAAP.
- The difference between Subsidiary Distributions and Net Cash provided by Operating Activities consists of cash generated from operating activities that is retained at the subsidiaries for a variety of reasons, which are both discretionary and non-discretionary in nature.

Adjusted EPS and Proportional Free Cash Flow are reconciled to the nearest GAAP measure in the section titled "Non-GAAP Measures."

Operational Key Performance Indicator Index: 20% Weight

The Operational Key Performance Indicator Index measures how efficiently and reliably we operate our plants, meet our customers' electricity needs and manage collections.

Each Key Performance Indicator is weighted and has a threshold, target and maximum performance goal set at the beginning of the year. The final index score may range from 0% to 200%.

Generation Key Performance Indicators (weighting)

- Commercial Availability (43.69%)
- Equivalent Forced Outage Factor (34.08%)
- Heat Rate (20.01%)
- Days Sales Outstanding (2.22%)

Distribution Key Performance Indicators (weighting)

- System Average Interruption Duration Index (42.13%)
- System Average Interruption Frequency Index (24.18%)
- Non-Technical Losses (8.20%)
- Customer Service (14.47%)
- Days Sales Outstanding (11.02%)

