



Dear Dmitry Pankin – Black Sea Trade and Development Bank,

Greetings. We are writing from the Business & Human Rights Resource Centre to invite the Black Sea Trade and Development Bank to respond to the findings of our recent report, 'Digging in the Shadows'. We recognise the value of Black Sea Trade and Development Bank investments, but write now to express concern regarding the human rights impacts of your investments in Eastern Europe and Central Asia.

'Digging in the Shadows' examined the human rights policies and performance of the 10 largest extractives companies in Armenia, Georgia and Kazakhstan. The report found grave abuses related to many of these companies, including those receiving foreign investment. You can find our investor summary [here](#) and key findings [here](#).

According to our findings, Black Sea Trade and Development Bank investments have been linked to allegations of abuse, including heavy metals pollution, toxic wastewater, and deterioration of health in communities near the Artsvanik tailings dump.

The Black Sea Trade and Development Bank's environmental and social sustainability principles require clients to prevent and mitigate pollution, promote sustainable use of natural resources, and protect and conserve biodiversity. However, evaluations of Black Sea Trade and Development Bank projects in the region stand in stark contrast to these policies.

We believe that it is important to give companies and investors the opportunity to respond when concerns are raised about their operations, so that our readers have access to their perspective. We would like to publish your response alongside this letter, and kindly ask for your response by **5:00pm EET, Friday 10 December 2021**.

Notable Rights Allegations Related to Black Sea Trade and Development Bank Investments

- **Zangezur Copper Molybdenum Combine:** ZCMC owns Armenia's largest tailings dump, filled with millions of cubic meters of toxic heavy metals. Studies have found heavy metals pollution in nearby water, soil and crops. Heavy metals poisoning can lead to severe negative impacts for human health, including organ damage, cancer, neurological issues and physical degeneration. Activists claim that, because of inadequate systems, toxic wastewater flows regularly into several rivers. Downstream of the tailings dump, there is no biodiversity, due to pollution and toxic elements. Additionally, ZCMC uses a massive amount of water, which is straining local resources; water levels have been too low for small hydropower plants to produce electricity. Residents allege that the tailings dam has had strong negative impacts on agriculture and livestock, primary forms of income and subsistence in the area. Lawsuits have been filed against journalists and critics who speak out against the company. [You can see the sources for the above allegations within the company profile.](#)

We reached out to Zangezur Copper Molybdenum Combine for comment; the company did not respond.



While the Black Sea Trade and Development Bank's environmental and social policy contains promising standards and requirements, continued investment in the above project demonstrates that the bank could do more to ensure these policies are implemented in practice, particularly in environmental matters.

Investors like the Black Sea Trade and Development Bank play a critical role in ensuring business projects in Eastern Europe and Central Asia do not infringe on human rights or contribute to severe environmental destruction. Many governments in this region, including those of Armenia, Georgia and Kazakhstan, have failed to address human rights issues, or are unable or unwilling to do so. In many cases, government officials have ownership or significant interest in business projects like those above, making it difficult or impossible to seek justice from the state. When states fail to protect, and businesses fail to respect, communities look desperately to investors for assistance and intervention.

In light of this, the Business & Human Rights Resource Centre has issued a few [preliminary recommendations](#) on responsible investment in the region, based on engagement with activists monitoring these extractives projects. Notably, these recommendations focus on public participation, due diligence, and grievance mechanisms. Early and timely access to information for affected rights-holders is also a key issue. Access to information is critical for preventing and addressing human rights impacts, as well as securing access to remedy for those who have been adversely impacted by extractives projects. However, such access to information is poor in the region as a whole, meaning investors should pay particular attention to this topic when making investments.

About the Resource Centre

The [Business & Human Rights Resource Centre](#) is an independent non-profit organization that tracks the human rights impacts of over 10,000 companies in over 180 countries. With an audience of more than 2 million users per year, our digital platform links to reports about positive initiatives by companies as well as reports about concerns that have been raised by civil society. For further details, please see the ["About us" section](#) of our website.

Invitation to Respond

While socioeconomic development is greatly needed in the region and can play a critical role in the achievement of human rights, growth without human rights due diligence and remedy undermines the stated purpose of development: to improve the lives and well-being of the individuals and communities within a society.

We are encouraged by the Black Sea Trade and Development Bank's public commitments to human rights and sustainability, and believe in the bank's potential role to ensure human rights are protected. We invite Black Sea Trade and Development Bank to respond by **5:00pm EET, Friday 10 December 2021**. Please notify us if you need additional time. We hope to publish your response along with this letter. We are also inviting the other investors mentioned in the report to respond.

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- Format: PDF, word document, or web link
- Must clearly indicate the date
- If Black Sea Trade and Development Bank has already taken action with regards to any or all of the allegations, please feel free to include that in your response.

If the Black Sea Trade and Development Bank does not provide a response, we will indicate in the Weekly Update that we invited Black Sea Trade and Development Bank to respond, but that it did not. Your response or non-response will be permanently registered in all relevant sections of our website.

Please do not hesitate to get in touch if you require any further information – we can be reached by email or telephone (see contact details below).

Kind regards,

Ella Skybenko (Eastern Europe/Central Asia Senior Researcher & Representative based in Kyiv) & Ashley Nancy Reynolds (Eastern Europe/Central Asia Research Assistant based in Croatia)
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Business & Human Rights Resource Centre

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Dear Mrs. Skybenko,
Dear Mrs. Reynolds,

Thank you for reaching to us and giving the opportunity to respond to the findings of your recent report 'Digging in the Shadows', particularly with regard to our Client, Zangezur Coper and Molybdenum Combine (ZCMC) in Armenia and the alleged human rights issues. We reviewed it with interest and shared concern and would like to inform you about the following.

The Black Sea Trade and Development Bank acquired bonds issued by ZCMC in 2019 in the amount of USD 5 million for capital expenditures, refinancing of existing liabilities and improvement of current capital structure. BSTDB's proceeds were specifically allocated for the implementation of the SARD-1200 Project that is an innovative automated light electric railway system to transport ore and rock materials at its Kajaran Mine in Syunik. Its main advantages are the flexibility of truck hauling and the energy efficiency of conveyors and rail lines to provide zero emissions, safe and cost-effective transport system to handle bulk materials at the mine site. The use of proceeds and project implementation is monitored annually by the Bank as is the general performance of ZCMC, including environmental and social, which the Bank assesses as good and continuously improving.

The Bank noted at the due diligence stage that ZCMC is compliant with the applicable legal requirements in terms environment, labor and health and safety. The existing non-compliances were identified as immaterial and were duly resolved. The Company proved to making efforts to further develop and implement management systems in line with international good practices. Being a large employer ZCMC is continuously improving its health and safety practices and is supporting the local communities through various social activities and programs. BSTDB also noted that Kajaran Mine has been in operation for about seventy years and is located in an area that has a long history of mining activities that resulted in a number of legacy issues due to past pollution. In this respect the Combine initiated a number of studies and assessments to better understand the magnitude and significance of these issues and is implementing remediation and reclamation projects. The Artsvanik Tailings Storage Facility has been operational for the last forty years and was identified as one of the key issues associated with ZCMC due to past pollution and present risks of accidental discharges or dam failure. This problem requires complex and costly long-term remedy measures and to the best knowledge of BSTDB the Combine plans to discontinue the use of the tailings facility in the coming years and is considering shifting to dry stacking the tailings.

At the same time BSTDB noted that ZCMC needs to further improve its overall environmental and social performance by increasing the transparency of its operations and engaging proactively with its stakeholders. Timely public disclosure of environmental and health and safety information related to its policies, procedures, current operations and future plans; providing the means for the potentially affected and interested parties to express their opinion; establishing a functioning grievance mechanism; and inviting the stakeholders to monitor its activities, are all good practices that would help ZCMC establish a constructive, ongoing, and mutually beneficial dialogue with its stakeholders. In this respect BSTDB will further encourage the Combine to improve its engagement with the stakeholders and will be ready to support its efforts in addressing the legacy issues of past pollution and future efforts to improve the overall sustainability of its operations in Armenia.

BSTDB appreciates the work the Business & Human Rights Resource Centre put into the 'Digging in the Shadows' report. We share the concerns voiced and we subscribe under the recommendations made as these are in line with the Bank's approach and commitments. The extractive industries are some of the

most challenging sectors with significant long-term socio-economic and environmental impacts that are often irreversible, propagate over large geographic areas, and require complex and costly measures to manage. We believe your report will contribute to making the mining sector more sensible to the impacts it generates, and its business more transparent and responsible; and the financial institutions supporting the sector strengthen their review, approval and monitoring processes and practices.

Following your letter dated November 24, 2021, BSTDB contacted ZCMC and requested feedback regarding the human rights allegations outlined in your report. We have received such information from the Combine that gives us comfort that its management is committed to continuously address the environmental and social issues and improve its performance. At the same time, we have encouraged ZCMC to respond directly to your letter in the most transparent and timely manner.

On behalf of the BSTDB President,
Sincerely Yours,

[Black Sea Trade and Development Bank]