



Inside this issue:

Volkswagen facing culture failure 1

4 Questions 4 Scott Goodhart 1

Adding Values 2

Energized by our Values 4

Quiz

Question:

What % of cyber attacks begin with a "spear-phishing" message?

(Answer on page 2)

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Culture Failure at Volkswagen

"Our company was dishonest ... we have totally screwed up," stated the president of Volkswagen USA after the United States Environmental Protection Agency (EPA) found out last year that the automaker had installed "defeat software" in diesel engines to help cars pass emission testing in the U.S. and Europe. Some believe that more than 11 million cars worldwide may have the cheating software. Since the news broke, the company's stocks have plunged and the CEO of VW AG resigned. Volkswagen is now struggling to regain market presence and the trust of consumers and investors. In early January, the United States Department of Justice filed a complaint against Volkswagen alleging that that defeat emission control systems breach the public trust, endanger public health and disadvantage competitors.

Volkswagen's internal investigation has revealed that pressure to achieve ambitious production targets and meet budget and emissions standards drove engineers to manipulate engines to pass the emissions tests. In its investigation report, Volkswagen identified three factors that they believe contributed to the wrongdoings of their employees: (1) individual employees misconduct and shortcomings; (2) some process weaknesses, and; (3) a company mindset in some areas that tolerated breaches of rules. "There was not one single mistake, but rather a chain of errors that was never broken," stated Mr. Potsch, the Chairman of the Supervisory Board of Volkswagen AG. (continues page 2)

4 Questions 4 Scott Goodhart



Scott Goodhart joined AES in 2009 and is currently serving as Vice President and Chief Information Security Officer. Prior to his current role, Scott

was the Vice President of Global IT Infrastructure.

1- How can AES protect itself from increasingly common cyberattacks that we see other companies like Sony and Target facing?

I think the recent major data breaches affecting companies like Sony, Target, etc. shed light on both the importance and the challenge of cybersecurity for large companies. These breaches also reinforce the fact that we need to avoid thinking of cybersecurity as a 'technology problem' or 'IT

issue'. At AES, we look at cybersecurity through four facets: people, processes, technology, and culture. Any solution we look to implement must propagate effects through all four facets in order to reduce both our cyber and overall business risk levels. In the case of the Target attack, strong technology was in place but the people were not trained to properly utilize it. While cybersecurity technologies are necessary in successfully combating cyber threats, they cannot operate independently of business (continues page 3)



Peter E. Jaffe
Chief Ethics and
Compliance Officer

Adding Values: A Note from the Chief Ethics & Compliance Officer

The celebration of our Values in October provided us an opportunity to celebrate and deepen our understanding of our Values. Our Values energize the work we do at AES and guide us in the decisions we make on behalf of the Company. This is the reason why we strive for a strong ethical culture. During his keynote address at Arlington's Values Week, Aaron Beam, former CFO of HealthSouth, described his personal failure to live up to his own values: "Most people know right from wrong ... But getting people to actually do the right thing is very hard and it's because we are human beings."

The Volkswagen story is a clear example of how poor business practices can lead people to make the wrong choices. Investing in a Values based culture will always be a priority for us. This is why our Values Guide is very important as it helps us translate our Values into

action by describing the business practices and principles that AES people are expected to apply.

Protecting Company assets is also part of our Values. The Values Guide explains that protecting AES' assets, such as intellectual property, confidential information, and physical assets is part of Acting With Integrity. As Scott Goodhart explains in this edition of the Ethics and Compliance Newsletter, protecting AES and our people from cybersecurity threats Puts Safety First. As we begin 2016, we will all need to participate in protecting AES' assets through cybersecurity initiatives.

Thank you for your efforts in 2015 to uphold our Values. Each one of us is a member of the Compliance team, and I deeply appreciate your participation and assistance this year. Let's work together to make 2016 a successful

Volkswagen facing culture failure

(Continued from Page 1)

To regain market and consumer confidence, Volkswagen has decided that emissions tests will be evaluated externally and independently. In addition, randomly selected real-life tests will be used to assess emissions behavior on the road. Chairman of the Supervisory Board Pötsch stated "We hope that this will help Volkswagen regain lost trust."

Volkswagen joins other big companies, like Walmart and Siemens, that will end up facing big

consequences and paying big fines for failing to have strong internal controls and a first-class compliance culture. The Volkswagen demonstrate the importance of a culture of ethics in an organization, where integrity comes before business pressures and individual temptations.

QUESTIONS, CONCERNS, COMMENTS?

The AES Helpline is your resource for confidential assistance.

Access on the internet at www.aeshelpline.com.

Consult AES Helpline posters at your AES business for local telephone options, connect via your local AT&T operator, or call the United States number at +1-704-544-3143.

Request advice or report wrongdoing 24 hours a day / 7 days a week. Contact to the AES Helpline may be made anonymously and all efforts will be made to protect confidentiality.

Quiz Answer:
80%

4 Questions 4 Scott Goodhart (Continued from page 1)

processes driven by human behavior and organizational culture. Effective cybersecurity involves all AES people, and nearly every function within our enterprise plays a crucial role in keeping AES cyber secure.

2- What are the top three things every AES person can do to protect AES from cybersecurity breaches?

I believe that, at AES, cybersecurity is an issue of safety that starts with our people. With this in mind, the Global Cybersecurity team created the AES Cyber Ninja Guide, a comprehensive set of guidelines designed to educate, enable and empower AES people to put safety first when leveraging the power of the Internet. Within our guide, we highlight the AES “Cyber Six”, which represent the top six cyber safety tips for our people to keep in mind every day to protect AES. I had a difficult time selecting the top three from this list, so I figured I would include all six.

1. SELECT STRONG PASSWORDS: Hackers have many tools available to crack passwords, but you can make it more difficult by selecting strong passwords, changing them regularly and keeping them confidential.

2. THINK BEFORE YOU CLICK: If anything about an email, IM or website seems suspicious, do not click on links, download files or open attachments.

3. USE SECURE CONNECTIONS: When connecting to the Internet outside of the office, use VPN to protect your information.

4. BE CAUTIOUS WHEN USING USB DRIVES: Avoid the use of USB drives and other removable media unless you are certain that the source is trustworthy.

5. EXERCISE DISCRETION WHEN USING SOCIAL MEDIA: Be aware that information you share on social media sites can be compiled and then used against you in highly personal and realistic cyberattacks.

6. YOU WILL BE COMPROMISED SO BE PREPARED: In today’s cyber age, compromise is inevitable. Know the warning signs and report incidents immediately.

3- What is AES doing to create a strong cybersecurity culture?

At AES, safety is our number one Value and is very much ingrained into the mindset of our people and the fabric of AES. Through our Communication and Training & Awareness Programs, such as the Global Cyber Ninja Program, we are working to transform the way AES people understand and think about cybersecurity. These awareness initiatives will allow us to better inform our people and our leadership on the threats evolving in the cyber environment, and the preventative actions they should employ in order to protect AES against those threats. We believe we have made and will continue to make great headway in integrating cybersecurity into our strong safety culture that already exists.

4- How AES Values influence the way you work or the decisions you make?

AES Values are foundational in our company and serve as a large part of what makes AES unique. As a result, nearly all of my actions and decisions are governed by these five tenets. Whether I am conducting business with an external vendor, interfacing with an internal colleague, collaborating with our industry peers in other energy firms, or simply interacting with a cab driver taking me to the airport for a trip to Indianapolis or Santiago, I commit myself to doing so in accordance with our Values.

Energized by our Values

In October 2015, AES businesses around the world once again gathered to celebrate Values Day. This annual event gives AES people the opportunity to reflect on and celebrate our Values that have represented the foundation of AES since the company was founded in 1981. In previous years, we have held a one-day event, but in 2015, many businesses, including Arlington, celebrated a Values Week, focusing on one Value each day.

In Arlington, we celebrated Values Week during the week of October 26-30, 2015. On Monday, the Environmental Health and Safety team conducted a shelter in place drill to honor our first Value, Put Safety First. On Tuesday, we celebrated Act with Integrity with a guest speaker, Aaron Beam, former CFO of HealthSouth, who shared lessons learned from HealthSouth's \$2.8B accounting fraud, one of the largest corporate frauds in American history. Following his presentation, the AES Executive Leadership Team (ELT) held a panel discussion on the importance of AES' values-based culture and how it impacts the growth of the Company. On Wednesday, we celebrated Strive for Excellence by hosting the first ever APEX competition in the Arlington office. On Thursday, we talked about how we Honor Commitments with a discussion about the company's global social responsibility projects. The week concluded with Have Fun Through Work, where we announced the winner of the APEX competition followed by a trivia game that tested AES peoples' knowledge of AES history.



Several of our businesses also conducted week-long celebrations of our Values. The Europe SBU office celebrated Values Week with a clean-up of Amsterdam's canals, a safety discussion roundtable, and an office desk cleaning competition. In the Philippines, activities included sponsoring street children to visit a local museum, an APEX competition, safety meetings, and a team building activity. In UK & Ireland, the weeklong events included a charity breakfast and an outside speaker who shared his personal, compelling tale of what happened to him when he did not think about acting with integrity. Vietnam celebrated Values Day with a social responsibility activity where they brought 30 specialized doctors and nurses in dental and ophthalmology to a public school in the neighborhood of our power plant to examine and educate children about vision and dental health. In Colombia, they invited a non-profit organization created by the former mayor of Bogota to speak and facilitate a discussion on how Values can impact a company's culture.

In Chile, they played a Values game which contained questions related to AES Policies. The AES people who answered correctly were automatically entered into a contest to win a prize. We hope your Values celebration was memorable.

