

Second Statement Regarding Statkraft's Projects in the Pilmaiquen River

Statkraft complies with high international standards of sustainability and corporate responsibility with strong commitments to health and safety, business ethics, environmental sustainability and human rights. The company takes guidance from international principles and sustainability guidelines, such as the OECD Guidelines for Multinational Enterprises and the IFC Performance Standards on Environmental and Social Sustainability.

In terms of fundamental rights, Statkraft is guided by the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. The company's commitment in this area is reflected in its Code of Conduct, which has been adopted by the company's Board of directors and applies to both employees and contractors. The commitment to human rights is also reflected in its Corporate Responsibility and HSE policy.

In 2015, Statkraft acquired the Chilean company Empresa Eléctrica Pilmaiquén, a company that had the Rucatayo hydropower plant in operation on the Pilmaiquén River, and rights to develop two more projects on that same river: Osorno and Los Lagos hydropower plants, both with environmental approvals from the Chilean authority.

The original plan was to start the construction of Osorno power plant before Los Lagos. However, despite having mitigation measures approved under the Chilean regulations, the company decided in October 2016 not to start this project, since the operation of the plant, as originally conceived, would impact the ceremonial site of Ngen Mapu Kintuante, deemed to be of cultural value for the Mapuche-Huilliche communities.

Following guidelines on Human Rights and Indigenous People, Statkraft decided to initiate a dialogue process with the communities and redesign the Osorno project. The company aims to define the final design together with the communities in order to avoid or fully mitigate any indirect impacts on the Kintuante ceremonial location. Once this process is finished, the project will be re-submitted into the Chilean Environmental Assessment System (SEIA) and will be re-assessed in the context of a formal process of Indigenous Consultation.

Statkraft also took the decision to restore the sacred site to the Huilliche communities in the area. In this context, in March 2018, the company presented a formal proposal to the involved indigenous communities. Since then, a process of permanent dialogue with different stakeholders has been developed, with the

aim of finding a legal framework that allows the restitution of the site, ensuring its protection in the long term and access for all community members who have historically made use of the place.

On this point, it is necessary to clarify that Statkraft has not put any kind of condition to restore the sacred site. The interest of the company is to return this place in the best possible manner, and that is not subject to the future of any project or development initiative. The only condition is that the restitution should be defined in a broad and participatory process, including all the people who have a relationship with Kintuante or consider that they should be included in the process.

Dialogue process

At the time the authority approved the project, there was no legal obligation to conduct an indigenous consultation according to the standards of ILO Convention 169. Instead, Statkraft in 2015 voluntarily decided to initiate a process of informed participation with indigenous communities and relevant stakeholders in the territory, in order to make the project and its impacts known to the communities. This process started with a deep social, environmental and economic analysis and has been ongoing since then. It has included, among others, visits from the communities, their organizations and leaders to our Rucatayo hydropower plant, where we have been able to explain with a real and visible example, the real impacts of a run of river power plant.

In this context, Statkraft Chile has organised more than 210 meetings in the last two years to inform about Osorno and Los Lagos projects, including meetings with 22 indigenous communities, associations and Huilliche Authorities (including representatives of the Lof en Resistencia), as well as meetings with organizations of various kinds, such as neighbours associations, local and national authorities, sports clubs and rural drinking water committees, among others.

This process of dialogue was reinforced in September 2018 with the opening of an Open House in the city of Osorno. This office has a permanent presence of a territorial team and is open for anyone to request information on Statkraft initiatives or file a complaint.

This process also includes the co-design, with the communities, of a local development plan, which will consider social and community projects of collective interest. The plan will include initiatives in the field of productive development, promotion of the Huilliche culture, and clean energy projects for the local communities, among others.

Illegal Occupation

On June 30, 2019, an undetermined number of people entered the Carimallín Farm, initiating an illegal occupation of the property in which the Los Lagos project will be located. The occupants were subsequently identified as Lof in Resistance of Pilmaiken.

On Saturday, July 6, 2019, after seven days of occupation, the eviction of the occupants was carried out by the Police without any clashes or detainees.

The same Lof in Resistencia of Pilmaiken carried out another illegal takeover against Statkraft Chile in October 2018, when the company's office in Osorno was occupied after throwing out the company's employees by force.

Los Lagos power plant

Recently, Statkraft Chile publicly announced the start of construction of Los Lagos hydropower plant, an initiative that will have an installed capacity of 52 MW and expects to start its commercial operation in 2022.

The project is located in the middle of two agro-industrial farms and its execution and operation will not affect ceremonial sites of the Mapuche-Huilliche people. Also, the geography of the area allows the permanent works of the power plant to be confined to the course of the river, reducing the visual impact of the plant.

In environmental matters, the project considers mitigation, compensation and/or repair measures for any effects of the project, including measures such as the creation of a biological corridor, soil decompaction, revegetation and reforestation with native species, riverside management, drainage works and water catchment. The biological corridor will incorporate more than 65,000 trees of native species in the surroundings of the reservoir. In addition, the project considers an ecological flow, which will be monitored permanently.

We want to be categorical in stating that the construction and operation of the Los Lagos Hydropower project will not flood any indigenous cemetery or any other indigenous land. In 2017, an archaeological study was carried out by external consultants in accordance with the requirements of the Environmental License Resolution (RCA). The study was carried out in accordance with the parameters and methodology agreed with the Council of National Monuments (CMN) of Chile, the competent authority in this matter.

According to the study, no finding or evidence was found that demonstrates the presence of a pre-Hispanic indigenous cemetery in the area where permanent works will be developed or in the reservoir area of the project.

The only findings were ceramic fragments and parts of stone instruments. These findings were duly reported to the CMN. This entity approved an archaeological rescue plan to bring all the pieces to the Historical and Anthropological Museum Mauricio Van de Maele in Valdivia. This rescue has not been done yet.

In the study carried out by the specialized consultants it is indicated that the site "most likely" corresponds to "an ephemeral occupation", indicating that at the time of the study, that is, prior to any intervention by Statkraft Chile, "the site was highly intervened by anthropic [human] activities (...) through agriculture".

It should be noted that in addition to the rescue approved by the Council of National Monuments, an Archaeological Supervision Plan will be activated during all excavation activities. This implies the permanent presence of an archaeologist, who will secure the protection of the cultural heritage, as well as any possible finding if there is any.

It is also important to point out that the construction of Los Lagos hydropower plant will not affect the sacred site of Ngen Mapu Kintuante or the Maihue cemetery, since these sites are at a distance of 3 kilometers from the project. Therefore, these sites will not be flooded or affected in any way. Los Lagos power plant will neither have any installation or civil works in the Mencahue creek.

For Statkraft, the implementation of renewable energy projects does not only have to contribute to the sustainability and development of the country, but also to the sustainability, development and well-being of its neighbours.

It is important to point out that throughout its process of building relationships with the communities, Statkraft Chile has not delivered money to the people or families in the territory, as the objective of these joint efforts aims to develop community projects of collective interest, focused on the UN Sustainable Development Goals.

Statkraft's aim is to contribute with renewable energy promoting a low-carbon sustainable development, while at the same time building a better future for the communities close to its activities. The company is committed to a future of sustainable development that fully respects our natural environment, as well as the traditions and cultural heritage of its people.