

AES CORP  
Form PX14A6G  
April 11, 2016

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Dear AES Corp. Shareowner:

Support Shareowner Proposal #4 at AES Corp. Regarding Climate Change Policy and Reporting

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CalPERS is the largest state public pension fund in the United States with \$301<sup>1</sup> billion in total assets under management and long-term owner of approximately 1,837,000 shares in AES Corp. CalPERS will be voting FOR shareowner proposal #4 at the company's April 21, 2016 annual meeting of shareowners. We believe this request is of particular significance in light of the global consensus regarding climate change and emission reduction targets reflected in the Paris Agreement. The importance of the proposal's request is also underscored by the efforts of Financial Stability Board (FSB), an international body mandated by G-20 leaders to develop efficient climate-related financial risk disclosures. We note AES Corp. sought permission to exclude this proposal from proxy materials with the SEC. The request ultimately was denied by the SEC stating "the proposal focuses on the significant policy issue of climate change. Accordingly, we do not believe that AES may omit the proposal".

Climate Change Reporting – Request for an Assessment of the Company's Portfolio under a 2 Degree Scenario

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Consistent with the CalPERS Investment Beliefs we believe effective management of environmental factors, including those related to climate change risk, increase the likelihood that companies will perform well over the long-term. We support the request of proposal #4 asking the company to report on the risks associated with climate change through routine annual disclosures. The resolution highlights the following specific areas:

- Assess the resilience of the company portfolio under a scenario in which reduction in demand results from carbon restrictions and related rules adopted by governments consistent with the globally agreed upon 2 degree target accompanied by continued cost reductions in clean energy technologies;
- Present a credible scenario analysis which may rely upon existing low demand scenarios such as the International Energy Agency's 450ppm scenario or be developed by the company;
- Assess the impacts of such a scenario on the company's full portfolio of power generation assets and planned capital expenditures through 2040 including the financial risks associated with the scenario.

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<sup>1</sup>CalPERS total assets under management at fiscal year ending June 30, 2015.

PLEASE NOTE: The cost of this solicitation is being borne entirely by CalPERS and is being done through the use of the mail and telephone communication. CalPERS is not asking for your proxy card. Please do not send us your proxy card but return it to AES Corp.

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CERES Carbon Asset Risk Initiative – A History of Engagement

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The request for Climate Risk Reporting at AES Corp. has been built on a history of engagement. In September 2013, CERES launched the Carbon Asset Risk Initiative with a group of 75 investors including CalPERS requesting AES Corp. and other companies review and provide reporting related to climate change risk. Through the leadership of CERES and efforts of long-term investors we are hopeful companies will begin to recognize the importance of providing shareowners a better understanding of how they plan to address climate change consistent with the Paris Agreement.

Large Oil and Gas Companies Support the 2 Degree Target

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Ten of the largest global oil and gas companies support achieving a 2 degree target consistent with the commitment from the Paris Agreement. These companies include: BP, Royal Dutch Shell, CNPC, ENI, Pemex, Reliance Industries, Repsol, Aramco, Statoil, and Total. While these global companies have acknowledged the historic agreement reached in Paris, we are hopeful AES Corp. and many other US energy companies will recognize this growing trend and commit to best practice in integrated reporting.

Vote FOR Shareowner Proposal #4 Requesting a Climate Change Policy and Reporting

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CalPERS believes investors will benefit if the company provides accurate and timely disclosure surrounding environmental risks and opportunities associated with climate change. As a significant AES Corp. investor we encourage shareowners to support proposal #4.

Should you have any questions about the CalPERS vote please feel free to contact Todd Mattley, CalPERS Investment Officer and Global Head of Proxy Voting at [Todd\\_Mattley@calpers.ca.gov](mailto:Todd_Mattley@calpers.ca.gov) or 916-795-0565.

Thank you for your support.

Sincerely,  
Anne Simpson  
Investment Director  
Director of CalPERS Global Governance

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