

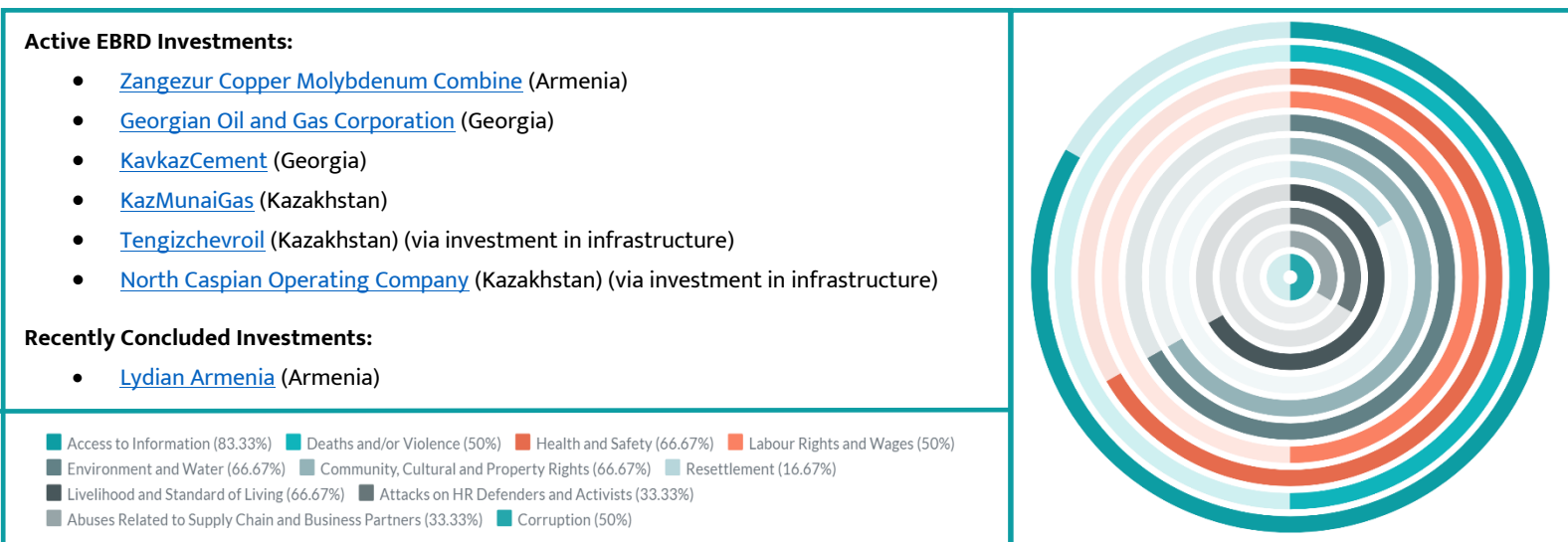


Dear Messrs. David Williamson and Sam Coen-Walker – EBRD,

Thank you once again for taking the time to speak to the Business & Human Rights Resource Centre regarding your investments in Eastern Europe and Central Asia. We found the conversation very enlightening, and are now writing to ask EBRD for a formal written response, in the spirit of advancing access to information on these projects.

As previously discussed, we recognise the immense value of EBRD investments, but are writing to express concern regarding the human rights impacts of a number of your investments in Eastern Europe and Central Asia. Our report ‘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, EBRD investments have been linked to allegations of severe abuse, including deaths, violence, mass deterioration of health and environmental destruction. The chart below illustrates percentage of various allegations related to active EBRD investments. (The chart does not include allegations related to Lydian Armenia, as EBRD concluded its investment in the Amulsar project in 2020.)



While EBRD is not investing directly in Tengizchevroil or North Caspian Operating Company, it is supporting infrastructure necessary for these projects to operate, including equipment to build artificial islands where extraction takes place, a marine base and tug boats. All of these are explicitly connected to the oil projects.

EBRD and Socially Responsible Investments

According to its website, “EBRD strives for a high standard of sustainable development in all its operations, as reflected in its mandate, Environmental and Social Policy and Sustainability

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Statement, and therefore all our bonds may be considered SRI.” Encouragingly, EBRD has updated its environmental and social policy and maintains a sustainability statement.

However, evaluations of EBRD’s projects in the region, particularly Kazakhstan, stand in stark contrast to these policies.

Notable Rights Allegations Related to EBRD Investments

- **Tengizchevroil:** The Tengiz oil field has been characterised by emergency situations that have caused catastrophic harm to the environment and the health of local communities. Emergencies and technical failures have allegedly become a ‘systematic phenomenon’, and toxic sulphurous gases are regularly released into the atmosphere. According to Crude Accountability, Tengizchevroil accounts for 70% of emissions in the oil and gas sector of Atyrau, despite the presence of several other major fields and projects in the area. Hundreds of deaths and thousands of illnesses have been linked to toxic emissions from the Tengiz oil field, according to local community members. The village Sarykamys had to be resettled after 90% of the population fell ill. A study found that the daily inhalation of emissions exceeded allowable concentration by up to 12 times, and in the company’s production area, this amount increased to 40 times above the permissible limit. [You can see the sources for the above allegations within the company profile.](#)
- **North Caspian Operating Company:** Pollution, emissions and disturbances from Kashagan have contributed to the mass die-off of marine life in the Caspian Sea. One environmentalist warned that left unchecked, the oil industry could result in a ‘total biological death’ of the Caspian Sea in the coming decades. NGOs and activists have raised alarms that residents of the Atyrau region are at significant risk of exposure to poisonous substances. Long-term exposure to hydrogen sulphide can lead to brain damage, permanent memory loss, vision problems, nausea and headaches. Top medical staff at the region have expressed fear that, if an accident were to occur at Kashagan, tens of thousands of people living in Atyrau could be killed or severely impacted by toxic gas emissions. Common problems in the area include cardiovascular illness, blood disease, premature births, respiratory illness and stillbirths. [You can see the sources for the above allegations within the company profile.](#)
- **KazMunaiGas:** KMG directly owns or has significant shares in nine out of the ten largest oil companies in Kazakhstan. In addition to the above issues related to Tengizchevroil and NCOC, major allegations against KMG-related companies include: the mass poisoning of children in Berezovka (Karachaganak Petroleum Operating); criminal charges against labour activists (Mangistaumunaigaz); violations of union rights and retaliation against protesting workers (Karazhanbasmunai); and severe contamination of the environment (Kazgermunai). KMG subsidiaries were also at the centre of the violent events at Zhanaozen in 2011, which resulted in up to 64 deaths and 400 injuries. (However, Kazakhstani authorities claim the fatalities were much lower, just 15.) Protestors went on trial for their participation in the strikes against KMG subsidiaries; most of them asserted that they had been tortured or abused while in detention. Witnesses were allegedly coerced, threatened and tortured into giving false testimony against the striking workers. KMG and its related companies have been accused of corruption multiple times. [You can see the sources for the above allegations within the company profile.](#)
- **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

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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.](#)

Please note that the above list excludes KavkazCement and Georgian Oil and Gas Corporation. While there is limited access to information on the human rights performance of these companies, no notable allegations were found in our research.

Ensuring EBRD Standards Are Met

While EBRD sustainability policies are welcome and have promise, continued investment in the above projects demonstrates that EBRD should do more to ensure these policies are implemented in practice.

Investors like EBRD 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.

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 EBRD's public commitments to human rights and sustainability, and believe in the Bank's potential role to ensure human rights are protected. We again thank EBRD for meeting with us to discuss the allegations raised above. We would like to invite you to issue a formal written response, in order to provide the public with access to the information that you provided during the call. We kindly ask for your response by **5:00pm GMT, Monday 31 January 2022**.

We hope to publish your response along with this letter. We are also inviting the other investors mentioned in the report to respond.

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

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).

Sincerely,

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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EBRD would like to take this opportunity to respond to the Business and Human Rights Report both from a general E&S governance viewpoint and to provide some clarifications on the specific projects mentioned in the report. There are specific allegations made which do not reflect EBRD's involvement or experience of the Projects discussed, as clarified below.

Projects cited in the report

EBRD would like to offer the following clarifications with regard to the projects cited in the report:

- **Zangezur Copper Molybdenum Combine (Armenia):** EBRD has participated in a Bond raised by ZCMC, the proceeds of which are to finance environmental improvements at the mine. EBRD is in no way linked to mining operations or the historical legacy issues such as tailings management cited in the report. However, an E&S Action Plan was included in EBRD's participation agreement and an improvement in E&S standards at the mine is being realised.
- **Georgian Oil and Gas Corporation (Georgia):** EBRD provided a corporate loan to GOGC under the critical infrastructure programme as part of the covid-19 emergency response which was essential to the national strategies of Georgia during the early stages of the pandemic. EBRD is not involved with the upstream gas supply from Azerbaijan which is cited as the primary concern in this project. The link to EBRD here is therefore tenuous. Through EBRD's involvement with GOGC (in Georgia) the standard of E&S governance has increased significantly, including reviewing all operating assets against EU BAT.
- **KavkazCement (Georgia):** An EBRD, EU and Austrian credit line from 2015 was partially distributed by a financial intermediary in Tbilisi to make energy and resource efficiency improvements at the KC manufacturing site in Georgia. The efficiency improvements have reduced energy consumption by 40%, leading to 2,240 tonnes of CO2 emissions each year and the upgrades also reduce the amount of raw materials used and improve production output and quality control. This project was not directly financed by EBRD.
- **KazMunaiGas (Kazakhstan):** EBRD has provided a loan to the Atyrau oil refinery for environmental improvements and upgrade of vital environmental mitigation infrastructure such as wastewater treatment. While Atyrau refinery is a subsidiary of KMG, EBRD is in no way linked to the other KMG assets or issues cited in the report.
- **Tengizchevroil (Kazakhstan) (via investment in infrastructure).** EBRD has not financed any aspect of the TCO project in Kazakhstan and EBRD takes the opportunity to clarify the situation by way of this response.
- **North Caspian Operating Company (Kazakhstan) (via investment in infrastructure):** Similarly to TCO, EBRD takes the opportunity to clarify that EBRD has not financed the NCOC in any form.
- **Lydian Armenia:** EBRD would like to clarify that no element of the Amulsar mine was project or debt financed by EBRD, however, EBRD was a minority shareholder in the parent company until the point of liquidation as a result of forced mine closure. A formal review of EBRD's shareholding participation is currently underway and will be disclosed at the conclusion of that

process. However, the issues cited in the report - such as impacts associated with cyanide use - should be corrected as the mine construction did not reach conclusion and no cyanide was ever deployed at Amulsar. Equally, the project ESIA should be referred to with regard to all other E&S issues cited.

E&S governance, policies, transparency and accountability

EBRD has three good governance policies (2019) which comprise the Environmental and Social Policy (ESP), the Access to Information Policy (AIP), and the Independent Project Accountability Mechanism (IPAM). Together, these three policies set the standard for good E&S governance, including identification and remedy of Human Rights impacts, for all of the projects and clients with which the EBRD is involved. In addition, these policies set the standards for transparency and accountability. Each of these policies are reviewed on a regular basis and are subject to public consultation. These policies are broadly consistent across the multi-lateral community and set the high standards expected of EBRD. EBRD takes claims of human rights abuses extremely seriously and stakeholder feedback is invaluable to the continuous improvement of EBRD's operations.