



Stakeholder Engagement Plan

Ventos Neuquinos I Wind Farm Project
(Neuquén, Argentina)

27 June 2019

Project No.: 0511812

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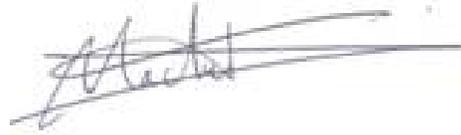
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Stakeholder Engagement Plan

Ventos Neuquinos I Wind Farm Project (Neuquén, Argentina)



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Acronyms and Abbreviations

Name	Description
CLO	Community Liaison Officer
E&S	Environmental and Social
ESIA	Environmental and Social Impact Assessment
ESMS	Environmental and Social Management System
FPIE	Free, Prior and Informed Engagement
IFC	International Finance Corporation
HSS	Health, Safety and Security
KPI	Key Performance Indicator
SEP	Stakeholder Engagement Plan

EXECUTIVE SUMMARY

AES has developed this Stakeholder Engagement Plan (SEP) for Vientos Neuquinos I Wind Park, located in Paraje Bajada Colorada, Collón Curá, Argentina; based on the following corporate management guidelines: AES Stakeholders Engagement Guidelines (2018) and Guidelines for developing sustainable social and environmental programs (2018), see Appendix 1 and 2.

The document is subdivided into the following sections:

- Introduction
 - Scope
 - Objectives
 - Definitions
- Roles and Responsibilities
- Project Overview
- Stakeholder Engagement Plan
 - Stakeholder Mapping
 - Information Disclosure and External Communication
 - Community Grievance Mechanism
 - Monitoring and reporting

Additionally, the SEP includes the guidelines for the implementation of stakeholder engagement activities as well as the results of already performed ones

1. INTRODUCTION

The purpose of this document is to establish a stakeholder engagement strategy and to give guidance to AES and its contractors, on the implementation of this Stakeholder Engagement Plan (SEP) at the Vientos Neuquinos I Wind Park Project located in Paraje Bajada Colorada, Collón Curá, Argentina.

This SEP provides the following:

- Identification, analysis and prioritization of stakeholders as part of a stakeholders mapping;
- Strategy for information disclosure and external communications;
- Stakeholder engagement activities performed before the ESIA;
- Disclosure of information and external communication;
- Description of the community grievances mechanism; and
- Monitoring and reporting activities.

1.1 Scope

The scope of this document is to implement stakeholders' engagement activities when performing project related activities in the Vientos Neuquinos I Wind Park in Argentina.

This SEP describes how the Project shall engage external stakeholders during construction and operation. Decommissioning is also considered at a high level.

This plan is considered to be a 'live' document and will need to be amended periodically regarding operational changes and learnings experiences during its implementation.

1.2 Objectives

The main objective is to develop strong a Stakeholder Engagement process that are suitable to AES Argentina businesses' local contexts and equally beneficial for AES Argentina's core business and the sustainable development of the communities in which operates. The plan should be scaled to the project risks and impacts and development stage.

The main objectives of the development and implementation of the SEP for the Project are:

- Identify relevant stakeholders for this Project.
- Distribute accurate Project information in an open and transparent manner.
- Inform local stakeholders (local communities, as well as local government institutions), the purpose, nature and scale of the project, as well as the activities proposed for the development of the Project.
- Communicate pertinent information about the possible impacts, both positive and negative that would lead to the development of the project, on the communities closest to it or impacted by the development of the project.
- Identify the main concerns and concerns of social actors in relation to the development of the project.
- Record and address public concerns, grievances and suggestions, to ensure that are answered and handled appropriately.
- Monitor the effectiveness of the engagement activities.

1.3 Definitions

Term	Definition
Contractor	Any third party organization, which is engaged or commissioned by AES to undertake work or provide services.
Subcontractor	A contractor directly engaged or commissioned by a principal contractor to undertake work on behalf of AES.
Influence	Power that stakeholders have over a project.
Interest	Refers to the interest of stakeholders who may be directly involved with the Project or have something to either gain or lose because of Project implementation. The level of interest can help clarify the motivations of different actors and the ways in which they might be able to influence the Project.
Importance	Degree to which achievement of project objectives depends on the active involvement of a given stakeholder or group.
Grievance/Complaint	A problem raised by an individual or group of individuals that needs to be addressed. Complaints can result from either real or perceived impacts of AES operations. The terms “complaint” and “grievance” can be used interchangeably.
Social License to Operate	The social license to operate refers to the level of acceptance and (informal) approval by local stakeholders and communities where the Project operates. This does not consist in any formal permitting document.
Stakeholder	Persons or groups who are directly or indirectly impacted by a project, as well as those who may have interests in a project and/or the ability to influence its outcome, either positively or negatively.
Stakeholder Engagement	Broad, inclusive and continuous process between a company and the stakeholders encompassing a range of activities and approaches, and spanning the entire life of the project.
Stakeholder Engagement Plan	The plan developed at project level that collects all the initiatives to deal with Stakeholders.

2. ROLES AND RESPONSIBILITIES

Role	Responsibility / Accountability
AES Argentina – Vientos Neuquinos I	
Project Manager on site	<ul style="list-style-type: none"> • Ensure proper implementation and follow up of the SEP. • Ensure that contractor's and AES employees are informed and trained on the SEP. • Ensure the AES ESHS team reports on time and with the expected and agreed points. • Provide resources to ensure that interests of stakeholders are represented and taken into consideration during construction.
E&S Corporate Manager	<ul style="list-style-type: none"> • Outline first version of the SEP and submit it for approval to senior management. • Ensure proper implementation and follow up on project's ESHS performance in relation to the SEP and support the Social Manager/CLO in the implementation during construction and operations, and decommissioning phases. • Participate in the periodic performance review of the SEP.
ESHS Team	<p><u>Social Manager/Community Liaison Officer(CLO):</u> Neutral individual ideally recruited locally, who speaks the dominant local language, Spanish and should be proven not to have a personal interest in a particular outcome. As the primary interface between the Project and stakeholders, including the local community, the Social Manager/CLO will:</p> <ul style="list-style-type: none"> • Lead the SEP from the sponsor perspective and coordinate the results and actions to be taken with the H&S and Environmental Manager and later with the EPC ESHS Team • Review the SEP viability with the H&S and Environmental Manager • Lead day-to-day implementation of the SEP and Community Grievance Mechanism, including proactively maintaining regular contact with impacted communities through regular community visits to monitor opinions and provide updates on Project activities, and ensuring communication with vulnerable groups. • Produce stakeholder engagement monitoring reports and submit to AES Project Manager and E&S Corporate Manager. • Supervise/monitor and coordinate activities with the EPC CLO to ensure that EPC staff and all sub-contractors comply with the SEP. • Manage the day-to-day working, utilization, implementation of SEP by all parties engaged on the Project. <p><u>Health and Safety Manager:</u></p> <ul style="list-style-type: none"> • Review the SEP ensuring compliance in terms of H&S requirements and provide feedback to AES Social Manager/CLO. <p><u>Environmental Manager:</u></p> <ul style="list-style-type: none"> • Review the SEP ensuring compliance in terms of environmental requirements and provide feedback to AES Social Manager/CLO
Country Manager	<ul style="list-style-type: none"> • Support the ESHS Team providing feedback about the SEP
EPC Contractor – NORDEX – ACCIONA	
Project Manager on site	<ul style="list-style-type: none"> • Review and understand SEP before its implementation at the design stage. • Ensure that sub-contractors and their employees are informed and trained on SEP. • Provide appropriate resources to ensure that the SEP can be effectively implemented in coordination with AES ESHS team. Report progress on SEP implementation alongside Projects aspects to AES management, maintain and update Project reporting and checkpoints to a required standard.
Human Resources Manager	<ul style="list-style-type: none"> • Ensure that employees and subcontractors have in their contracts a stakeholder engagement/community relations management clause and they are aware and trained on the SEP. • Coordinate required SEP support and trainings for EPC staff in coordination with AES ESHS team and Human Resources Manager.

<p>ESHS Team</p>	<p><u>Community Liaison Officer:</u></p> <ul style="list-style-type: none"> • Plan the delivery of the Project in line with the SEP requirements. • Ensure every contractor/party receives sufficient support to comply with SEP requirements. • Circulate the SEP to EPC personnel and sub-contractors and co-ordinate required SEP support and trainings with the Human Resources Manager. • Produce SEP implementation updates at agreed intervals, and whenever substantive actions are required. <p><u>Health and Safety Manager:</u></p> <ul style="list-style-type: none"> • Ensure the SEP is aligned with H&S requirements according to local and international regulation and provide feedback to the EPC/CLO. <p><u>Environmental Manager:</u></p> <ul style="list-style-type: none"> • Ensure the SEP is aligned with the environmental requirements according to local and international regulation and provide feedback to the EPC/CLO
<p>EPC Personnel and subcontracted employees</p>	<ul style="list-style-type: none"> • Comply with requirements stated under this document - Non-compliance will be treated as a disciplinary matter. • Provide assistance if needed to ensure compliance with this plan. • Perform assigned tasks towards meeting SEP objectives. • Communicate concerns, questions or views to their supervisor or the CLO compliance or implementation of the SEP. • Provide data related to SEP performance/monitoring as required.

Source: ERM, 2019

3. PROJECT OVERVIEW

The project "Parque Eólico Vientos Neuquinos I" (Project) consists of the construction and operation of a wind farm, for which the installation of 29 wind turbines with a nominal power of 3,465 MW will be required, for a total installed power of 100,485 MW, as well as additional related infrastructure.

The model and technology of the turbines rely on three blades and a concrete tower. The wind turbines to be used will consist of three main elements: the tower, the nacelle and the three-bladed rotor. Other minor components include the hube, front cone, wiring, stairs control panels and internal tower installations, among others.

The specifications of each wind turbine will be as follows:

- Brand: ACCIONA
- Model: AW 132/3300 IEC IIB TH120
- Hub height: 120 m
- Power per wind turbine: 3,465 MW
- Total power of Wind Farm: 100,485 MW
- The Project will be developed in three main stages: Construction, Operation and Maintenance, followed by ultimate Abandonment.

3.1 Project location

The Project is located on an area of fiscal property of the Neuquén Province, Argentina. This area is located to the north of the town of Piedra del Águila, within the Collón Curá Department of the Neuquén Province. The Project area is located approximately 7 km north of Paraje Bajada Colorada, 38.5 km northeast of Piedra del Águila town, 49 km southwest of Picún Leufú town and 31 km southwest of Santo Tomás. It is located at an altitude varying between 550 and 650 meters above sea level.

3.2 Area of Influence

The area of influence is located in the Departments of Collón Curá and Picún Leufú, in the Neuquén Province, and consists of the Piedra del Águila and Picún Leufú and the Santo Tomás Development Commission.

The following table presents the administrative structure where the Project area is located.

Table 1 Project Area Administrative Structure

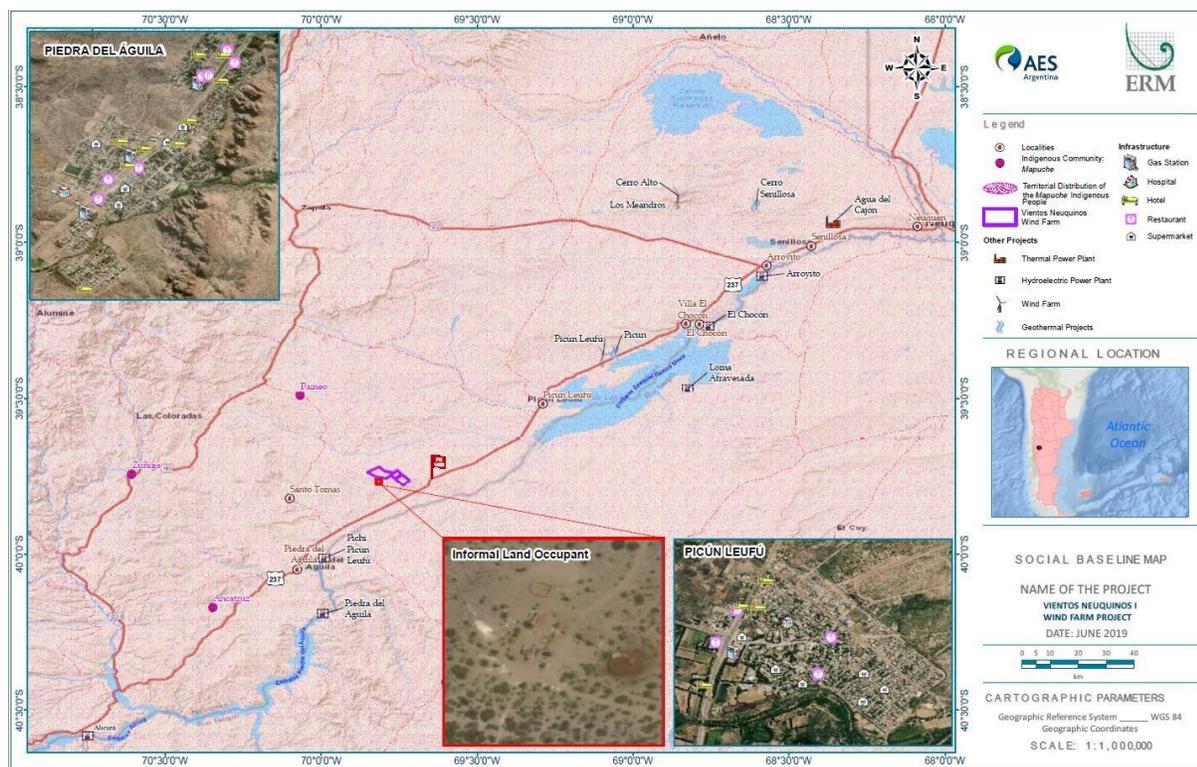
Department	Municipality / Development Commissions
Collón Cura	Piedra del Águila Municipality
	Santo Tomás Development Commission
Picún Leufú	Picún Leufú Municipality

Source: ERM 2019

In Collón Curá, the Ancatrutz Mapuche Indigenous Community¹ is located at a 67 km distance of the Project area, distributed in the Zaina Yegua, Paso Yucón, Piedra Pintada and Sañizo sites (parajes), 30 km from the Piedra del Águila urban center, composed of approximately 80 families, with an estimated population of 320 people, mostly made up of adults and elderly citizens. This Community offers tourists lodging in cabins and fishing activities.

There are two other Mapuche Indigenous Communities: Paineo² (in El Sauce), located at a 37 km of distance of the Project area, and Lof Zuñiga³ (in La Picasa), located at a 71 km distance from the Project area, with 24 (estimated population 100 people) and 60-80 families (estimated population 320-360 people) respectively. These Communities are located 50 km from Santo Tomás. The main economic activity that these families develop is goat and sheep breeding. These Indigenous Communities are not considered within the Project's Area of Influence because no direct or indirect adverse impacts from the Project on these are expected.

Figure 1 Socio-economic Area of Influence



Source: ERM 2019

¹ See: https://datos.gob.ar/dataset/justicia-listado-comunidades-indigenas/archivo/justicia_f9b57566-3e7c-4449-b984-49a26897eb77. Indigenous Community location was confirmed by local authorities during interviews.

² See: https://datos.gob.ar/dataset/justicia-listado-comunidades-indigenas/archivo/justicia_f9b57566-3e7c-4449-b984-49a26897eb77. Indigenous Community location was confirmed by local authorities during interviews.

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3.3 Project activities

3.3.1 Construction

- During the Construction stage, the following actions will be conducted:
- The transport of the wind turbines and accessories to the site in compliance with transit regulations and communicating these activities in advance to the population and competent authorities.
- The construction of access and internal roads.
- The construction of platforms for crane work.
- Construction of foundations for wind turbines and excavation of trenches for underground cabling (communication, electrical interconnection and protection).
- On-site installation of wind turbines and aerial medium voltage lines for WTGs interconnection.
- The construction of a transformer substation, control facilities for personnel (auxiliaries) and service facilities (compact sewage effluent treatment system and transitory hazardous waste storage sector).
- Additionally, in this phase, the construction of temporary facilities will be conducted in an area of 5,000 m².

3.3.2 Operation and Maintenance

Activities in the operations phase will essentially consist in power generation from the turbines (the speed and orientation of the turbines automatically controlled) and maintenance.

This will be carried out in line with a dedicated operation and maintenance plan, as well as a specific safety, health and environmental management plan. In order to guarantee the safety and protection of the operation of the wind farm, a series of operational tasks will be conducted: (i) induction and training of personnel; (ii) scheduled maintenance of wind turbines, civil infrastructure and electrical infrastructure;

(iii) unscheduled maintenance. Inputs such as oil (gears and hydraulic systems), lubricating greases and antifreeze products are expected to be consumed for maintenance tasks.

3.3.3 Decommission

During the Abandonment Stage will be performed dismantling tasks of existing facilities including: (i) removal of wind turbines and external power lines; (ii) removal of medium voltage lines and foundation bases; (iii) removal of the transformer station; (iv) removal of perimeter fences and signaling.

Scarifying tasks will be conducted in order to promote the natural revegetation of the native flora of all the intervened areas. The planting of native species will be done by arranging them in the soil according to the density, diversity and coverage identified in the baseline.

4. STAKEHOLDER ENGAGEMENT PLAN

According to AES Stakeholder Engagement Guidelines (2018), Stakeholder Management and Engagement refers to the process of developing, proactive, transparent and stable relationships with key stakeholders for the Company by supporting the strategic objectives of the organization. Moreover, it supports the strategic objectives of the organization by promoting public and private support for AES projects, reducing opposition and encouraging a strong positive view of AES as a company.

The SEP includes the following sections and their respective requirements:

- Stakeholders mapping: Regular update and revision of the stakeholder register including stakeholder analysis and re-evaluation as necessary throughout the different project phases;
- Information disclosure and external communication procedure;
- Grievance Mechanism: Addressing comments, questions, and grievances regularly and through appropriate channels, and issuing information to stakeholders. This includes regular refreshers to stakeholders about the grievance mechanism and related processes;
- Regular Project Monitoring reports and reporting to the different stakeholders as appropriate.

4.1 Stakeholder Mapping

A pillar in the SEP includes the identification of key stakeholders involved and to engage with as part of the strategy. Stakeholder mapping is a tool for identifying and analysing Project stakeholders and planning the Project communication process. It helps define who should the Project engage with, and how the engagement should be. Mapping is also useful for effectively understanding and managing stakeholder expectations when deciding timing for stakeholder involvement.

A stakeholder (or actor) is an individual, group or organization who has an interest in the results of a particular intervention or action from other actors. Commonly regarded, stakeholders are those individuals, groups or organizations that impact or are impacted by the development of certain activities; or who possess information, resources, experience or some form of power to influence the actions of others in a determined area (ECFAO, 2006).

The identification process should focus on the stakeholders who may be impacted, have an effect, interest or can influence the project. SEP should consider not only on the groups but also stakeholders who could be within each group. The final list will depend on the project its impacts, and the current engagement objectives. For each stakeholder, objectives are different.

The potential list of stakeholders can be endless. It is therefore critical to prioritize resources to focus on those key stakeholders most relevant to AES' operations and reputation.

SEP should include the preparation and frequently update a stakeholder map for each stage of the project. A stakeholder map is like a balance sheet – it is only accurate at one point in time. Therefore, the project must review the stakeholder map regularly, at least twice a year or as situations change.

To be ready to act/react to an emerging issue, it is crucial to identify in advance key issues that can affect daily operations and future plans. This applies to an ongoing analysis of political, economic, social and technological issues. In that process, it is important to consider the value of stakeholders' insights: stakeholders can provide valuable feedback and alert on relevant issues.

Identify the network of influence to better understand the stakeholders' position, expectations and possible reaction(s) to the approach. This will be key in prioritizing stakeholders in two categories: Primary Target and Secondary Target. The primary target audience includes decision makers who have direct authority or

leadership on a given issue. The secondary target audience includes people who have access to and can influence the primary target audience, i.e. influencers and contributors.

Additionally, the assessment of each stakeholder must consider:

- The position or favorability regarding the project (against, in favor, neutral)
- The level of influence on the project (which may be low, medium or high).
- The involvement on the project
- The interest or concern on the project. This is generally linked to the degree that the Stakeholder is likely to be impacted by the issue/project.

Figure 2 Stakeholder Identification



Source: AES.

It is important to mention that this identification, mapping, and analysis should be a dynamic and continuous exercise in the execution of any project, as it allows deep understanding of the social context and increases the possibilities of effectiveness and adoption of liaison strategies in the social context. The specific objectives of this section are:

- Identify the Stakeholders in the Study Area and define their characteristics;

- Analyze the positions, degree of influence, concerns, and interests of these Stakeholders regarding Project development;
- Propose prioritization of key stakeholders.
- As mentioned above, identification of Stakeholders was carried out by gathering data based on secondary sources. Publicly-available data was gathered from the following organizations:
- The National Institute of Statistics and Census (INDEC for its acronym in Spanish);
- A Review of External Factors (REF) performed by ERM through consulting news from the municipalities, communities, and governmental agencies of the Project's Area of Influence; and
- Available academic information.

Once the Stakeholders had been identified, their influence and position regarding the Project was assessed. This assignment is based on knowledge of social, cultural, political, and environmental conditions and factors associated with Project development. The criteria used for their classification and subsequent prioritization are presented below.

- Capacity for potentially influencing the Project's development

Influence is defined as the degree of orchestration with other Stakeholders and the capacity to influence Project development. The next table indicates the criteria used to measure Stakeholder influence.

Table 2 Parameters for assigning the potential level of influence

Degree	Description
Low	Stakeholders possess little capacity to influence Project development and/or few relationship networks with local stakeholders.
Medium	Stakeholders possess a medium level of capacity for orchestration and influence, exercise influence on social networks with important connections to local stakeholders such as inhabitants, workers, tourists, politicians, among others.
High	Stakeholders possess a high level of capacity for orchestration and influence on Project development, as well as significant relationship networks with local stakeholders such as inhabitants, workers, tourists, politicians, among others.

Source: ERM, 2019

- Position on the Project

The potential influence of Stakeholders on the Project was determined based on the information gathered. The next table indicates the criteria used to assign the potential type of position of Stakeholders on the Project.

Table 3 Parameters for assigning potential position on the Project

Potential position	Description
In favor	Stakeholders are aware of and recognize convergence between their interests and Project development. Additionally, they would not use their influence, regardless of degree, against the Project. Their perception of the Project is mainly positive.
Neutral	Stakeholders are unaware of and do not recognize convergence between their interests and Project development. Additionally, they would not use their influence, regardless of degree, against the Project. They do not have a positive or negative perception of the Project.
Against	Stakeholders are aware of and recognize convergence between their interests and Project development. They could potentially use their influence, regardless of degree, against the Project. They have a negative perception of the Project.

Source: ERM, 2019

The following table lists the main stakeholders identified in the Project's Social Area of Influence.

Table 4 List of representative stakeholders in the Project influence area

Category	Stakeholder	Description
Public administration	Neuquén Investment Agency (ADINQN)	Promotes investment in the Neuquén Province
	Mining Direction of the Neuquén Provincial Government	Issues permits for the exploitation of quarries for construction works.
	Cultural Heritage Direction of the Neuquén Provincial Government	Issues permits for all interventions on or close to cultural heritage assets or areas, affecting either its structure or image. Will supervise the development of the Project earthworks through a licensed professional.
	National Roads and Highways Direction of the Neuquén Provincial Government	Issues transit permits to circulate through Neuquén routes.
	Piedra del Águila, Picún Leufú and Santo Tomás Development Commissions.	Promote local development and private investment in its municipality and articulate with local authorities and the private sector to secure job opportunities for its inhabitants. Habilitates lodgings to assure that they fulfill the minimum requirements.
Workers' Unions	Argentine Construction Workers' Union (Unión Obrera de la Construcción de la República Argentina, UOCRA)	Supervises Working Conditions and Environment in the construction industry (CyMAT) on construction sites. Delegates are appointed on site to supervise working conditions. Piedra del Águila does not have a delegate. UOCRA has signed an agreement with Nordex whereby they commit to 70% of the workforce being local.
Private Sector	Owners of accommodation, food, tourist and other services.	Companies dedicated to providing lodging and food services to passing tourists and fishermen in the town of Piedra del Águila and Picún Leufú.

Impacted stakeholders	People impacted by the physical and/or economic displacement generated by the Project.	A family has been identified; occupying a house located less than 500 m away from the Project, which carries out grazing activities in the Project area.
NGOs	FUNDASUR	International, national, and local non-government organization that could generate an opinion due to the Project's environmental and social performance.
Communications media	Neuquén: Channel 18 DAVITEL; newspapers La Mañana de Neuquén and Río Negro; Websites: https://www.neuqueninforma.gob.ar . Piedra del Aguila: Radio: Gregorio Alvarez, Channel 8, Websites: www.lmneuquen.com , www.eldiariodelturismo.com.ar , www.rionegro.com.ar .	Could influence public opinion and awake general interest regarding the Project.

Source: ERM Recognition Visit, 2019.

During the visit performed to the Project influence area on May 29th and 30th, interviews were held with local authorities of Piedra del Águila, Santo Tomás and the Executive Director of ADINQN. In addition, an interview was held with the, head of the nearby family potentially affected by the Project's construction activities. Primary data collected during the visit contributed to the elaboration of a preliminary map of Project stakeholders, shown in table below.

It is important to point out that the preliminary mapping represents the opinion of the interviewed persons at the moment of the dialogue, and it can vary depending on the attention of their expectations. A detailed stakeholder mapping will be performed each 6 months.

Table 5 Preliminary mapping of Project stakeholders

Category	Stakeholder	Project Role	Position ⁴	Influence ⁵
Public administration	ADINQN Lic. Carlos Pereyra – Executive Director Ing. Hipolito	Promotes investment in the Neuquén Province	In favour	High
	Piedra del Águila Municipality Marcelo Ortiz - Council President Maria Belén Vasquez – Council Women Natalia Zea – Culture Secretary Martín Rucci – Tourism Secretary	Coordinates with authorities and the private sector to promote job opportunities for its inhabitants through job banks. Habilitates lodgings to ensure that they comply with the minimum requirements. They have identified available lodgings and they are willing to engage Nordex and AES.	In favour	High
	Santo Tomás Development Commission Intendent – Pavón Gladis	Coordinates with the Neuquén Province to promote the local development in Santo Tomás. Santo Tomas has a community lodging with 8 beds. Santo Tomás has spring water sources to provide drinking water to the locality and other areas. Potentially it could supply drinking water to the Project. In Santo Tomás there is also a private mineral water company that can supply drinking water to Project workers.	In favour	High
Private sector	XX	Owners of lands where the Project's right-of-way easement will be enabled.	In favour	Low
Impacted stakeholders	XX family	Has a house located less than 500 m away from the Project, and carries out grazing activities in the Project area	In favour	Low

Source: ERM fieldwork, May 29th, 30th, 2019.

Based on the External Factor Review and fieldwork information, it can be said that, at this time, no Stakeholder was identified as a potential opponent against the Project as all of the relevant Stakeholders had a favorable or neutral potential position. Additionally, for the EFR conducted, no major negative incidents were identified in the Study Area regarding windfarms. Thus, if the Project establishes and maintain an adequate Stakeholder Management (i.e. provide timely information, comply with the agreements arranged with the landowners, establish a transparent communication with local authorities, etc.) since the beginning, it could be possible that the development of it would be successful for all the Stakeholders involved.

⁴ In favor, Indifferent, Against.

⁵ High, Medium, Low.

4.1.1 Local perceptions regarding the Project

Local perceptions of the Project, as indicated by the interviewees, are available below:

■ ADINQN

The Executive Director of ADINQN stated that the development of the Ventos Neuquinos Project is important for the entity because the other two initiatives (Picún Leufú and Los Meandros) are paralyzed. In the case of Picún Leufú it does not have the capacity to transmit energy and in the case of Los Meandros (125 MW) they have delays in financing. In the short term, Ventos Neuquinos will be the first wind farm in the locality and they hope that the Project will be executed with an appropriate standard.

On the other hand, he pointed out that as an authority they are articulating efforts with the different government instances to speed up the procedures and permits required by the Project in order to reduce delays. In addition, he noted that they are enabling a public access road to the Project by the provincial route to Santo Tomás.

The promotion of the Project by ADINQN is relevant, since as a provincial authority it articulates efforts with the local authorities for the communication of the Project and for the promotion of the job exchanges of the localities of the area of influence of the Project with the UOCRA and Nordex.

It should be noted that ADINQN notified all local authorities, easement owners and the nearby family of the Project start, by means of letters sent in April 2019.

■ Piedra del Águila Municipality

Local authorities have a position in favour of the Project. They think it is very positive that AES engages with the municipality, since they see the Project as an opportunity to generate jobs for the inhabitants. In this regard, they have developed a job bank of 100 workers, composed of 100% unskilled labor (welders, masons, pawns, etc.). This job bank has been shared with ADINQN. They indicated that they have no relationship with the UOCRA and that the UOCRA has no delegates in the area.

According to the presentation made by ADINQN, a few weeks ago, they are aware that the Project will require around 70 specialized professionals and the difference may be covered by local labor. In addition, 15 skilled people will be required in the operation stage. They expressed their interest in articulating the training they provide locally with the technical requirements for employment in the operation phase, to guide the technical training of young people to these branches, and thus ensure that the local population has the priority to fill these positions. In this regard, AES indicated that Nordex signed an agreement with the UOCRA, in which the UOCRA is committed to 70% of the workforce will be local and the difference may be covered with people from other provinces, and in the operational stage, it was indicated that according to the contract signed between AES and Nordex, the first two years, the Park will be operated by Nordex.

They also stated that the Project generates expectations in the local population because they have had previous experiences with major works, such as the two hydropower stations built in the area, which generated negative impacts on local services and on the workforce that was unemployed after construction of these projects finished. They hope that construction activities can be planned and coordinated with them to avoid generating negative impacts on tourist operators and on lodging and restaurant services.

They pointed out that the arrival of the first contract companies involved in construction activities, Districuyo and NS Austral, has generated impacts in the locality. For lodgings and restaurants, the impact is positive since the leases signed are for several months long.

In addition, the authorities indicated that the district is a transit destination between Rio Negro and Bariloche. Every year between June 15 and July 15, there is a peak of tourists because the July vacation (first half of July), coincides with the increase in snowfall, which causes the closure of Route N° 237 and tourists who are stranded spend the night in Piedra del Águila. They expressed their concern about how

the roadblocks will be handled and the accommodation of tourists, if most of the lodgings are occupied by staff of the companies.

They indicated that in low season, the Project will generate a great benefit to the local economy, since it will cover the vacuum generated by the low influx of tourists. In addition, it will allow to diversify the services that they offer locally. They also said they are concerned that the cabins might be rented, since sport fishing is done all year round and fishermen usually rent the cabins during the days they stay in the locality.

The representatives of the municipality indicated that they will support the execution of the Project from its role as articulator. However, they asked for an adequate planning of activities so as not to affect tourist services, at least during the winter period.

Image 1 Meeting with officials of the Municipality of Piedra del Águila



Source: ERM, field visit, May 2019.

■ **Santo Tomás Development Commission**

Commission representatives have a position in favor of the Project. Just as in Piedra del Águila they see the Project as an opportunity to generate work for local inhabitants. They have also created a job bank with 20 people.

They stated that job opportunities in the town of Santo Tomás are limited, most of the population works in the Commission and in the mineral water plant located in the town. They pointed out that they have potable water that they can provide to the Project, they also have a communal lodging with eight beds that they can rent to the Project.

In addition, they indicated that the water company Santo Tomás can provide mineral water for the construction workers.

In relation to the indigenous population, they pointed out that there are some communities that are quite far from the Project (more than 20 km). On the other hand, they stated that they provide social support in the form of drinking water to the neighbor family using a cistern.

Image 2 Meeting with official of the Santo Tomás Development Commission



Source: ERM, field visit, May 2019.

The perception of the Project expressed by nearby family is presented in the section Land Acquisition.

4.1.2 Stakeholder Engagement activities conducted up to date

As part of the stakeholder engagement activities, the following meetings have been performed:

Table 6 Stakeholder Engagement activities

Name / Organization	Contact information / meeting participants	Date	Purpose of the meeting	Agreements achieved / in negotiations
Piedra del Águila Volunteer firemen	Facundo Kuljko, Pablo Sosa Melnicoff	12-may	Analysis of equipment available for an emergency in the project zone	It was agreed to work together to make up for the lack of equipment of the volunteer firemen
Development Agency (Neuquen)	Carlos Pereyra / Hipólito Salvatori, Lucio Nuñez, Mariano Cavaleri, Karin Torres	29-may	Project development in the province of Neuquen and its impact on the area of influence of the project	Mainly informative.
Piedra del Águila Municipality	Intendenta María Adriana Figueroa y sus asesores; Lucio Nuñez, Mariano Cavaleri, Karin Torres	30-may	Analysis of the existing offer of accommodation and services for the project	Feedback was obtained on the places available for accommodation and it was proposed to analyze the possibility that Nordex could use a hotel for sale (currently vacant)
Delegación Municipal de Santo Tomás	Gladis Noemi Pavón y sus asesores; Lucio Nuñez, Mariano Cavaleri, Karin Torres, Pablo Sosa Melnicoff	30-may	Identify stakeholders and expectations. Identify resources and services available to supply the project	An agreement is being processed for the supply of water coming from the Santo Tomas water plant

Name / Organization	Contact information / meeting participants	Date	Purpose of the meeting	Agreements achieved / in negotiations
Neighbor Family	Neighbor, Lucio Nuñez, Mariano Cavaleri, Karin Torres, Pablo Sosa Melnicoff	30-may	Identification of needs	An agreement is being processed based on the needs raised
Landowner	Landowners	03-jun	Easement agreement	Easement agreement for main road.

Source: AES.

As part of the social relationship of AES, regular meetings are held with local authorities and other interest groups. These activities are recorded and reviewed in order to identify potential social risks and expectations of the stakeholders. This analysis allows the elaboration of a strategy to address the main concerns of the stakeholders.

4.2 Community Grievance Mechanism Procedure

The following section describes the procedure for dealing with community grievances related to the Project. This procedure is considered an important pillar of the stakeholder engagement process, since it creates opportunities for companies and communities to identify problems and discover solutions together (IFC, 2009). A grievance can be defined as “a real or imagined cause for complaint.” It may be expressed formally or informally. They are usually related to alleged or potential risks and adverse impacts associated with the operations, an alleged noncompliance with a project commitment, or to matters concerned with employment and working conditions.

AES can minimize risks and increase positive outcomes through early, ongoing engagement with stakeholders that builds trusting and lasting relations. However, stakeholders' increased expectations require to be more prepared to deal with communities' grievances and claims.

As part of a systematic engagement, AES must incorporate a mechanism to formally and efficiently deal with these grievances: an opportunity to identify issues and discover solutions together with stakeholders. Depending on the grievance, stakeholders may want a detailed explanation, an apology, compensation, or modification of the cause/behavior that first led to their grievance. In expressing their concerns, they also expect to be heard and taken seriously.

The Grievance Mechanism must follow these characteristics:

- **Procedure is formalized:** grievances are systematically recorded, tracked, analyzed, and responded to.
- **Proportionality:** the mechanism is scaled to potential project risks and adverse impacts.
- **Cultural appropriateness:** consider specific cultural attributes as well as traditional mechanisms for raising and resolving issues.
- **Accessibility and responsiveness:** the grievance mechanism must be one that is clear and understandable, accessible, responsive and at no costs.
- **Appropriate protection:** communities are encouraged to share their concerns freely, with the understanding that no retribution will be exacted for participation.

- **Redress mechanism:** include an external body for consideration of the grievance where/when necessary.
- **Transparency and accountability**
- **Staffed and budgeted**

4.2.1 *General Grievance Mechanism Principles*

The main principles of a good grievance mechanism are:

- Develop specific approaches acceptable to communities for raising and resolving grievances, depending on volume and types of grievances that are anticipated, and the remedies the company can offer. In this process, information disclosure and stakeholder consultation with communities are key.
- Determine the level of detail for grievance mechanism procedures (for example, a brief procedure document or an elaborate policy, detailed guidelines for staff, and procedures for contractors).
- Decide on resources needed for grievance receipt and tracking, such as number and locations of places where grievances can be collected, whether to establish a dedicated telephone line(s), and the type of tracking system to use (for example, a log or spreadsheet or a computerized system).
- Determine the number and requirements of personnel dedicated to collecting grievances and managing or overseeing the entire process, and the expense their training will require.
- Decide whether external resources are required, and how and to what extent to involve independent third parties.

AES will meet the following requirements of the IFC Performance Standards:

- Performance Standard 1 – Assessment and Management of Social and Environmental Risks and Impacts that supports the use of an effective grievance mechanism that can facilitate early indication of, and prompt remediation for those who believe that they have been harmed by a client’s actions:
- “Disclosure Information”: Disclosure of relevant project information helps Affected Communities and other stakeholders understand the risks, impacts and opportunities of the project. The client will provide Affected Communities with access to relevant information on: (i) the purpose, nature, and scale of the project; (ii) the duration of proposed project activities; (iii) any risks to and potential impacts on such communities and relevant mitigation measures; (iv) the envisaged stakeholder engagement process; and (v) the grievance mechanism”
- “Grievance Mechanism for Affected Communities: “The grievance mechanism should be scaled to the risks and adverse impacts of the project and have Affected Communities as its primary user. It should seek to resolve concerns promptly, using an understandable and transparent consultative process that is culturally appropriate and readily accessible, and at no cost and without retribution to the party that originated the issue or concern. The mechanism should not impede access to judicial or administrative remedies. The client will inform the Affected Communities about the mechanism in the course of the stakeholder engagement process”
- Performance Standard 2 – Labour and Working Conditions, which establish “The client will provide a grievance mechanism for Affected Communities to express concerns about the security arrangements and acts of security personnel”.
- Performance Standard 5 – Land Acquisition and Involuntary Resettlement, which establish “The client will establish a grievance mechanism consistent with Performance Standard 1 as early as possible in the project development phase. This will allow the client to receive and address specific

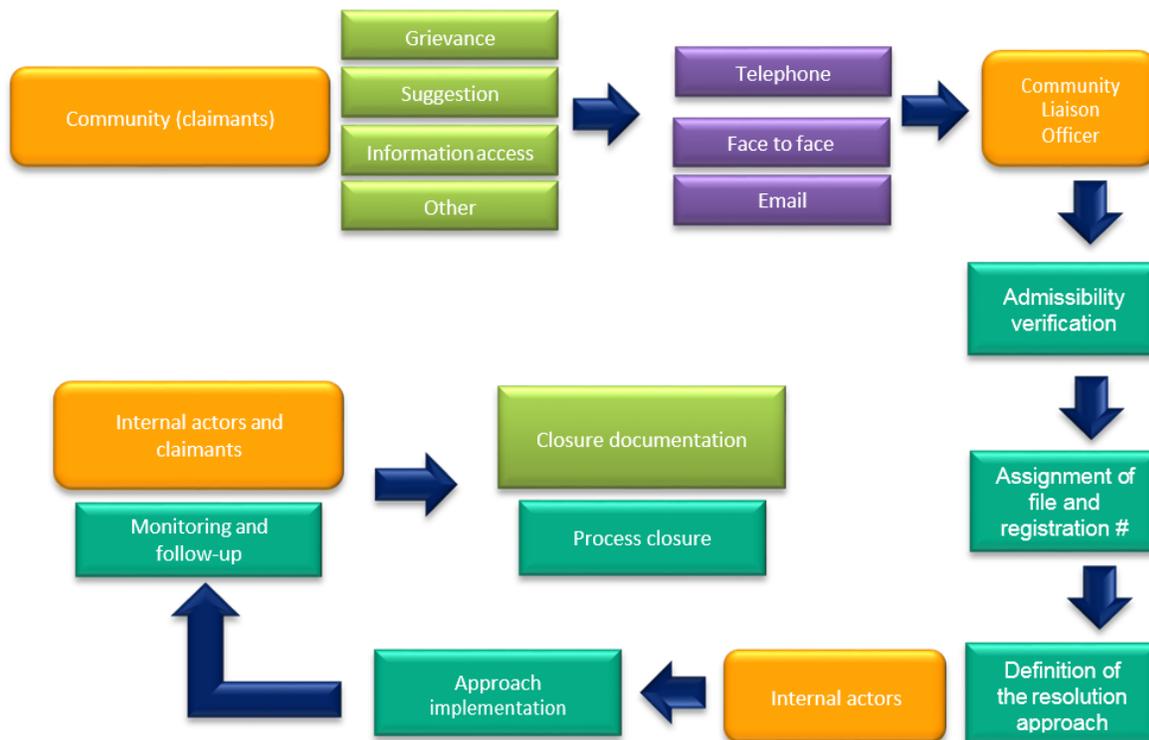
concerns about compensation and relocation raised by displaced persons or members of host communities in a timely fashion, including a recourse mechanism designed to resolve disputes in an impartial manner”.

4.2.2 Procedure

The grievance mechanism is required to be scaled to the risks and impacts of the Project and have nearby communities as its primary user. It will seek to resolve concerns promptly, using an understandable and transparent consultative process that is culturally appropriate, readily accessible, at no cost, and without retribution to the party that originated the issue or concern.

The aim of this mechanism is to address the concerns and complaints of impacted communities. Thus, the client will inform the nearby communities about the mechanism in the course of the Stakeholder Engagement process. For a grievance mechanism to be effective, all project stakeholders need to understand and support its purpose. Nearby communities must be aware of and understand the grievance mechanism’s benefits to them.

Figure 3 Grievance Mechanism flowchart



Source: AES.

4.2.2.1 Reception and Registration

In order to ensure that the concerns, claims and concerns of the stakeholders are addressed in a timely manner and the answers are given within the established deadlines, AES has clear procedures that make filing grievances easy for communities with various levels of literacy and access to infrastructure. Illiterate people will be able to raise complaints verbally. Greivances, suggestions and other queries will be received through designated access points:

- Face-to-face with AES/NORDEX staff;
- By email to the following address: rrii@aes.com
- Through a dedicated phone number:

Additionally, the company has several communication channels available on its website: www.aesargentina.com.ar. The CLO is in charge of the communication channel and maintaining the registry (rrii@aes.com). It is worth mentioning that the implementation of the grievance mechanism is in charge of AES Argentina, which will ensure that NORDEX implements these guidelines and maintains fluid communication and permanent coordination in the field.

Regardless of the channel they have been received through, all incoming grievances will be acknowledged within a standardized period of submission and will have to be registered. Recording grievances at the time they come in will be the responsibility of the onsite personnel who receives it at first place. The receptor will ensure confidentiality of the complainant from the lodging of a grievance onwards. Only those directly involved in the examination process will be provided with the details. Sensitive information will only be disclosed upon users' knowledge and approval.

The Grievances form is shown below:

Figure 4 Grievance Form

Grievance Resolution Form

Serial No: _____

Query/Grievance Form

Name of Complainant	Sex
Telephone Contact	Village
Sub-County	District
Working line section	
Company's Ref	Type of grievance

Describe the complaint

Any Supporting document? Yes/No indicate all parties involved in case

Action taken

Grievance Taken by _____ Designation _____

Name & Signature of Complainant _____ Date _____

Dispute Resolution Sheet:

Basic Facts;

Resolution/Responses;

Signed _____ Name _____

4.2.2.2 Screening, Prioritization and Assignment

Complaints received by AES will be handled as is reasonably practicable, depending on the nature and complexity of the grievance. To expedite the screening process, all incoming grievances will be classified, according to their nature based on the following categories:

- G0: Request for information not directly related to the Project
- G1: Questions / Doubts
- G2: Requests / Petitions
- G3: Complaints

Following this preliminary assessment, AES will organize the process of review, validation and (if necessary) investigation of each grievance received, acknowledged and registered.

Grievances will be prioritized according to their severity and complexity level. The following table shows the priority levels that will be applied:

Table 7 Grievance priority classification

Priority Level	Description	Examples
High	Concern, claim or grievance involving stakeholders of high priority, and: <ul style="list-style-type: none"> • Reports a breach to human rights • Relates to a legal non-compliance • Pose a short term risk to the project continuity, 	<ul style="list-style-type: none"> • Group complaints; • Issues involving third parties (e.g. social, environmental impacts);
Medium	Concern, claim or grievance from stakeholders (individual or as a group) that could impact the project reputation or compromise its development at medium term.	<ul style="list-style-type: none"> • Individual complaints; • Issues involving other departments within AES
Low	Concern, claim or grievance regarding lack of information or unclear information provided.	<ul style="list-style-type: none"> • Lack of information.

4.2.2.3 Examination

As part of the “admissibility verification” an examination of the grievances shall be undertaken in order to verify the validity of the complaint, determine its causes and develop corrective actions to minimize or avoid recurrence of the causes. Then, a file and registration number are assigned, giving treatment within a period no longer than 30 days. The resolution process should be performed within 10 working days after having finalized the examination process for high priority grievance, 15 working days for medium priority and 30 days for low priority. In that period, the corresponding response must be raised, whether the complaint is justified or not, and leave a record of what has been expressed. The timeframe will be communicated to the complainant, in written form if needed.

The approach definition depends on the priority level of the issue raised. The actions and accountability of managing every grievance will be different.

Table 8 Grievance Actions

Priority Level	Action	Resolution Time
High	<p>Seek advice internally (from e.g. Head of Projects) on initial recommendations for resolution.</p> <p>If necessary, form an investigation team to collect evidence on the grievance and come up with a status report.</p> <p>In instances when impartiality is important or complex technical matter are involved, designate third-party experts to investigate complaint before circumstances change or conflict escalates.</p> <p>Conduct meetings with complainants and visit the site before proceeding to response and/or resolution.</p>	10 days
Medium	Seek advice internally before proceeding to response and/or resolution.	15 days
Low	Review information to be provided before proceeding to response and/or resolution.	30 days

4.2.2.4 Grievances Closure

When mutual agreement on grievance resolution has been reached out by complainant and AES, the grievance process should be closed out either in a written format (including outline of agreement(s) reached and signatures of individuals involved in dispute resolution) or through an oral recitation of final agreements in presence of witness (es).

4.2.2.5 Monitoring and Reporting

After approach implementation, a monitoring and follow up process should be undertaken in order to finally close the case. The grievance mechanism and respective records will be constantly monitored and evaluated. Reviewing and monitoring the grievance mechanism will help identifying common or recurrent grievances that may require structural solutions or a policy changes and enabling to capture any “lesson learned” while assessing grievances.

4.3 Information Disclosure and External Communication

In a global organization like AES, it is important for all parties involved to take ownership of these stakeholder relations and manage them effectively. The Global Stakeholder Engagement and External Communications team supports all units of the company’s strategic quadrants, especially engaging with stakeholder groups that affect AES operations: governments, communities, associations and trade organizations, academia, media, multilaterals and NGO’s.

AES will meet the requirements of the IFC Performance Standards regarding “Disclosure Information”:

Disclosure of relevant project information helps Affected Communities and other stakeholders understand the risks, impacts and opportunities of the project. The client will provide Affected Communities with access to relevant information on: (i) the purpose, nature, and scale of the project; (ii) the duration of proposed project activities; (iii) any risks to and potential impacts on such communities and relevant mitigation measures; (iv) the envisaged stakeholder engagement process; and (v) the grievance mechanism”

The company has several communication channels available on its website: www.aesargentina.com.ar. The CLO is in charge of the communication with stakeholders and maintaining the registry.

Besides the website, external communications will be received through designated access points:

- Face-to-face with AES/NORDEX staff;
- By email to the following address: rrii@aes.com
- Through a dedicated phone number;

4.4 Monitoring and Reporting

Monitoring and evaluating is a process that helps to improve performance and achieve results. The objective with stakeholder engagement is to improve current and future management of engagement outputs, outcomes and impact. Each individual engagement should be monitored and evaluated, then aggregated and evaluated as a whole.

It is essential to keep a record of each stakeholder meeting and the key outcomes or information derived from it. This way the organization can keep track of its contacts and build on them to deliver the most effective relationships with stakeholders. This can aid in the sharing of information within AES and enable others to help manage those relationships. Plus, contact with public officials is rightly scrutinized to ensure that officials are not being unduly influenced. Keeping meeting records helps to establish 'audit' trails if the need to demonstrate the content or appropriateness of meetings with public officials arise.

In this process data analysis is key. Documenting the entire engagement process will ensure the project team will be able to measure progress according to the KPI's or objectives set at the beginning as well as revise and redefine actions when needed. Aside from the specific KPI's set for each different stakeholder, the process should evaluate by monitoring:

- Progress with commitment and integration
- Purpose, scope and stakeholder participation
- Efficiency of the process (planning, preparing, engaging, acting, reviewing and improving)
- Outputs and outcomes
- Reporting structures

Table 9 KPIs Monitoring

SEP	KPIs	Goal	Frequency
Stakeholders Mapping	Number of updated versions	1 updated version	6 months
Information Disclosure and External Communication	% of received communications being answered through the website	100%	Permanent
	% of received communications being answered through the email	100%	
	% of answered calls through the telephone exchange.	100%	
Community Grievances	% of grievances being registred	100%	Permanent
	% of grievances being addressed and answered, within the specific timeframe related to its priority	100%	

Source: ERM 2019

4.4.1 Stakeholder Involvement in Project Monitoring

The Involvement of Project-affected stakeholders in the monitoring process will promote transparency and support in addressing stakeholder concerns. Stakeholder participation in monitoring can also empower communities as it enables them to have a role in addressing Project-related issues that affect their lives. This, in turn, strengthens relationships between the Project and its stakeholders.

Stakeholder involvement in monitoring of this Project will include the following:

- Involvement of affected stakeholders when selecting sampling methods for any social surveys or external impact assessments, and in the analysis of results. Training will be conducted where needed to build capabilities.
- Observations of monitoring and audit activities by affected parties.
- Grievance follow-up meetings and calls with affected stakeholders.
- Environmental monitoring and audits as required by Secretary of State for the Environment of the Neuquén Province and submission of reports for review and comments.

4.4.2 Ongoing reporting to Stakeholders

AES will produce reports for use by Project stakeholders at stipulated intervals and through specified mechanisms. Reports from various departments will be reviewed and appropriate information presented in synthesized reports to various stakeholders. The modes of reporting shall be as outlined below:

Table 10 Outline of Reports to Stakeholders

Report	Content	Stakeholder	Frequency
Environmental Audit Report	Evaluation of the Project's environmental and social performance	Secretary of State for the Environment of the Neuquén Province	Yearly
Occupational Safety and Health Report	Evaluation of the Project's health and safety status	Local authorities of Piedra del Águila and Picún Leufú	Yearly, during construction
Progress Update Reports	Project development activities, challenges and opportunities, local workers hiring status	Province Authority and Local authorities of Piedra del Águila and Picún Leufú	Monthly, during construction At agreed timeline
Media release	Main Project milestones	Local media (and county media as appropriate)	At agreed timeline

Source: ERM 2019

APPENDIX A AES STAKEHOLDERS ENGAGEMENT GUIDELINES (2018)

APPENDIX B GUIDELINES FOR DEVELOPING SUSTAINABLE SOCIAL AND ENVIRONMENTAL PROGRAMS (2018)

ERM has over 160 offices across the following countries and territories worldwide

Argentina	The Netherlands
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Canada	Peru
Chile	Poland
China	Portugal
Colombia	Puerto Rico
France	Romania
Germany	Russia
Guyana	Singapore
Hong Kong	South Africa
India	South Korea
Indonesia	Spain
Ireland	Sweden
Italy	Switzerland
Japan	Taiwan
Kazakhstan	Tanzania
Kenya	Thailand
Malaysia	UK
Mexico	US
Mozambique	Vietnam
Myanmar	

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2018

**AES STAKEHOLDER
ENGAGEMENT
GUIDELINES**

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OBJECTIVES

The objective of the AES Stakeholder Engagement Guidelines is to provide tools for all AES businesses to develop strong Stakeholder Engagement techniques that are suitable to AES businesses' local contexts and equally beneficial for AES' core business and the sustainable development of the communities in which we operate.

All AES businesses should follow these guidelines and contribute from their different areas of expertise to its application and continuous improvement.

OUR AES STAKEHOLDER ENGAGEMENT POLICY

AES STAKEHOLDER ENGAGEMENT GUIDELINES

We are dedicated to improving lives and making a lasting difference in the communities in which we operate. We are committed to a wide range of social, economic and environmental initiatives that will improve the lives of our customers and their communities; protect the environments in which we operate; empower our people; and improve long-term returns to our investors.

Our mission is to improve lives by accelerating a safer and greener energy future, and to achieve it, a strategic and proactive stakeholder engagement is key.

WHY ENGAGE STAKEHOLDERS?

AES' businesses operate in complex environments, with numerous opportunities but also facing risks: operational, economic, market, legal, security, regulatory, among others. Each one can impact our ability to conduct business. Engagement with our stakeholders is a necessity for the well-functioning of our businesses, both daily and to achieve our long-term strategic objectives.

Stakeholder Management and Engagement refers to the process of developing, proactive, transparent and stable relationships with key stakeholders for the Company by supporting the strategic objectives of the organization.

Moreover, it supports the strategic objectives of the organization by promoting public and private support for AES projects, reducing opposition and encouraging a strong positive view of AES as a company.

Quality relationships with stakeholders must be established early to ensure proactive, low profile and low-cost solutions.

Good stakeholder engagement can

- Increase the positive experience / perception of the AES brand
- Establish trust to ensure support for our long-term strategic objectives
- Maintain and develop a favorable position with decision makers and the communities in which we operate
- Build awareness and recognition as trusted company
- Create awareness and knowledge of the importance of our industry

WHAT DO WE NEED?

We need open lines of communication with all key stakeholders, especially decision-making stakeholders to achieve specific business objectives. However, we also need deep relationships that enable us to understand the needs, points of view of these stakeholders and the broader context of their expectations, or any broader community/customer expectations towards us.

Stakeholder relationships are important at the global, regional and local levels. Failure to manage local relationships can have regional or global consequences for AES' operations and company reputation.

Stakeholders, even those who at first may not seem relevant to our strategy, have the power to affect our business for example, by putting a stop to a top priority project. It is up to us to make sure we have mapped and engaged with all relevant stakeholders, genuinely listening to their concerns and needs, analyzing their capacities and honoring our commitments.

HOW WE DO IT?

Purely transactional relationships rarely work effectively in a stakeholder management context – we need a longer-term two-way form of engagement so that we are not seen as only coming to stakeholders when we have specific needs/complex issues that need to be solved. We also need to maintain those relationships on a trusting and professional - rather than personal – basis, to avoid creating any perception of inappropriate influence, or trading in favors.

All AES employees must embrace honest and ethical conduct, integrity and compliance with the law and stay away from wrongdoing and conflicts of interest. Influencing other individuals could, under some circumstances, be interpreted as unethical or corrupt behavior, in particular when the influenced stakeholder has a political mandate or has a commercial relationship with the company.

Any influencing activity carried out by AES employees must comply with all applicable laws and AES's policies and procedures as laid out in the [Code of Conduct](#).

When engaging stakeholders, we act with integrity, we earn the trust of our customers, business partners, shareholders and the people who live in the communities where we operate. We honor our commitments by doing what we say and by not making promises that we cannot keep. Maintaining our reputation requires a continuous commitment from all of us to act with the highest standard of integrity in all our business decisions

In this context, special attention should be given to topics like: anti-corruption, conflicts of interest, gifts and entertainment, political activities and protection of company information according to your business unit.

Also, all businesses must follow the AA1000 Principles of Inclusivity, Materiality and Responsiveness and the Series of AA1000 Standards when engaging with stakeholders. These principles underpin the practice of:

- Engaging with stakeholders to understand their expectations about governance, policies, strategies, practices and performance.
- Transparently accounting to stakeholders on performance and on the issues that matter to them.
- Developing innovative and sustainable responses to issues that matter, presently and in the future.

IDENTIFY AND ANALYZE STAKEHOLDERS

All businesses must identify the key stakeholders involved and to engage with as part of their strategy. The identification process should focus on the stakeholders who may be impacted, have an effect, interest or can influence that particular strategy.

There are 17 main groups in which stakeholders could be categorized (see table below). Businesses should focus not only on the groups but also stakeholders who could be within each group.

*The final list will depend on the business, its impacts, and the current engagement objectives.

For each stakeholder, objectives are different. Before engaging, know what you want to achieve for your business. This will provide direction when building the work plan, timeline and other planning materials.

Think of the broader impact you are aiming for but be realistic. You can have more than one objective but try not to have more than a few — all should be achievable. To develop your objectives, identify obstacles that can be overcome by engaging each particular stakeholder.



PROFILING

It is key to always know who we are dealing with. When engaging with stakeholders, avoid assuming that different stakeholders will react the same way to similar circumstances.

Profiling is an essential aspect of managing relations with stakeholders. It entails an appraisal of their characteristics, attitudes and behaviors, considering two aspects:

- **DEMOGRAPHICS:** age, gender, location, marital status, education level, nationality, etc.
- **PSYCHOGRAPHICS:** values, interests, lifestyle, attitudes, aspirations and other psychological criteria.

Having such knowledge beforehand is key when preparing your engagement plan. Remember always keep updating the stakeholder profile information, to make sure you consider the current and evolving needs of stakeholders.

PRIORITIZATION OF STAKEHOLDERS

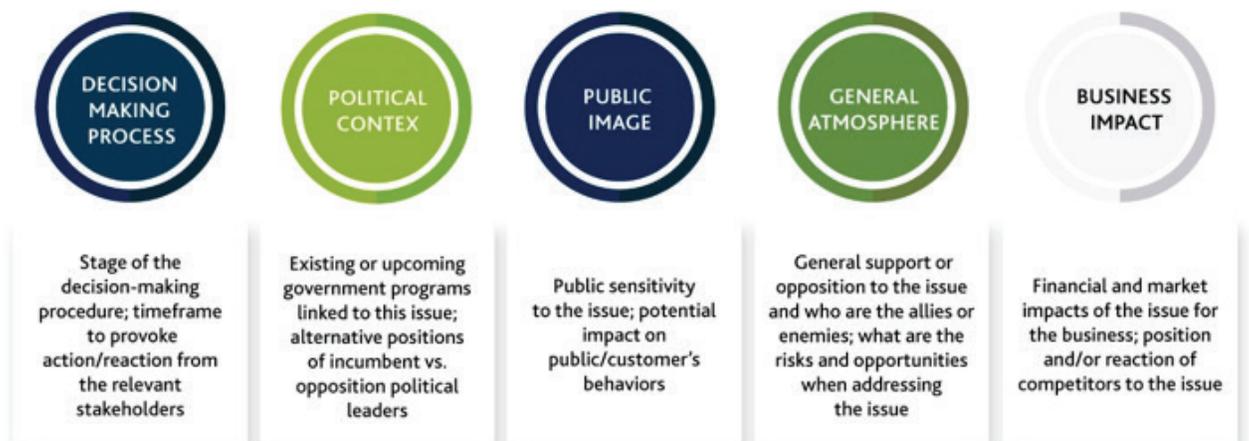
The potential list of stakeholders linked to a business like ours is almost endless. It is therefore critical to prioritize resources to focus on those key stakeholders most relevant to AES’ operations and reputation.

Each AES business should prepare and frequently update a stakeholder map for each defined strategy. A stakeholder map is like a balance sheet – it is only accurate at one point in time. Therefore, you must review your stakeholder map regularly, at least twice a year.

To be ready to act/react to an emerging issue in your local or regional environment, it is crucial to identify in advance key issues that can affect your daily business and future plans. This applies to an ongoing analysis of political, economic, social and technological issues. In that process, do not forget the value of stakeholders’ insights: stakeholders can provide valuable feedback and alert us on relevant issues.

We require a mindset to avoid approaching stakeholders’ issues as outside concerns but approaching them as serious topics that merit dialogue. Stakeholders perspectives can and should inform company strategy and operations, and this requires real DIALOGUE, exchanging positions and opinions, exploring different options hoping for mutual understanding, credibility and cooperation, which will in the long-run guarantee the social license to operate.

Before acting, you need to understand what makes this issue an important item on your and/or your stakeholders’ agenda. It is important to understand the context and the potential impacts of the issue:



Identify the network of influence to better understand the stakeholders' position, expectations and possible reaction(s) to your approach. This will be key in prioritizing stakeholders in 2 categories: Primary Target and Secondary Target.

The primary target audience includes decision makers who have direct authority or leadership on a given issue. The secondary target audience includes people who have access to and can influence the primary target audience, i.e. influencers and contributors.

Map the key stakeholders who are likely to play a role as primary or secondary target audience, and their position – in support or opposition to your interests.

Additionally, the assessment of each stakeholder must consider:

- The data from profiling: demographics and psychographics
- The position or favorability regarding the strategy (against, in favor, neutral)
- The level of influence on the strategy
- The involvement on the strategy
- The interest or concern on the strategy. This is generally linked to the degree that the Stakeholder is likely to be affected by the issue/project

This will allow not only to prioritize stakeholders and determine whom to engage with first, but also to graphically show this prioritization of stakeholders in an easy and visual format and take advantage of the Stakeholder Management Tool (GSM)



RISK MAPPING WHEN ENGAGING STAKEHOLDERS

Another key element to setting and understating objectives with relevant stakeholders is directly linked to the business or projects risk map.

For each strategy, identify the risk scenarios that can potentially impact the strategy. Part of the risk identification process must include the possible “triggers” or events that can result in the risk becoming real; this will allow for proper anticipation and continuous monitoring of specific causes per risks.

Each risk must be categorized and analyzed in terms of:



After identifying the potential risks for a specific strategy, an engagement plan to mitigate these risks should be defined. When working on this remember to:

- Identify all variables and possible approaches to a stakeholder to minimize risk and support your business' objectives.
- Get in early, don't wait until there is a problem to engage stakeholders associated with high risks.
- Evaluate the environment and how it can impact the probability of occurrence of these risks (market, politics, economics, legal and regulatory framework).
- Take a long-term view, know what actions will lead to benefits in the short term versus what the company needs for a longer term "win" to prevent/minimize negative impact associated to those risks.
- Determine if a highly-visible, public versus a subtle, quiet approach is best under the circumstances.
- Be aware of the culture and issues that are locally sensitive.

Strategic approach

After prioritizing the stakeholders and analyzing the risks associated with them, defining a comprehensive action plan is key. Based on the level of influence and relevance of the stakeholder you can choose the following approaches:

- **CREATE AWARENESS:** One-way engagement. Information is made available, and stakeholders choose whether to engage with it e.g. web-pages, etc.
- **CONSULT:** Seek information, but stakeholders are not responsible and not necessarily able to influence outside of consultation boundaries. Limited two-way engagement: organization asks questions, stakeholders answer.
- **INVOLVED:** Part of the team, engaged in delivering tasks or with responsibilities for a particular area/activity. Two-way engagement within limits of responsibilities.
- **NEGOTIATE:** Two-way or multi-way engagement to reach an agreement, this helps a bidirectional communication.
- **COLLABORATE:** Two-way or multi-way engagement, joint learning, decision-making and actions that allow to identify what the stakeholders need and how can they be supported (with a Win – Win approach)
- **EMPOWER:** Shared accountability and responsibility. Two-way engagement joint learning, decision-making and actions

TARGETED ACTIONS

After identifying the issue(s) needed to be influenced, stakeholders to be approached and objectives to be accomplished, a detailed action plan and messages can be drafted. This plan should be reviewed and adjusted at each stage to stick to the reality of the process and debates.

An engagement plan should be detailed and precise, including:



SPECIFIC METHODS AND CHANNELS

There are many ways in which a particular stakeholder can be engaged and through which AES businesses can interact with the universe of that stakeholder depending on what we want to achieve. More than one method may be selected for any given engagement. Different methods may be used concurrently or sequentially. Stakeholder engagement is a two-way process, however, there are different levels and associated engagement methods depending on the nature and extent of stakeholder involvement.

LEVEL OF ENGAGEMENT	CHANNEL / METHOD		ADVANTAGES
CREATING AWARENESS	<ul style="list-style-type: none"> • Company intranet – OurAES.com • Press releases and statements • Sustainability and Environmental reports • Compliance reports • Website 	<ul style="list-style-type: none"> • Advertorials • Electronic newsletters • Publications and reports • Quarterly earnings presentations • Policy white papers, testimony and briefings 	<ul style="list-style-type: none"> • <i>Easy to feed</i> • <i>Ample space for detail</i> • <i>Available at all times and to all stakeholders</i>

(Continue)

LEVEL OF ENGAGEMENT	CHANNEL / METHOD		ADVANTAGES
CONSULT	<ul style="list-style-type: none"> • AES People surveys • Customer satisfaction surveys • Investor Calls • 24/7 Customer call center • Media Fan Trips 	<ul style="list-style-type: none"> • Investor and public forum events • Annual Investor Meetings • Employee Helpline • Power plant tours • Focus Groups 	<ul style="list-style-type: none"> • <i>Limited two-way engagement</i> • <i>Opportunity to gather feedback</i> • <i>Organization asks questions, stakeholders answer</i> • <i>To show real interest in the stakeholder's concerns</i>
INVOLVE	<ul style="list-style-type: none"> • Face to face meetings • Meetings with elected officials in communities surrounding power plants and utilities infrastructure • Meetings with officials • One to one meeting with editors / opinion leaders • Focus groups • Press conferences 	<ul style="list-style-type: none"> • Interviews (media traditional and digital) • Social Media Strategy • Social media strategy of our key managers • Digital PR • Career fairs • Customer experience strategies 	<ul style="list-style-type: none"> • <i>Two-way or multi-way engagement</i> • <i>Learning on all sides but stakeholders and organization act independently</i> • <i>Time to understand the others perspective</i>
NEGOTIATE	<ul style="list-style-type: none"> • Meetings with unions • Collective bargaining agreement negotiations • Community meetings / townhalls 	<ul style="list-style-type: none"> • Round table • Face to face meetings • Meetings with authorities 	<ul style="list-style-type: none"> • <i>Two-way or multi-way engagement to reach an accord</i> • <i>Guarantee bidirectional communication</i> • <i>Time to understand the others perspective (what they say vs what they need)</i>
COLLABORATE	<ul style="list-style-type: none"> • Emergency planning exercises conducted with local/state agencies • Round Tables 	<ul style="list-style-type: none"> • Face to face meetings • Collaboration with NGOs in facilitating policy making dialogues 	<ul style="list-style-type: none"> • <i>Two-way or multi-way engagement</i> • <i>Joint learning, decision making and actions</i> • <i>Allows you to identify what the stakeholders need and how we can help (with a Win – Win approach)</i>
EMPOWER	<ul style="list-style-type: none"> • Participation in advisory councils, business alliances of NGOs, community events, public events 	<ul style="list-style-type: none"> • Residential customer education programs • Volunteer projects and financial contributions 	<ul style="list-style-type: none"> • <i>New forms of accountability; decisions delegated to stakeholders</i> • <i>Stakeholders play a role in governance</i>

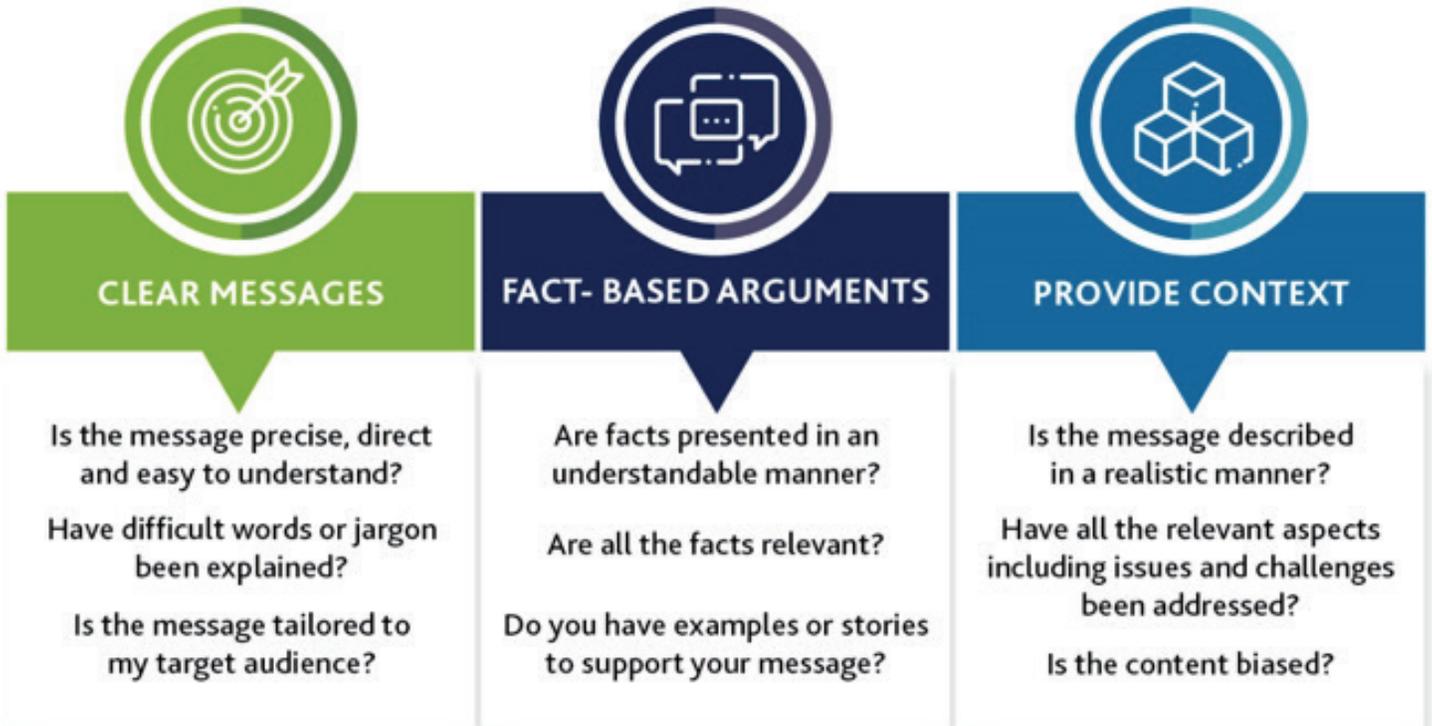
TARGETED MESSAGES ACCORDING TO STAKEHOLDER AND ISSUES

There are three important questions to answer when preparing messages:



The message should be very clear, short, consistent and moderate. It must be based on verified facts and figures. Arguments must be technical, credible, representative, positive, factual, reliable, coherent and moderate. Adapt your message to your audience and consider the arguments of your opponents.

Follow this checklist:



Investigate all possible channels of communication and choose the most effective one(s) for that particular message and that particular target audience (direct or indirect communication, events, press conference, letters, individual meeting, site visit, lunch, social media, etc.).

It is helpful to have predefined messages and statements for key stakeholders about relevant issues and topics. Preparing and continuously updating an Issues/Risks Message, documents and Q&A is a helpful tool to always have available when engaging with stakeholders, making sure all our spokespersons and representatives are dutifully informed and prepared to face any type of questions or concerns from stakeholders.

ENGAGE TO CONVINCED. BUILDING TRUST-BASED RELATIONSHIPS

Stakeholder engagement in general requires strong and effective communication and persuasion skills. When meeting stakeholders, we should always know what is it that we want to achieve (i.e. specific asks) and convey targeted messages. AES people arranging meetings with stakeholders are responsible for ensuring that messages are in line or coordinated with AES' corporate messaging, and for ensuring consistency externally. Every employee designated to meet a government or policy representative is responsible to ensure consistency with the company's message and strategy.

Remember, it is ok to NOT know the answers to a question asked by stakeholders. Avoid lying, speculations and personal opinions, instead offer to find answers to their inquiries and get back to them as soon as possible.

Trust based relationships must be founded on consistent and proactive engagement as well as mutual respect and transparency: start by always sharing accurate and timely information and listening and understanding stakeholders' concerns.

Also, it is essential to understand the culture in the country/region where you do business. Cultural differences and language barriers might create miscommunication and misunderstandings. Practicing cultural behavior and attitudes are paramount to ensuring successful business interactions.

KNOW YOUR BATNA (Best Alternative to a Negotiated Agreement)

In negotiation theory, the best alternative to a negotiated agreement or BATNA is the most advantageous alternative course of action a party can take if negotiations fail and an agreement cannot be reached.

When engaging stakeholder about delicate or complex issues, always REMEMBER:

1. Separate the person from the problem
2. Understand their current positions as well as differentiate their wants from their needs, (remember the information from your profiling analysis)
3. Understand and value emotions, but do not react emotionally
4. Identify common ground for mutual benefits (where do we meet?)
5. Insist on objective and non-bias criteria to evaluate options

How to identify your BATNA:



Know and clearly establish what is your BATNA when engaging any stakeholders. But remember there is no NEGOTIATION without COMMUNICATION

CAPABILITIES REQUIRED FOR ENGAGEMENT

CAPABILITIES TO ENSURE SUCCESS IN STAKEHOLDER ENGAGEMENT

When implementing your strategy, there are 4 top key guidelines that can ensure success:

Be Empathic

- *Always try to understand the issue from the stakeholder's perspective. This is the best way to understand stakeholders' needs (aside from their emotional reactions), find topics of common interest and/or where compromise to ensure a real dialogue can be reached.*

Aligned strategies by stakeholders

- *When developing a strategy and once a clear goal and concrete action plan have been established, the ways to engage should be customized by stakeholder. Always remember the big picture, link and align your customized strategies to ensure consistency and coherence in our actions.*

Make sure your proposal has a WIN-WIN approach

- *Always highlight why a particular proposal is good for all the stakeholders involved, (employment, progress, taxes, investment, development, support to develop capabilities, etc.). This requires to identify what satisfies or is valued by each stakeholder.*

Honor your commitments

- *Never promise things that cannot be delivered or that have being approved by the company. Moreover, commitments undertaken by partners/third parties that are part of our strategies must be honored*
-

BUILD SUPPORT THROUGH ALLIANCES.

There is a greater chance of successfully effecting change by partnering and joining forces with other stakeholders sharing the same interests and goals. Engaging with respected external organizations or companies is extremely valuable as we can benefit indirectly from their reputation.

Think broadly about possible partners, but also evaluate the ability and commitment of these organizations to contribute to your agenda. Note that creating a coalition around an issue requires convincing partners to join your cause. In this undertaking, you will need to apply the same process of identifying your potential partner, understanding its position and tailoring a message to convince it to support your business' goals.

When selecting partners always consider these criteria:

- Shared vision
- Experience in the sector / area / type of projects
- Passion and creativity aligned with AES values
- Financial strength
- Solid reputation
- Risk management experience and decision-making skills

When working with partners- stakeholder engagement is a critical part of a strategy. NGO's, Trade Associations, Multilateral Organizations, Financial Institutions can be important allies, and AES already has vast experience with successful alliances of this kind.

Plan your budget to ensure results

Remember the benefit of building alliances when planning for a budget. NGO's, multilateral banks, private sector with aligned interest and even other AES business units can be very useful for increasing financial and technical resources.

Create a budget for stakeholder engagement, and make sure to include funds for key activities with concrete results, staff, training and other items that are in line with your action plan, this will allow for a greater accountability in the use of resources.

Make sure you allow enough time to consider the sorts of activities you would like to pursue. You may want to develop a list of "needs" versus "wants." Make sure that everything essential for stakeholder engagement — your "needs" — makes it into the budget. Then, if you have extra budget, you can add items from your list of "wants."

To optimize the available budget, you may need to streamline capacity building, the production of materials and take advantage of corporate or other AES businesses resources.

HOW TO HANDLE GRIEVANCES – FORMAL MECHANISM

AES can minimize risks and increase positive outcomes through early, ongoing engagement with stakeholders that builds trusting and lasting relations. However, stakeholders' increased expectations require us to be more prepared to deal with grievances and claims in the communities in which we operate. As part of our systematic engagement, we

must incorporate a mechanism to formally and efficiently deal with these grievances: an opportunity to identify issues and discover solutions together with our stakeholders.

A grievance can be defined as “a real or imagined cause for complaint.” It may be expressed formally or informally. In our experience, they are usually related to alleged or potential risks and adverse impacts associated with our operations, an alleged non-compliance with a project commitment, or to matters concerned with employment and working conditions.

These is an example of procedure to formalize complaints



Depending on the grievance, stakeholders may want a detailed explanation, an apology, compensation, or modification of the cause/behavior that first led to their grievance. In expressing their concerns, they also expect to be heard and taken seriously. They may also want to be involved in monitoring the cause/behavior so that it will not happen again.

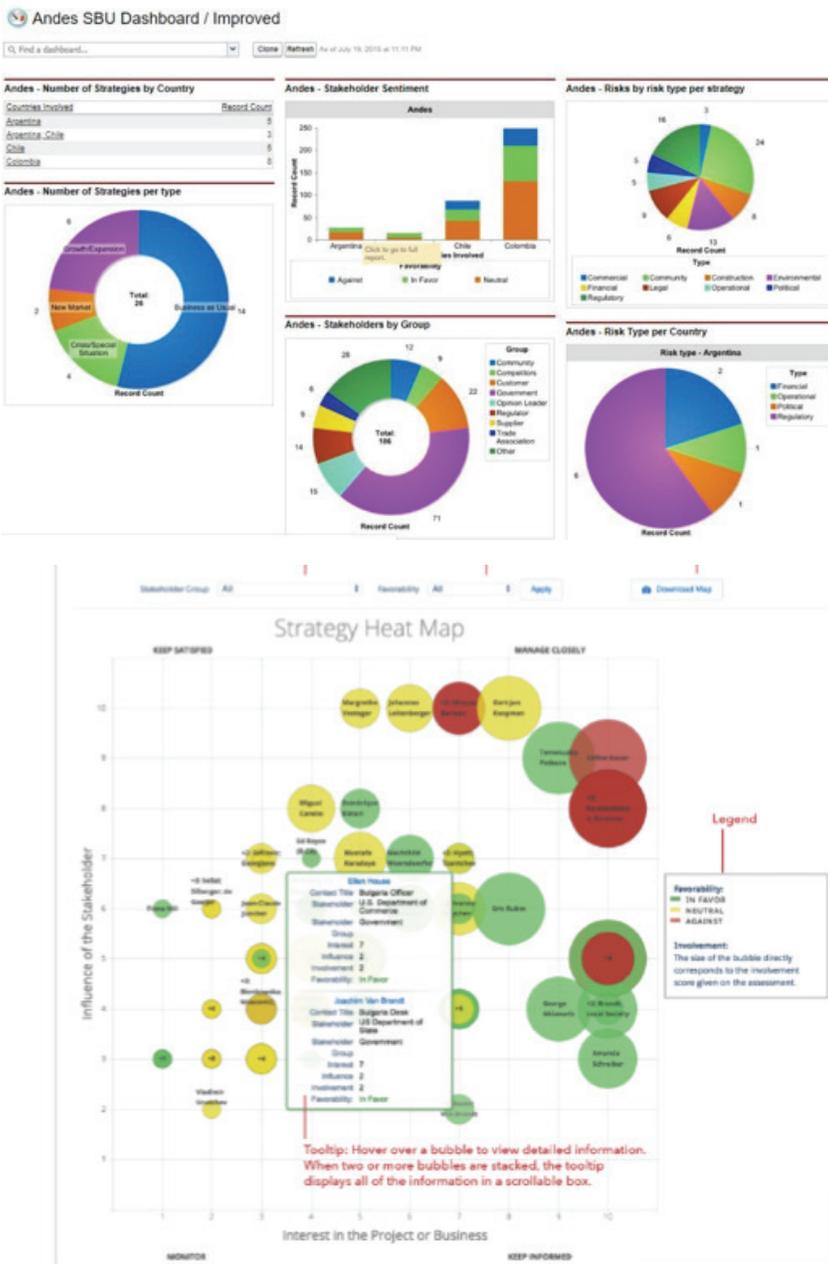
So, when needed, projects must consider a GRIEVANCE MECHANISM that follows these characteristics (recommended by the World Bank):

- **Procedure is formalized:** grievances are systematically recorded, tracked, analyzed, and responded to.
- **Proportionality:** the mechanism is scaled to potential project risks and adverse impacts
- **Cultural appropriateness:** consider specific cultural attributes as well as traditional mechanisms for raising and resolving issues
- **Accessibility and responsiveness:** the grievance mechanism must be one that is clear and understandable, accessible, responsive and at no costs.
- **Appropriate protection:** communities are encouraged to share their concerns freely, with the understanding that no retribution will be exacted for participation.
- **Redress mechanism:** include an external body for consideration of the grievance where/when necessary.
- **Transparency and accountability**
- **Staffed and budgeted**

Use the GSM TOOL

A customized online platform is available for all AES businesses, to map stakeholders, risks, actions and capture feedback from stakeholders, to effectively manage each Stakeholder Management strategy.

All the aspects of a Stakeholder Strategy can be capture in the GSM tool to better anticipate and prepare for stakeholder risks and design timely mitigation actions.



Some of the key functionalities include:

- Build comprehensive strategies along with stakeholder profiles and relationships between stakeholders
- Connect stakeholders to strategies, risks and actions/activities
- Create visual “heat maps” for a quick and easy overview of stakeholders’ assessments
- Analysis of levels of influence among stakeholders
- Keep track of upcoming activities as it synchronizes with Outlook
- Issue reports for stakeholders, risks and triggers at multiple levels (strategy, country, SBU, Corporate, global)
- Follow stakeholders’ social media activity in real time
- Capture feedback and interactions

Upon request with the Global Stakeholder Management team in the Arlington Office, an individual account may be created to access the GSM online platform.

Figure 3: The Strategy Heat Map is embedded within Strategy and Stakeholder Contact Page Layouts

EVALUATE PROGRESS OF ENGAGEMENT ACTIONS

HOW TO RECORD AND MEASURE PROGRESS

Monitoring and evaluating is a process that helps to improve performance and achieve results. The objective with stakeholder engagement is to improve current and future management of engagement outputs, outcomes and impact. Each individual engagement should be monitored and evaluated, then aggregated and evaluated as a whole.

It is essential to keep a record of each stakeholder meeting and the key outcomes or information derived from it. This way the organization can keep track of its contacts and build on them to deliver the most effective relationships with stakeholders. This can aid in the sharing of information within AES and enable others to help manage those relationships.

Plus, contact with public officials is rightly scrutinized to ensure that officials are not being unduly influenced. Keeping meeting records helps to establish 'audit' trails if the need to demonstrate the content or appropriateness of meetings with public officials arise.

In this process data analysis is key. Documenting the entire engagement process will ensure we are able to measure progress according to the KPI's or objectives we set at the beginning as well as revise and redefine actions when needed.

Aside from the specific KPI's set for each different stakeholder, the process should evaluate: (by monitoring and evaluating):

- Progress with commitment and integration
- Purpose, scope and stakeholder participation
- Efficiency of the process (planning, preparing, engaging, acting, reviewing and improving)
- Outputs and outcomes
- Reporting structures



REVISE THE ACTION PLAN

Based on the feedback gathered and by witnessing the impact of the actions undertaken, review the plan and reassess the effectiveness of the messages, choice of stakeholders and target audience, the suitability of the person(s) delivering the message(s), the channel(s) of communication chosen, and the next steps planned.

Take corrective actions where necessary if your engagement activity has failed to achieve the set goals and objectives. Keep your partners informed of your changes to ensure their continued support and try to learn from your experiences.

LEARNING FROM OUR EXPERIENCES WITH STAKEHOLDERS

Engagement processes are likely to involve a variety of people with different levels of expertise, confidence and experience. When engaging it is important to address capacity or knowledge gaps of stakeholders to avoid their exclusion or to prevent them from disengaging.



- Never assume common levels of knowledge and similar understandings of concepts – be sure everybody involved understands the issues at stake;
- Provide enough time: stakeholders require time to understand new information and form opinions; good engagement also requires trust, which takes time to evolve.
- Always remember reporting back to stakeholders, in an inclusive and consistent way so that all participants receive consistent feedback.

STAKEHOLDER ENGAGEMENT AND EXTERNAL COMMUNICATIONS

In a global organization like AES, it is important for all parties involved to take ownership of these stakeholder relations and manage them effectively.

The Global Stakeholder Engagement and External Communications team supports all units of the company's strategic quadrants, specially engaging with stakeholder groups that impact our operations globally: governments, communities, associations and trade organizations, academia, media, multilaterals and NGO's.

The Global Stakeholder Engagement and External Communications team is constantly evolving and adapting its structure to make sure it supports and serves our business strategies. In this regard, the Global Stakeholder Engagement and External Communications team can assist AES businesses in matters related to:



This support is evaluated on a case by case basis, ensuring that the team/leader with the best experience and contacts on the subject can provide support to the local operations when needed/requested by the Market Business Leaders/Country Managers/Presidents.

Also, remember a functional responsibility for corporate issue management and high level/high risk stakeholder engagement lies with Corporate, and they should be included in the engagement plan when the issue / stakeholder involved is particularly sensitive to AES at a corporate or global level.

AES Spokespersons Guideline

Selecting the best person to engage a certain stakeholder should be determined by the strategy's objectives. Sometimes the person with the most knowledge about a topic is not the best speaker/engager for a certain stakeholder. Part of the strategic analysis should be to determine whom internally is the appropriate speaker, with the capabilities required to engage that particular stakeholder, so that he/she can be prepared and briefed on the topics.

How we say things is as important as what we say. In most cultures, nonverbal communications amount for over 80% of communication. Body language, expressions, posture and even what we wear is relevant when engaging stakeholders.

Remember to be aware of your Body Language:

- Always make visual contact with your audience – it will help you connect with your stakeholders
- A centered and straight posture will help to project certainty and confidence
- Use your hands and arms to accompany your messages
- Be aware and control your facial expressions, don't let yourself be driven by emotions

When representing AES in engaging stakeholders:

- Manage expectations. Only commit to what you can deliver.
- Prepare and practice answers to difficult questions
- Cut to the chase. State relevant and factual information.
- Acknowledge uncertainty. Sounding more confident than you are rings false.
- Use personal pronouns for the organization. "We are committed to . . ." or "We understand the need for..."
- Be proactive.
- Treat emotion as legitimate. To help people bear their feelings, it is important to respect their feelings.
- Tackle the problem, not the person or organization. Do not point fingers at a specific person or group but talk about the issue at hand.
- Avoid technical jargon
- Use answers to connect the audience to your key messages through communicational bridges.
- Writing your messages down makes sure they are short, concise and understandable.
- Repeat the message. Repetition reflects credibility and durability.
- Do not use humor. Seldom is humor or sarcasm a good idea.

Another key factor when engaging stakeholders is linked to really making a connection, to form a real bond. A great way to generate this connection is to incorporate genuine and personal messages when engaging stakeholders. Storytelling is a great tool for that. Identify and share stories, experiences and knowledge with stakeholders in your messages (visual, emotional and personal stories that can help the audience better understand where you are coming from)

UNDERSTANDING SOCIAL MEDIA AS AN ENGAGEMENT TOOL

When analyzing and before engaging with key stakeholders, review their social media profile, explore their opinions, needs and interests. This can help you understand their backgrounds, expectations, motivations, beliefs and ultimate goals.

Also, social media can be a useful and rewarding tool to engage and share the companies' views. But it also presents some risks and responsibilities. When engaging stakeholders in the name of your business or in AES related topics, always follow the Company's Social Media Guidelines.

But always remember:

- Transparency – always identify yourself as an AES person
- Be respectful and polite
- Put safety first – never share confidential or sensitive information
- Be honest. Never make false claims
- Add value: provide useful and opportune information
- Honor commitments and stay engaged.

Managing social media requires time and resources. Conversations about the companies' brand and operations must be monitored closely. Also, communities must be engaged in timely and responsible manner. When dealing with negative comments: avoid public disputes, emotional responses or sarcasm.

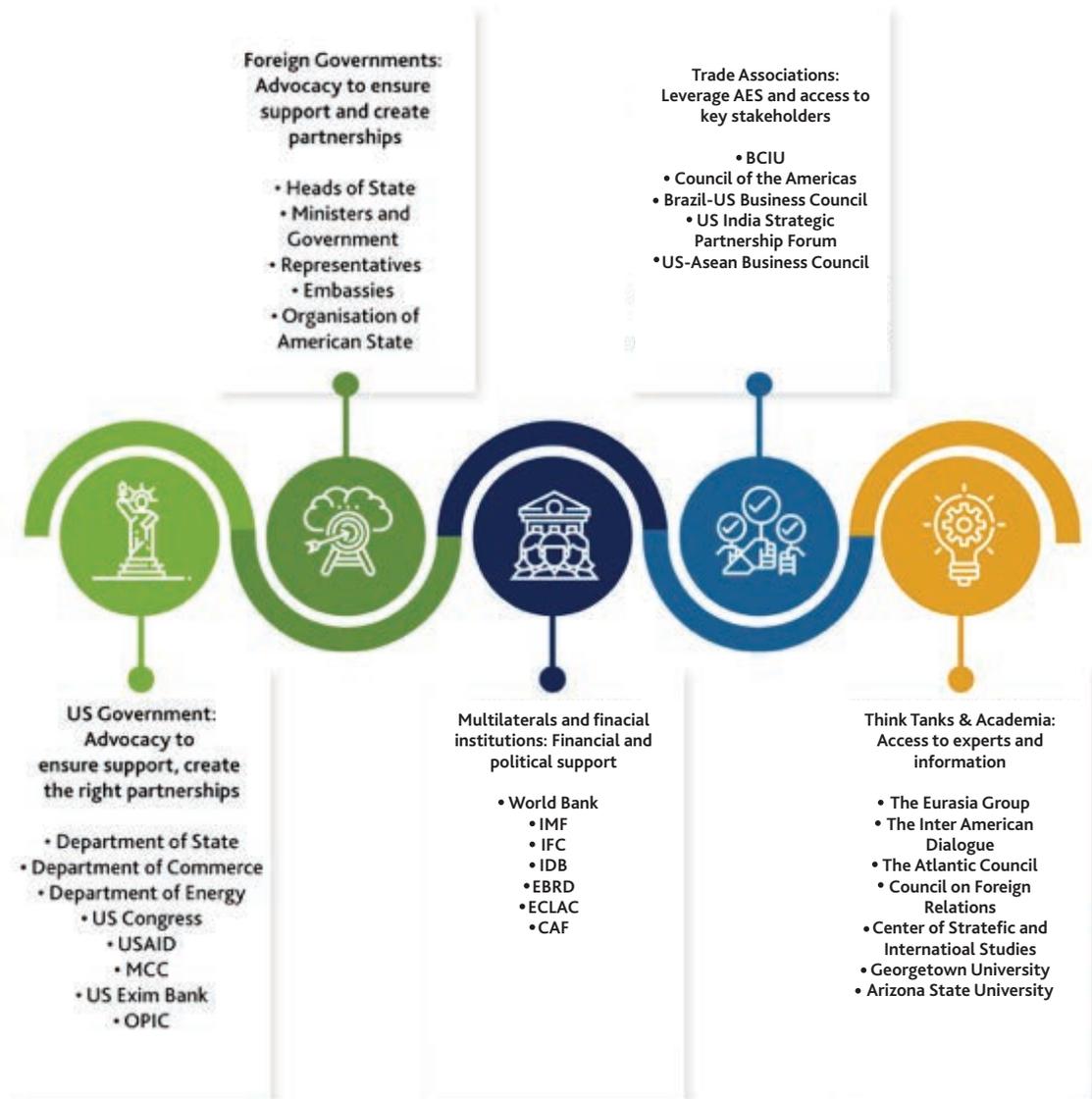
Also, if ever contacted by a journalist or media through social media, simply notify the team in charge of media relations at your local business or if applicable at AES' Corporate offices, especially if the person being contacted is not an authorized spokesperson on

the matter. The team responsible for social media engagement will determine the best way to deal and respond to any comments according to a particular strategy and the engagement options.

HOW TO LEVERAGE LOCAL/REGIONAL AND GLOBAL ACTIONS

At AES’ corporate level, a dedicated team works on engaging key stakeholders proactively, to help position AES as a key player in the global power industry, leverage our global presence for the local businesses, mitigate risks and identify opportunities as well as strategically advise, guide and support AES businesses.

Some key stakeholders that we successfully engage at corporate level are:



Remember these positive relations are at your disposal when developing your business strategy or when tackling issues or risks. Also consider that all local efforts that support our reputation and position AES as an expert in the sector ultimately strengthen our opportunities for growth regionally and globally.

All efforts made in engagement with these key groups of stakeholders also strengthen our positioning as a socially responsible and sustainable company, very relevant for our investors (as reflected in the DOW JONES Sustainability Report).



GUIDELINES FOR DEVELOPING SUSTAINABLE SOCIAL AND ENVIRONMENTAL PROGRAMS

Document Owner: Stakeholder Management Group

Effective Date: December 2012

Updated version: October 2018



INTRODUCTION

AES improves the lives of millions of people every day around the globe by delivering safe, reliable and sustainable energy in every market we serve. Improving lives and making a lasting difference in the communities in which our businesses operate is the core of AES' mission.

In today's business environment, companies are increasingly vulnerable to governments and the public opinion's scrutiny and are expected to meet multiple expectations. Companies that do not engage with their stakeholders and do not consider the economic, environmental and social impact of their operations can face conflicts, which can ultimately threaten the longevity and sustainability of the company in the long term. At AES, we understand that the success and sustainability of our businesses also depends on the social licenses we obtain from local communities to operate and prosper in our business activities.

Wherever AES is located or runs a business—whether it is power generation, a utility or a renewable energy project—we seek to create deep, meaningful relationships with the communities we serve. We recognize that we do not just provide a critically important service; we also need to invest in the people and the infrastructure of those communities.

We encourage our businesses to custom-tailor community engagement programs to ensure the most effective, efficient and beneficial local contribution. As a result, AES corporate sustainability activities focus on a series of proven commitments to our customers and communities; the environments in which we operate; our people and businesses; and our investors. But the ultimate goal must be programs that are aligned with our business strategy and that do not only translate into a benefit for the company but also into an improved quality of life for the communities involved, through education and empowerment, organization, and capacity-building.

By developing and effectively implementing sustainable programs and initiatives, AES businesses develop longer-term relationships with local communities, and promote a positive view of AES in the society as a whole, which in turn ensures a stable environment for our businesses to operate. Furthermore, these programs can make a substantial contribution to intangible assets by building team spirit, a sense of belonging and appreciation for the company by employees; as well as improve the company's image and reputation at national and international levels.

These guidelines, adopted on December, 18 2012, and updated in October 2018, should be regarded as a corporate effort to improve and progressively apply an Integrated Management System for Corporate Social Responsibility. These guidelines are a living document that takes into consideration possibilities for continuous improvement and are based on best practices from our business and lessons learned on Corporate Social Responsibility at the international level.

I. OBJECTIVES

The objective of these guidelines is to provide tools for AES businesses to develop and implement coherent and cohesive sustainable social responsibility programs that are suitable to AES' different local contexts and equally beneficial for our core business and the sustainable development of the communities in which we operate.

II. APPLICABILITY AND SCOPE

All AES employees and businesses should adhere to these guidelines and contribute from their different areas of expertise to its application and continuous improvement. In addition, AES encourages service providers and contractors to promote and implement CSR initiatives in line with these guidelines, notably for contracts running in local communities where AES operates.

III. PRIORITY AREAS OF AES SUSTAINABLE SOCIAL RESPONSIBILITY PROGRAMS

We believe that our businesses do much more than just provide power. Improving lives and making a lasting difference in the communities in which our businesses operate has always been part of our values and mission.

AES favors the implementation of sustainable programs that are aligned with our business strategy, and that do not only translate into a benefit for the company but also into an improved quality of life for the communities involved, through education and empowerment, organization, and capacity-building.

Sustainable programs should be connected to the greatest extent possible to the business of AES (i.e. having a focus on cost-effective use of energy resources; increasing understanding of power generation or distribution; developing skills required to work at an energy company, its suppliers or customers; improving an environment that has been affected by energy utilization, etc.).

The success of sustainable programs depends on the extent to which these are relevant to the priorities, needs and expectations of target groups and how these are integrated to the company's business priorities and are sustainable over time.

Although the context in every country where AES is present is different, AES sees general added value in supporting programs and activities that focus on Education and training so that skills are developed in the community which will have long-term, direct and indirect benefits on citizens' lives.

All of our programs and initiative are and must be aligned with the Sustainable Development Goals (SDG's) and the 230 Agenda set by the United Nations, especially those related to education, affordable and clean energy, economic growth, among others.

Even though each country has different programs set to address local realities and needs, our key Focus Areas include:

- Capacity building and education to support the social and economic development
- Support local communities to help improve quality of life and access to basic needs.
- Access to reliable and cleaner energy
- Encourage diversity and equality
- Continue efforts to achieve operational efficiency

In the advent of natural disasters or catastrophes with grave impact on local communities, AES (as a sign of goodwill and support of collective national action) could make resources available (immediate assistance) to support national disaster relief programs.

IV. FUNDAMENTAL CRITERIA

a. Moving from philanthropy and charitable donations to sustainable programs and initiatives

As we move forward in our sustainability culture, we look for programs and activities that will have long-term effects and will benefit communities in the long run. AES is interested in focusing on programs that will have a long-term of impact, particularly those that can make a community stronger economically, socially or environmentally.

AES sustainable social responsibility programs seek to improve the living standards of more than one stakeholder group in communities, in areas that are highly appreciated by them and that ideally have a direct or indirect relation with our business priorities. It is precisely the maximization of benefits for all stakeholders that give birth to programs of high social impact that could be adopted as long-term strategies, thus setting a fundamental difference between philanthropy and charitable contributions.

In order to make sustainability a priority, AES is interested in emphasizing programs and supporting activities that are sustainable in nature, as opposed to merely making a financial donation to a single fund or event that would only have short term benefit for one or a limited number of people. AES is asking all its businesses to emphasize support for sustainable programs or initiatives, while putting less emphasis on support for charitable donations.

Education and training programs should play an important part and AES will be guided by this statement: “AES contributes to improving community access to economic opportunities and social development through education and training.”

The ultimate goal must be programs that are aligned with our business strategy and that do not only translate into a benefit for the company but also into an improved quality of life for the communities involved, through education and empowerment, organization, and capacity-building.

Charitable donations provide beneficial financial support or in-kind services to meet immediate needs that may include items such as payment of medical bills, provisions of funds for food or clothing, rent support, team uniforms, etc. It is important to note that in accordance with AES policy, charitable donations are not permitted in exchange for financial concessions, recommendations, favorable treatment, or other improper influence. All charitable donations must comply with local law and must comply with the AES Ethics and Compliance Program (*see AES Corporation Charitable Contributions and Political Donations Policy for more details*). Lastly,

AES employees should be aware that charitable donations by individual employees are no longer eligible for a matching contribution from AES.

Donations differ from sustainable programs and activities in that the charitable donations have only short-term impact both for the community and for AES and are not designed to benefit a person or the community in the long term or make a significant difference in their future quality of life. Charitable donations usually reinforce the actions of third-party institutions rather than reflecting AES' efforts and interests towards social sustainable development.

Sustainable efforts often use training, education, and capacity-building to make a longer-term positive impact on the community.

Whit this premise, programs and activities supported by each AES business should focus on allowing the community to progressively run those programs independently or provide the beneficiaries with skills and abilities that will enable them to self-develop and sustain themselves socially as well as economically. These programs allow for maximizing the benefits of social investments in the long term and promote a sustainable development of society as a whole.

As we move forward to redirect our efforts in a sustainable manner over one-time donations, AES businesses should also consider the amount of funding that is allocated for these initiatives.

Of the budget that AES businesses set aside each year for the purpose of promoting the well-being of the communities in which they operate, AES is asking its businesses that in 2013 a maximum of 40% of their allocated budget for corporate social responsibility programs (CSR) be used for direct charitable donations and a minimum of 60% be devoted for sustainable programs and activities. The objective is for this ratio to progressively grow to 80% for sustainable CSR programs and 20% for charitable donations by 2019. All donations should be made exclusively to reputable, trustworthy entities that will reflect positively on AES. Should an AES business believe that special circumstances require that more than 40% of available funds be spent on charitable donations, they should consult with the Stakeholder Management team in Arlington (*contact information provided below*).

b. Internal Synergies

Corporate Social Responsibility applies to all the decision-making processes and systems in a business. Hence, the identification, conceptualization, planning, implementation, monitoring and evaluation of

sustainable social responsibility programs that could generate a win-win partnership with local communities require firm decisions from senior management as well as the involvement and creation of synergies among different departments in a company including CSR, Stakeholder Management, External Communications, Finance.

These synergies would allow the different departments to integrate their perspectives and short, medium and long-term goals of each area that would in turn contribute to the goals and sustainability of the business.

c. Engaging the local communities when developing CSR programs

We encourage our businesses to identify sustainable programs taking into account AES business priorities, national strategies as well as the needs of local communities. These communities should be empowered to take charge of their own development for which their effective participation in the design, planning, implementation monitoring, and evaluation of sustainable programs is ideal. This participatory approach helps ensure accountability as well as community ownership of AES sustainable programs and therefore increase chances of effective implementation and success.

Ideally, sustainable programs should be identified, conceptualized and planned when a peaceful atmosphere reigns with local communities, as opposed to moments of crises or evident need of support to the communities. This will enable AES businesses to build trust and give place to positive experiences that could improve its image and reputation.

Knowledge gained through sustainable programs must be used for organizational development, shaping of the company's social/public reputation, inclusion of community-oriented solutions into the company's strategies and the continuous improvement of future sustainable programs.

d. Partnerships and resource mobilization

It is highly recommended that AES businesses identify reliable, effective, well-established partners with which to undertake the sustainable programs and activities. Potential partners should be evaluated carefully to ensure that they meet essential criteria including the following:

- Partners could be international donors (such as country development agencies (e.g. USAID, GIZ, DFID), companies, foundations, non-governmental organizations and non-for-profit organizations that is not seeking to maximize its profits from the activities to be undertaken.
- The partner should have the appropriate technical skills (case specific), experience and sufficient funding to develop and implement a program that will reflect positively on AES and benefit the community in sustainable manner.
- The partner should be vetted carefully and approved by an AES Compliance officer to ensure that they are reputable, trustworthy, capable, and non-controversial.
- The partner should also be vetted carefully to ensure that there will be no conflict of interest for AES
- Under no circumstance should the partner chosen to be an entity that could bring criticism from the media, the community or the government.

- Under no circumstance should the partner chosen be an entity that could potentially be controversial and detract from the AES brand or distract AES from its mission in appearance to the media, the communities or governments.

The development of partnerships and mobilization of resources are a key element for the success of sustainable social responsibility programs as it serves to:

- Share costs, risks and success with partners
- Get qualified technical assistance; and
- Benefit from best practices and lessons learned experienced by partners.
- Increase the legitimacy of projects and sense of corporate transparency
- Increase the opportunities to maximize positive exposure

This will enable the conceptualization of sustainable social responsibility programs to have higher chances of delivering successful and sustainable results after their implementation.

Partnerships must be formalized through a Cooperation Agreement clearly stating the duration of the cooperation, roles and responsibilities of each party as well as their financial contribution.

e. Partnerships with local authorities

Public-private partnerships are also encouraged when appropriate as they allow to develop programs that are in line with national strategies, hereby strengthening AES' credibility and relationships with local governments and communities.

AES businesses must develop agreements clearly stating the roles, responsibilities and commitments of each party. These agreements will not only develop transparent relations based on trust and collaboration with the administration at the regional/local level, the mayors and local organizations/associations but also ensure the inclusion of all relevant stakeholders in the processes of information and dialogue, as well as in the identification, conceptualization, planning, implementation, monitoring, and evaluation of sustainable programs.

Most importantly, transparent collaboration with local authorities will ensure that AES efforts in the sustainable development of the local communities in which we operate are highly appreciated and recognized at the national level.

f. Corporate Volunteering

AES encourages AES people to take an active role and get involved volunteering programs and community activities.

Corporate volunteering increases employee job satisfaction while having fun collaborating with colleagues in a unique setting and making a meaningful contribution to the communities in which we are present.

AES employees who personally volunteer to work with members of the community on education, training and capacity building activities for instance, will have a better understanding of the community's needs, culture and opportunities. Consistent employee engagement in volunteering programs will not only improve AES reputation for social responsibility at the local level but also increase employees' pride and sense of belonging to the company. All AES employees are called to federate the company's efforts and demonstrate our commitment to supporting local communities' well-being.

AES aims to consolidate a Volunteer Registry to quantify number of volunteers, areas and time dedicated to the activities, measuring number of employees that participate, Hours volunteered per employee, Total hours volunteered and employee engagement levels.

g. Sharing best practices and lessons learned among AES businesses

AES encourages all business to share best practices and lessons learned in the resolution of local communities' issues as well as in the identification, conceptualization, planning, implementation, monitoring and evaluation of sustainable CSR programs. These exchanges will additionally enable AES to align its efforts and develop a cohesive Corporate Social Responsibility strategy.

V. GOVERNANCE

AES aims at contributing to the social and economic well-being of the communities we serve by delivering safe and reliable energy. To foster and maintain positive community relations, Global Stakeholder Management at CORP provides tools for AES businesses to develop and implement sustainable social responsibility programs that are beneficial for our core business and the sustainable development of the communities in which the company operates. All AES markets have dedicated people to manage their respective community relations and develop custom-tailor community engagement programs to ensure the most effective, efficient and beneficial local contributions. At CORP a Sustainability Reporting Manager reviews programs, measures impact and identifies opportunities for continuous improvement of social investment carried out by AES businesses.

VI. REPORTING ON AES CORPORATE SOCIAL RESPONSIBILITY

a. Measuring impact

Sustainable programs and or initiatives should be guided by clear goals, objectives and timelines for which Terms of References and Operational Plans must be drafted. Moreover, the appropriate use of allocated resource, monitoring, and evaluation of their impacts on local communities as well as communication of all social initiatives are requirements for which indicators and criteria of success will be developed in a case by case basis.

We are committed to measuring and improving our Corporate Social Responsibility performance. We will continuously review, develop, improve our practices and strategies and report our progress.

Overall, when structuring programs, we encourage businesses to make sure they define the following information:

1. **DESCRIPTION:** The main objective; The central activity; Why the business selected this particular program; How this project is aligned and supports the overall business strategy; Which Sustainable Development Goal is the program aligned to
2. **SPECIFY THE AREA OF FOCUS:**
 - a. Capacity building and education to support the social and economic development
 - b. Support local communities to help improve quality of life and access to basic needs.
 - c. Access to reliable and cleaner energy
 - d. Encourage diversity and equality
 - e. Continue efforts to achieve operational efficiency
3. **PARTNERS:** which partners did your Business work with
4. **VALUE OF CONTRIBUTION:** equivalent US \$ Total Value per year
5. **NUMBER OF BENEFICIARIES:** When specifying who & how many people did the program/donation benefited, please be as much precise as possible and do not use generic nouns as "the community"; "school students", etc.
6. **VOLUNTEER TIME:** it is important to keep track of the employees and the number of hours served (differentiating between paid working hours and outside the working hours)
7. **KEY PERFORMANCE INDICATORS TO MEASURE SUCCESS:** may be either of quantitative or qualitative nature. However, please note that it must be possible to translate the qualitative KPIs into quantitative measures (e.g. a quantitative target / objective underlying the qualitative KPI), for example: increased employee motivation may be used as an indicator, given that it can be measured through reduced employee turnover, or increased efficiency, etc. Refer to the annex page (from London Benchmarking Group), that provides additional guidance and examples of KPI.

b. Reporting performance

On a yearly basis, businesses must report all the programs, donations and activities executed during the calendar year. To that end, AES developed an internal online CSR reporting tool to collect information about Corporate Social Responsibility Programs globally.

The use of the tool allows to:

- Improve global view and accountability of CSR investments
- Centralized data base, globally accessible and reporting
- Fully automated process with higher accountability
- Reduce human error

For more information, please do not hesitate to contact the AES Global Stakeholder Engagement & External Communications team @ Madelka McCalla madelka.maccalla@aes.com