

ENERGO-PRO GROUP

**LAND ACQUISITION &
INVOLUTARY
RESETTLEMENT**

2024



1. Introduction

Our core business is the hydropower sector. We operate hydropower plants in Europe, the Black Sea and the Caucasus and we are expanding our operations to South America. We are also engaged in electricity distribution and power trading, operating large-scale distribution grids in Bulgaria and Georgia.

Our company was established in 1994 in the Czech town of Svitavy, participating in the modernization and rehabilitation of hydropower energy in Central and Eastern Europe in the period of economic transition.

One part of the multinational group ENERGO-PRO, headquartered in Prague, is the Slovenian manufacturer of water turbines, Litostroj Power d.o.o. Litostroj Engineering a.s., registered in the Czech Republic, focuses on research, design and engineering works.

ENERGO-PRO is committed to sustainable development and to the well-being and protection of communities living in the areas of influence of our investments. We recognize that the policies and practices that we adopt today will shape not only our lives but also those of future generations. Therefore, we believe it is vital to integrate sustainability concerns into our day-to-day operations.

For the purposes of the Policy, ENERGO-PRO complies with the International Finance Corporation (IFC) Sustainability Policy and the Performance Standards on Environmental and Social Sustainability, in particular Performance Standard #5 Land Acquisition and Involuntary Resettlement.

2. Purpose and Objectives.

The purpose of this Policy is to present our commitments and obligations regarding land acquisition and involuntary resettlement.

The overall objectives are:

- Manage risks related to land acquisition and involuntary resettlement.
- Avoid impacts on project affected people and when avoidance is not possible, minimize and compensate relevant losses.
- Ensure compliance with the IFC's Sustainability Policy, the Performance Standards and all applicable regulatory requirements regarding resettlement.
- Avoid and/or minimize community conflict.
- Develop and maintain a good relationship with the communities and other project affected people.
- Understand that restoration of livelihoods is a long-term process.
- Ensure all Business Units comply with the principles of this policy during relevant project scopes including design, construction and operations.

3. Principles of Economic¹ and Physical² Displacement

ENERGO-PRO has adopted the following principles regarding economic and physical displacement:

¹ Loss of assets or access to assets that lead to loss of income sources or means of livelihood (IFC), this can include access to natural resources such as wood, fisheries and other.

² Physical relocation or loss of shelter caused by land acquisition for the project (IFC).

- Accountability of resettlement lies with the highest Governance Body (HGB), the ENERGO-PRO Board of Directors.
- The ESG Committee has the responsibility of updating this Policy and overall oversight.
- Adequate human and financial resources will be allocated towards resettlement management.
- Compliance with the IFC's Sustainability Policy and Performance Standards and applicable regulatory requirements.
- Engage with project affected people early.
- Ensure transparency with stakeholders regarding resettlement.
- Utilize the principle of avoidance throughout the design, construction and operations phase.
- Business Units are required to prepare Resettlement Action Plans whenever there is a need for economic or physical displacement and the resettlement is considered involuntary³. The level of detail and complexity will vary depending on project scope and impact.
- Restore and/or enhance livelihoods, including the well-being of project affected people. This can include access to improved essential services and infrastructure.
- Avoid impacting land belonging to indigenous peoples; if avoidance is not possible, apply the principle of "Free, Prior, Informed" consent. During the design phase technical teams shall document and demonstrate all means taken to avoid impacting indigenous land. The agreement to start construction will be given by the ESG Committee.

4. Obligations of this Policy

The policy describes a set of requirements aimed at avoiding and/or minimizing impacts to project impacted people and avoiding risks for ENERGO-PRO. These requirements apply to all Business Units impacting land and other community assets for existing or new projects, and they apply during the project design, construction and operations.

I. Avoidance

ENERGO-PRO understands that involuntary resettlement leads to a range of adverse impacts on project affected people. Therefore, to comply with our principles, all Business Units will design projects to avoid impacting people as much as possible. Projects will document all avoidance and minimization measures taken.

II. Meaningful Stakeholder Engagement

Engagement with the communities and project affected people will start early. All projects requiring resettlement will prepare a Stakeholder Engagement Plan that will be transparent, culturally appropriate and inclusive. Communication and information sessions can be organized as plenary sessions, focus group and individually, depending on the project impacts and preferred method of consultation by the communities. Engagement will include disclosure of relevant information and impacts. Care will be taken not to create expectations. The aim is to establish an honest and informed dialogue between ENERGO-PRO and the impacted communities and people.

Stakeholder engagement will include specific measures to consult with vulnerable groups.

³ IFC PS5, paragraph 1: "Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or other means of livelihood1) as a result of project-related land acquisition² and/or restrictions on land use. **Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in physical or economic displacement.** This occurs in cases of (i) lawful expropriation or temporary or permanent restrictions on land use and (ii) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail." **Involuntary is considered to be the case when there is an option for the government to expropriate land.** Voluntary resettlement is the case when land acquisition is negotiated and there is a willing buyer/willing seller.

III. Grievance Mechanism

Depending on the scale of the project, a grievance mechanism specific to resettlement will be prepared. If the scale of resettlement is small, the project can use the Business Unit external Grievance Mechanism, otherwise it is recommended to prepare a Resettlement specific Grievance Mechanism. Care will be taken to ensure vulnerable groups, including the elderly, women and indigenous people have access to the grievance mechanism.

IV. Vulnerable Groups

Vulnerable Groups will need to be defined and identified for each project requiring resettlement. The definition of a vulnerable group is site specific and could include women, the elderly, youth, physically and mentally disabled, chronically ill people, extremely poor households, informal settler or squatters, marginalized minority groups, refugees, environmentally displaced people, indigenous peoples that rely on natural resources, and other. The definition and identification of vulnerable groups will need to be done during the ESIA process and should be updated as required.

Special measures will need to be developed during the engagement process to ensure the views of vulnerable groups are taken into consideration. In addition, specific measures might be required during the preparation and implementation of the Resettlement Action Plan.

V. Preparation of a Resettlement Action Plan

All new projects or existing projects requiring expansion which results in involuntary resettlement will prepare Resettlement Action Plans. Projects will refer to the IFC Sustainability Policy, the IFC Performance Standard #5 on Land Acquisition and Involuntary Resettlement, the IFC Guidance Note #5 on Land Acquisition and Involuntary Resettlement and the 2024 "Good Practice Handbook; Land Acquisition and Involuntary Resettlement" (IFC) to prepare the Resettlement Action Plan and manage the resettlement process. Projects wishing to obtain accreditation from the Hydropower Sustainability Alliance (HSA) will also use the HSA "How to Guide Hydropower Resettlement". According to the IFC, a Resettlement Action Plan can be as short as 4 to 5 pages for displacement affecting two or three households or 150 pages or longer for displacement that involves many households, complex livelihoods and vulnerable or indigenous peoples.

Typically, the preparation of a Resettlement Action Plan and planning process will require:

- a) Scoping phase and initial information to local authorities and affected communities.
- b) Collaboration with the ESIA team. Preference is to find synergy with the ESIA team and complement the activities.
- c) Engagement with stakeholders, including government.
- d) Engagement with the technical team to minimize impacts and identify and finalize the project footprint.
- e) Understanding the legal framework. All projects need to comply with this Policy, if there are gaps between the legal requirements and this Policy and the government insists on expropriation or leading the resettlement, the project shall prepare a Supplementary Resettlement Action Plan to bridge the gaps and address the requirements of this Policy and the IFC.
- f) Preparation of a census of Project Affected people.
- g) Preparation and negotiation of the entitlement matrix with the project affected people. The entitlement matrix provides information on the proposed compensation packages, categories of affected people, allowance and rights to livelihood restoration.

- h) Establishment and communication of a cut-off date. The cut-off date is the date after which any new structures, trees, crops, and other immovable assets will no longer be counted or measured for compensation purposes. This is essential to avoid opportunistic settlement or construction in the expectation of future compensation (2024 Good Practice Handbook; Land Acquisition and Involuntary Resettlement (IFC)). The cut-off date is the date the asset survey is completed. If the cut-off date is not mandated by regulation, the project will require careful coordination with government agencies well in advance to ensure endorsement by the government. It is understood that the establishment of a cut-off date might be sensitive in some jurisdictions and caution will be exercised during this process⁴.
- i) Detailed Asset survey.
- j) Identification of resettlement sites in collaboration with the local authorities and the local communities and/or identification of Host communities, if applicable.
- k) Valuation and Compensation Rates. The project might be required to conduct a Market valuation survey if there are no up to date suitable government rates for the losses. The compensation rates will be calculated at full replacement cost⁵.
- l) Resettlement implementation schedule.
- m) Resettlement budget.
- n) Disclosure of the Resettlement Action Plan.

VI. Livelihood Restoration Plan

A Livelihood Restoration Plan will be prepared for projects impacting land, trees, crops and the livelihoods of people. The plan will explain the measures the project will take to restore the livelihoods of people. The plan will include the livelihood entitlements, category of people that can access the livelihood restoration plan, details about the livelihood activities, schedule, budget and other.

Typically, projects that cause physical displacement will prepare a Resettlement Action Plan, projects that impact the livelihoods of people (economic displacement) will prepare a Livelihood Restoration Plan. Projects that impact both can prepare a Resettlement Action Plan that address livelihood restoration or can prepare standalone documents.

VII. Financial and Human Resources

Resettlement planning requires specific skills set and expertise. Depending on the scale and scope, BUs may supplement reliance on internal personnel with suitably qualified consultants to prepare the Resettlement Action Plan. Skills required are typically legal, social, technical, small business for livelihoods, agronomists, logistics, and construction. Furthermore, adequate financial resources will be made available to engage consultants and design the Resettlement process.

The implementation of the Resettlement Action Plan will also necessitate qualified staff, including social experts. If there are no suitable internal staff to implement the Resettlement Action Plan, the project can consider working with consultants. However, preference for the implementation phase is to assign qualified staff to implement the resettlement action plan.

⁴ It is strongly recommended for projects to establish a cut-off date, furthermore it is an IFC and HSA requirement, however if projects are unable to establish a cut-off date, they will have to demonstrate all actions taken to apply this requirement, including minutes with government representatives, consultation with experts and benchmarking with other projects in their jurisdictions.

⁵ Replacement cost is defined as the market value of the assets plus transaction costs. In applying this method of valuation, depreciation of structures and assets should not be taken into account. Market value is defined as the value required to allow Affected Communities and persons to replace lost assets with assets of similar value. The valuation method for determining replacement cost should be documented and included in applicable Resettlement and/or Livelihood Restoration plans (IFC 2021).

VIII. Time Frame

Projects will need to provide adequate timing for the preparation and implementation of a Resettlement Action Plan. Temporary relocation will be avoided as much as possible by planning the project adequately and ensuring that the Resettlement process is integrated in the overall Project planning and schedule. Temporary relocation leads to frustration, loss of trust and in most cases an escalation of grievances.

IX. Implementation of the Resettlement Action Plan

The implementation of resettlement may, depending on specific circumstances, consist of signing compensation agreements with the impacted communities and project affected people, delivery of compensation, construction of housing and community infrastructure, provision of basic services, construction of roads, implementation of livelihood programs such as small business development, agricultural programs, fisheries programs and many other.

This phase is typically done by project staff and if support is required, consultants will need to be hired. The team can include procurement, social, legal, construction, agronomists, small business specialists, livestock specialists and others. If the project requires construction of infrastructure and housing, a key requirement is to assign this role to a senior member of the Business Unit and coordinate the activities with the Environment and Social Department or equivalent. Frequent progress meetings will be scheduled between all teams assigned to implement the Resettlement program.

X. Monitoring and Evaluation

All Business Units shall ensure adequate monitoring and evaluation processes are in place to assess the results of the implementation of the Resettlement Action Plan. The cost of monitoring and evaluation will be included in the Resettlement Action Plan. Key performance indicators will be developed and monitored. Monitoring will continue for an appropriate period after the completion of Physical Displacement and for Economic Displacement after livelihoods have been restored.

5. Distribution

This document is available on the company website, incorporated in selected standard terms and conditions of business, and may be reviewed by company executives, management, employees, contractors and subcontractors. This policy will be reviewed regularly and updated to meet the requirements of partners and stakeholders.

6. Entry into Force

This is a new policy that enters into force and is effective on and from 30 July 2024.