

CHARTER
FINANCIAL AUDIT COMMITTEE OF
THE BOARD OF DIRECTORS OF
THE AES CORPORATION

October 2016

I. PURPOSE OF THE COMMITTEE

The Financial Audit Committee (the “Audit Committee”) is created by the Board of Directors of the Company (the “Board”) to assist the Board in its oversight of the integrity of the financial statements and internal controls of the Company; the qualifications, independence and performance of the Company’s independent auditor; the performance of the Company’s internal audit function; compliance by the Company with legal and regulatory requirements; to prepare the audit committee report that Securities and Exchange Commission rules require to be included in the Company’s annual Proxy Statement; and such other matters as are described below.

II. COMPOSITION OF THE COMMITTEE

The Audit Committee shall consist of at least three members, comprised solely of independent directors meeting the independence and experience requirements of Section 10A of the Securities Exchange Act of 1934, as amended, the rules promulgated thereunder and the rules of the New York Stock Exchange.

The Nominating, Governance and Corporate Responsibility Committee of the Company shall recommend nominees for appointment to the Audit Committee annually and as vacancies or newly created positions occur. Audit Committee members shall be appointed by the Board annually and may be removed by the Board at any time. A majority of the independent members of the Board shall designate the Chair of the Audit Committee. No member of the Committee shall be removed except by majority vote of the Independent Directors then in office.

III. AUTHORITY AND RESPONSIBILITIES

In addition to any other responsibilities which may be assigned from time to time by the Board, the Audit Committee is responsible for the following matters.

Independent Auditors

The Audit Committee has the sole authority to retain and terminate the independent auditors of the Company (subject, if applicable, to shareholder ratification), including sole authority to approve all audit engagement fees and terms and all non-audit services to be provided by the independent auditors. The Audit Committee must pre-approve each such non-audit service to be provided by the Company’s independent auditors. The Audit Committee may consult with management in the decision making process, but may not delegate this authority to management. The Audit Committee may, from time to time, delegate its authority to approve

non-audit services on a preliminary basis to one or more Audit Committee members, provided that such designees present any such approvals to the full Audit Committee at the next Audit Committee meeting.

The Audit Committee shall review and approve the scope and staffing of the independent auditors' annual audit plan(s) and evaluate the independent auditors' qualifications, performance and independence, and shall present its conclusions and recommendations with respect to the independent auditors to the full Board on at least an annual basis. As part of such evaluation, at least annually, the Audit Committee shall:

1. obtain and review a report from the Company's independent auditors describing: (i) the independent auditor's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, peer review, or Public Company Accounting Oversight Board ("PCAOB") inspection of the independent auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years, regarding one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues; (iii) all relationships between the independent auditor or any of its affiliates and the Company or persons in a financial reporting oversight role at the Company, that may reasonably be thought to bear on the independence of the Company's independent auditors; and (iv) assuring compliance with Section 10A of the Securities Exchange Act of 1934;
2. review and evaluate the senior members of the independent auditor team, particularly the lead audit partner and the auditor responsible for reviewing the audit;
3. consider whether the audit firm should be rotated in addition to the rotation of the lead audit partner and the auditor responsible for reviewing the audit as required by law, so as to assure continuing auditor independence;
4. obtain the opinion of management and the internal auditors on the independent auditor's performance; and
5. establish policies for the Company's hiring of employees or former employees of the independent auditors.

Internal Auditors

At least annually, the Audit Committee shall evaluate the performance, responsibilities, budget and staffing of the Company's internal audit function and review the annual internal audit plan and any changes to such plan. Such evaluation shall include a review of the responsibilities, budget and staffing of the Company's internal audit function with the independent auditors. At least annually, the Audit Committee shall evaluate the performance of the senior internal auditing executive, and make recommendations to the Board and management regarding the responsibilities, retention or termination of such executive. The Audit Committee shall review, as appropriate, the results of internal audits and discuss related significant internal control matters with the Company's internal auditor and management.

Financial Statements; Disclosure and Other Risk Management and Compliance Matters

1. The Audit Committee shall review and discuss with management, the internal auditors and the independent auditor:

- (a) the annual audited financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", prior to the filing of the Company's Form 10-K and the quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", prior to the filing of the Company's Form 10-Qs;
- (b) any analyses or reports prepared by management, the internal auditors and/or the independent auditor setting forth significant accounting or financial reporting issues and judgments made in connection with the financial statements, including critical accounting estimates and analyses of the effects of alternative GAAP treatments on the financial statements;
- (c) the effect of regulatory and accounting initiatives or actions, off-balance sheet structures and related party transactions on the financial statements of the Company; and any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles.

2. The Audit Committee shall review, in conjunction with management, the Company's earnings press releases and policies with respect to such press releases and all financial information (including non-GAAP information), such as earnings guidance provided to analysts and rating agencies including the types of information to be so provided. The Audit Committee may review any such press release or financial information as it deems appropriate.

3. The Audit Committee shall receive regular reports from the CEO, CFO or other members of management on the status of the Company's disclosure controls and procedures.

4. The Audit Committee shall review any significant changes in the Company's internal controls or other factors that could significantly affect these controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

5. The Audit Committee shall review the adequacy of the Company's internal control over financial reporting with the internal auditors, the independent auditor and management, including without limitation, reports regarding (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting. The Audit Committee shall review any changes implemented by management to address control deficiencies or to make controls more effective.

6. The Audit Committee shall review with management, the internal auditors and the independent auditor management's annual report on the Company's internal control over financial reporting.

7. The Audit Committee shall review and discuss with the independent auditor those matters required to be discussed by PCAOB Standards, including but not limited to problems or difficulties regarding the substance of the audit that have been reported by management concerning the audit, any restrictions on the scope of activities or access to requested information, any significant disagreements with management and any other material communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences. The Audit Committee shall review with the independent auditor any audit problems or difficulties and management's response to any communications (including the resolution of any such disagreements between management and the independent auditor regarding financial reporting).

8. The Audit Committee shall review the policies and practices developed and implemented by management with respect to risk assessment and risk management, including policies and practices which address the following: 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 Audit Committee shall not be responsible to review risk management or risk assessment processes that are reviewed by the full Board, other Committees of the Board, and/or through mechanisms other than the Audit Committee, which mechanisms are established by Company practice or policy.

9. The Audit Committee shall monitor the Company's code of conduct and compliance with respect thereto, especially as the code relates to conflicts of interest, related party transactions and illegal acts. The person or persons having operational responsibility for the Company's ethics and compliance program shall have the authority to communicate directly with the Audit Committee or its Chair: a) promptly on any matter involving criminal conduct or potential criminal conduct, and b) no less than annually on the implementation and effectiveness of the Ethics and Compliance Program.

10. The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing and code of ethics compliance matters, and the confidential, anonymous submission by employees of the Company of concerns regarding such matters, and review any such complaints and submissions.

11. The Audit Committee shall prepare the audit committee report that Securities and Exchange Commission rules require to be included in the Company's annual Proxy Statement.

Reporting to the Board

The Audit Committee shall report to the Board at each regularly scheduled Board meeting and more frequently if the Committee deems that such further reporting is necessary. This report shall include a review of any issues that arise with respect to the quality or integrity of

the Company's financial statements and internal controls, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, the performance of the internal audit function and any other matters that the Audit Committee deems appropriate or is requested to be included by the Board.

Review of Charter

At least annually, the Audit Committee shall review and assess the adequacy of this charter and recommend any proposed changes to the Board for approval.

Evaluation of Audit Committee

At least annually, the Audit Committee shall evaluate its own performance and report to the Board on such evaluation.

IV. PROCEDURES OF THE COMMITTEE

The Audit Committee shall meet in person or by telephone conference as often as it determines is appropriate to carry out its responsibilities under this charter, but not less frequently than quarterly. The Chair of the Audit Committee, in consultation with the other committee members, shall determine the frequency and length of the committee meetings and shall set meeting agendas consistent with this charter.

The Audit Committee periodically shall meet separately with management, with internal auditors or other personnel responsible for the internal audit function and with the independent auditor.

The Audit Committee is authorized to retain special legal, accounting or other advisors and may request any officer or employee of the Company or the Company's outside counsel or independent auditor to meet with any members of, or advisors to, the Audit Committee. The Audit Committee may also meet with the Company's investment bankers or financial analysts who follow the Company. The Company shall provide for appropriate funding, as determined by the Audit Committee, for (i) compensation to the Company's independent auditors for the purpose of preparing or issuing audit reports or performing other work (including other audit, review or attest services for the Company), (ii) compensation to any independent legal, accounting or other advisors employed by the Committee and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee may delegate its authority to subcommittees of the Audit Committee when it deems appropriate and in the best interests of the Company.

V. LIMITATIONS INHERENT IN THE AUDIT COMMITTEE'S ROLE

It is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with GAAP. This is the responsibility of management and the independent auditor.