



Country: **Armenia**



Website



BHRRC company page

Chaarat Kapan

Summary

Although Chaarat did not have ownership over the mine when many allegations and violations took place, it has many legacy issues to address in order to ensure operations comply with human rights as well as social and environmental standards:

➔ Environmental Degradation and the Geghanush Tailings Dam:

The Geghanush dump is at risk of collapse, which presents significant risk of disaster to local communities. Heavy metals, which are toxic to humans, have been found in the soil, water and food of the Kapan community. (The Kapan municipality is also heavily impacted by the Artsvanik tailings dam, making it hard to attribute how much each company is responsible.) Journalists and activists repeatedly emphasized that they were not presented with the results of environmental audits. Promisingly, since Chaarat has taken over, the company has held public hearings of its environmental impact assessments.

➔ Resettlement of Shahumyan:

In 2009, residents of the Shahumyan district brought a lawsuit over health impacts and environmental degradation related to the mine. Residents claimed explosions and drilling led to the destruction of houses, and they said that it was not safe to walk through the village. Deno Gold subsequently purchased the land from Shahumyan residents, who were forced to leave the area. Although relocations took place before Chaarat acquired the company, such impacts are worth noting in order to ensure that they do not happen again in the future with other impacted communities.

Human Rights Commitments

- ⊕ Sustainability and environmental, social and corporate governance
- ⊕ Environmental policy
- ⊕ Health and safety
- ⊖ The company **did not reply** to our questionnaire of its human rights policies and commitments

Human Rights Impacts

- ⚠ Health and safety
- ⚠ Environmental and water rights
- ⚠ Right to livelihood and adequate standard of living
- ⚠ Labour rights and wages
- ⚠ Community, cultural and property rights
- ⚠ Deaths and/or violence
- ⚠ Resettlement

➔ **Workplace Deaths, Occupational Safety and Labour Rights:**

According to Ecolur, there have been at least nine deaths at the gold mine since 2006. On March 4, 2021, one employee died from a collapse in the mine. Notably, this occurred under the management of the new parent company. Chaarat Gold also has a number of legacy issues to address related to historically poor labour rights in the mine, particularly around unions and working conditions.

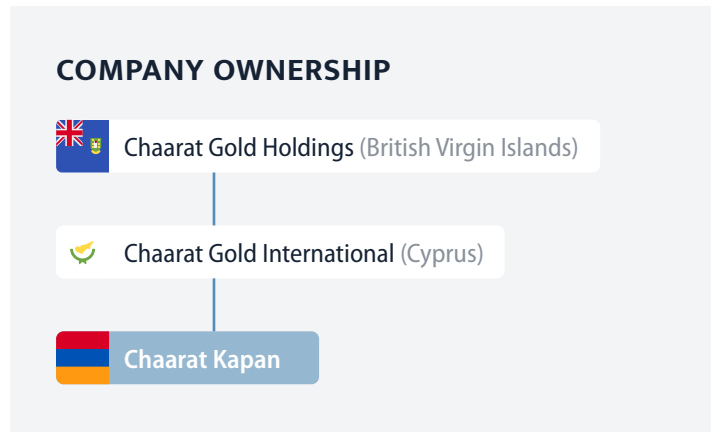
➔ **Health and Livelihood:**

Residents say the Geghanush tailings dump has effectively destroyed agriculture and livestock in the surrounding villages. Additionally, researchers found a threefold increase of cardiovascular disease, cancer and endocrine disease in the Kapan community. Rates of disability also increased, making up 10% of the Kapan population, while birth rates decreased. Children’s skin has peeled off because of air poisoning.

Chaarat Gold, the new parent company, has a number of publicly available statements about sustainability, ESG, the environment as well as health and safety. The company did not respond to our questionnaire of its human rights policies and commitments.

Company Information

Chaarat Gold acquired the Shahumyan gold-polymetallic mine in 2019. Although the company did not have ownership over the mine when many allegations and violations took place, it has many legacy issues to address in order to ensure operations comply with human rights along with social and environmental standards.



Chaarat Kapan, formerly known as Kapan Mining and Processing Enterprise, was previously owned and operated by several companies, including Polymetal International, Deno Gold Mining and Dundee Precious Metals.² According to Hetq, Chaarat has used the Kapan mine as collateral; the purpose of doing so, as well as where the stocks are up for collateral, is uncertain. The company replied that it was not authorized to answer those questions.²

Notably, the European Bank for Reconstruction and Development (EBRD) helped fund the construction of Geghanush dam with the aim of ‘environmental improvement’. Within just a few years, local NGOs and civic initiatives raised alarms that EBRD principles had been violated during project implementation, and the dam had severe negative impacts for the communities’ health and livelihood. Nevertheless, in 2013, EBRD issued a \$45 million USD loan to Dundee Precious Metals—the parent company at the time—to improve the company’s operations in Armenia and Bulgaria. (See below for more information.)

Prior to Chaarat’s acquisition, gold was ‘misappropriated’ from the mine. Audits found wildly varying amounts of missing gold, from 50kg to 550kg. Ecolur raised questions about corruption with this process.² The previous owners were also accused of interfering with local elections.²

Human Rights Allegations

Environmental Degradation and the Geghanush Tailings Dam

Activities at the Shahumyan mine have caused a number of adverse impacts for the environment, particularly related to the Geghanush tailings dam. The Geghanush dump is allegedly at risk of collapse,¹ which presents significant risk of disaster to local communities. According to Ecolur, the dam does not comply with safety requirements, and it could collapse from an earthquake. Sludge could leak and flood the areas below the dam, including industrial infrastructure and residential roads. The toxic waste could then flow into the Voghji river.²

The local community initially opposed the construction of the dump; however, it was built anyway.³ Allegedly, the dump does not comply with the original blueprints, and accidents have occurred due to deviations in the design and construction.⁴ In one case, a pipeline leak caused a wall to collapse, impacting local businesses.⁵ A spill during 2016 contaminated 1,808 square meters of land, causing 21.2 million AMD (\$40,000 USD) in damages.⁶ Residents have pointed to severe impacts from the tailings dump, including effects concerning health and agriculture (see below).

Notably, the European Bank for Reconstruction and Development (EBRD) helped fund the construction of Geghanush dam, with the aim of ‘environmental improvement’.⁷ Within just a few years, local NGOs and civic initiatives raised alarms that EBRD principles had been violated during project implementation.⁸ Community members criticized the ‘public participation’ process as inadequate, and the old tailings dam remained uncovered, blowing toxic substances over the village.⁹ Nevertheless, in 2013, EBRD issued a \$45 million USD loan to Dundee Precious Metals to improve the company’s operations in Armenia and Bulgaria, including the Geghanush tailings dump. The loan was aimed to establish ‘higher standards and practices related to the environment, social conditions, health, safety, and transparency’. EBRD required the company to follow an environmental and social action plan and comply with ‘publish what you pay’ principles.¹⁰ Ecolur had issued sharp criticism of EBRD’s funding, saying, ‘If there are deviations in the design and construction, and accidents are being recorded in the tailings dump [...] the funding failed to achieve its objective. Last, but not least, the environment and the residents of the community are not protected against future accidents’.¹¹

Heavy metals, which are toxic to humans, have been found in the soil, water and food of the Kapan community. These elements do not decompose; instead, they accumulate in the environment, animals, plants and humans.¹² In the area, researchers found above-permissible concentrations of heavy metals such as mercury (thirty times above the permissible limit), cadmium (ten times above the permissible limit), copper (six times above the permissible limit), molybdenum (four times above the permissible limit) and nickel (2.4 times above the permissible limit).¹³

Children’s skin has peeled off because of air poisoning in Kapan, according to the ombudsman of Armenia (see below).¹⁴

Compounding these issues, the Kapan municipality is also heavily impacted by ZCMC’s Artsvanik tailings dam, the largest tailings dump in Armenia.¹⁵ As the communities are adversely impacted by both Artsvanik and the Shahumyan mine, as well as the abandoned Kavart mine, it is hard to attribute how much each company is responsible.¹⁶

Historically, there have also been transparency issues related to the mine; journalists and activists repeatedly emphasized that they were not presented with the results of environmental audits.¹⁷

When Chaarat acquired the gold mine, it said it would review problems with the tailings dam.¹⁸ Since taking over, Chaarat has also stated that one of its priorities is to address soil management complaints and to ensure transparency. The company also said that, in the future, it would submit to any ministry amendments to the mining and waste management plan.¹⁹

Promisingly, since Chaarat has taken over, the company has held public hearings about its environmental impact assessments. A public hearing in 2019 identified several risks, including: pollution of soil, surface and groundwater by drainage of wastewater; accidents caused by landslides and collapses of rock that have accumulated in the dumps; tailings water discharges; risk of contamination of surface and groundwater; and loss of flora and fauna.²⁰

Resettlement of Shahumyan

Although relocations took place before Chaarat acquired the company, such impacts are worth noting in order to ensure they do not happen again in the future with other impacted communities.

In 2009, residents of Shahumyan district brought a lawsuit over health impacts and environmental degradation related to the mine. Villagers claimed explosions and drilling led to the destruction of houses and communications. The land underneath houses and orchards was also impacted.¹ One resident said his home was about to collapse, and others said it was dangerous to walk through town for fear of being ‘buried alive’.²

Deno Gold Mining Company, the owner at the time, paid eight families to relocate; the other 140 families did not receive any compensation.³ Initially, the court ordered a suspension of company activity, and it required the company to take measures to prevent threats to health and life;⁴ however, the case was soon dismissed due to lack of evidence. In a criticism, Ecolur pointed out that the evidence was originally considered substantial enough for the court to suspend the mine’s activities.⁵

Deno Gold subsequently purchased the land from Shahumyan residents, who were forced to leave the area. Some did not want to leave their homes and gardens, but they saw little choice. The company director at the time, Hrach Jabrayan, dismissed the concerns by saying residents ‘weren’t living well there’. He went on to say, ‘To be honest, I’m glad that no one lives there anymore’.⁶

After the residents left, the area became filled with rubbish and gravel. It is used as an illegal dump site, and is littered with household rubbish, industrial waste, and abandoned vehicles. Rubbish was strewn in and along the Kavart river. At the time Hetq visited, there were no visible markers separating company land from public land. The Kapan mayor said that since no one lives there any more, the company is responsible for the location.⁷

Workplace Deaths, Occupational Safety, and Labour Rights

Chaarat Gold has a number of legacy issues to address related to historically poor labour rights in the mine under the previous ownership. According to Ecolur, there have been at least nine deaths at the gold mine since 2006.⁸ On 4 March 2021, one employee died of a collapse in the mine.⁹ Notably, the latest death occurred under the management of the new parent company.

Of the four deaths that occurred from 2006 - 2011, Ecolur was only aware of the results of one investigation. Deno Gold Mining, the parent company at the time, only listed one death on its website. As Ecolur questioned, ‘What answer has Deno Gold Mining Company [the parent company at the time] given concerning all the deaths mentioned in the media? What are the causes of the deaths of these employees? Why has the company failed to provide any public explanation to date?’¹⁰ If these deaths occurred due to inadequate occupational safety, Chaarat Kapan must address those issues to prevent further deaths, such as the one that occurred during March of this year.

Labour relations also merit further attention from the new parent company, due to a legacy of tensions between the miners and management. Under the previous ownership, workers were regularly laid off after raising concerns and making complaints against the company. Deno cut wages for workers, saying extraction quotas had not been met; workers claimed that the lower rate of extraction was because company machinery did not work properly and was in poor condition.¹¹ In 2018, employees went on strike to demand increased salaries. The workers complained about the poor working conditions and the high discrepancy in salaries between administration and the miners. ‘You can’t even imagine what kinds of risks working underground pose for our lives’, one said.¹² The company, then owned by Polymetal International, called the strikes illegal and said it had incurred financial losses. The company also said it would ‘stop employment relations with these employees in line with Armenian legislation’ and sue for damages.¹³

Health and Livelihood

Residents say the Geghanush tailings dump has had severe negative impacts for their health and livelihood (see above). In 2015, villagers wrote to the company to describe damages and to demand compensation. Soil fertility has decreased, making cultivation of arable lands unfeasible; consequently, the neglected lands have become uncultivated and damages have ensued. The villagers also alleged that trees like cherry and walnut dry out or do not produce crops. The birth rate of animals decreased, while animal diseases increased.¹² One farmer said all three of his calves died within the span of a year; villagers believe the pollution from the mine and tailings dump was responsible.¹³

‘We continue suffering financial losses also due to the fact of factually being deprived of the opportunities to gain income’, the letter explained.¹⁴

Even residents who were able to successfully grow crops were unable to sell them at markets; according to CEE Bankwatch, ‘Agricultural products cannot be sold on local markets, as everyone knows about their origin and heavy metal contamination... Residents are forced to give the harvest to wholesale buyers and canneries for the cheapest prices. These buyers are aware of its origins, but make use of the absence of state control over the quality of food’.¹⁵

Representatives from the Geghanush community also explained that only those whose lands were covered by the tailings dump were compensated. Those who lived just next to the dump were not compensated, even though they could no longer earn a living from the land.¹⁶

Additionally, villagers claimed that their health had been negatively impacted and illnesses had increased. No studies for health impacts had been carried out either before or after the tailings dump was reprocessed.¹⁷ Researchers found a threefold increase of cardiovascular disease, cancer and endocrine disease in the Kapan community. Rates of disability also increased, making up 10% of the Kapan population, while birth rates decreased.¹⁸ Doctors say these diseases have appeared in younger and younger patients. The nearby tailings dumps have been blamed for the problem; according to one doctor, ‘All these heavy metals, lead, mercury are carcinogen[s]. When recycled tailing dumps are closed down, no vegetation grows there for a long time. It doesn’t matter whether or not it’s covered with layer of soil, nothing will grow, everything is contaminated. Companies shouldn’t repeat that dumps don’t pose any hazard, but on the contrary, they should acknowledge hazard exists and this [impacts] health, and they should take preventative measures’.¹⁹

The ombudsman of Armenia noted that children’s skin has peeled off because of air poisoning in Kapan.²⁰

It is important to note that the Kapan community is also impacted by the Kajaran mine and the tailings dump operated by [Zangezur Copper-Molybdenum Combine](#).

Such issues raise questions over who is now responsible for addressing such impacts. Although it did not own the company when most of the above damages occurred, Chaarat Gold now benefits from the mine. Regardless, Chaarat Kapan must ensure leaks, pollution and environmental damages are prevented in order to avoid further harm to community health and livelihoods.

Human Rights Commitments

Parent company Chaarat Gold has a number of policy commitments on its website, including:

- ➔ **Sustainability and environmental, social, and corporate governance**
- ➔ **Environmental policy**
- ➔ **Health and safety**

Chaarat Kapan's policies state the following:

➔ **Health and Safety Policy:**

“Chaarat Kapan” CJSC is committed to providing a safe and healthy work place for all employees, contractors and visitors. Achieving and maintaining zero harm is a key part of our culture, with management providing leadership and direction and employees and contractors actively involved in developing the safety practices. It is the responsibility of “Chaarat Kapan” CJSC to motivate, encourage and ensure our people operate in a safe and responsible manner in all aspects of work, as well as in our time with family and our communities.

➔ **Employee health and safety programs are a priority:**

Each employee of the Company is at the forefront of the medical staff of the Company on a daily basis. The medical center equipped with modern equipment and first aid medicine provides our staff with 24-hour medical service and complaisant pre-shift check-ups. Before each shift and beginning the work, each employee entering the mine undergoes mandatory medical examination and they are allowed to go to work only after assessing their health condition.

According to Chaarat, the environmental priorities of the company are:

- ➔ Reduction of emissions and decrease of waste generation
- ➔ Reducing consumption of environmental resources
- ➔ Study and implementation of the best international practice
- ➔ Conservation of biodiversity
- ➔ Greenhouse gas emission control
- ➔ Continuous improvement of current Environmental Management System pursuant to the ISO 14001:2015 standard requirement

The ESG sustainability statement says, ‘Chaarat is committed to the highest international ESG standards and provides ongoing support to local communities through: infrastructure development, healthcare, education / skill building, job creation, community facilities, and micro-finance’. Additionally, ‘The Company continuously measures the impact its activities are having on the local environment, ensuring that it adheres to all local and international regulatory requirements as well as seeking to adapt the business to reduce the overall environmental impact of its operations’.

The company says it has established a Regional Consultation Group to facilitate communication and consultation with local communities.

Chaarat Kapan did not reply to our questionnaire of its human rights policies and commitments.