



# Multi Group Concern



Country: **Armenia**



Website



BHRRC company page

## Summary

Activists, journalists and community members have expressed concern about the following human rights allegations related to Multi Group Concern:

- ➔ **Corruption, Political Connections and Criminal Charges:**  
Multiple high-level officials at the company have been charged with corruption and bribery. General Director, Sedrak Arustamyan, allegedly paid 8.142 billion AMD (\$22.401 million USD) to prevent state tax and customs agencies from investigating the operations of Multi Group Concern. The company is 66% owned by oligarch, Gagik Tsarukyan, the founder of the Prosperous Armenia political party and a deputy at the Armenian parliament. In June 2020, Tsarukyan was charged with bribery and corruption.
- ➔ **Access to Information:**  
Community members and NGOs have complained that they do not know if, or whether, the Mghart mine shall reopen after being closed for nearly nine years. After forty-six Mghart residents working at the gold mine were terminated and their wages were unpaid, they appealed at court and sought information from the company. The office of GM Magharo, the company allegedly operating the mine for Multi Group Concern's behalf, suddenly closed, and journalists and community members were unable to obtain information from any relevant parties.
- ➔ **Environmental Degradation and Pollution:**  
After charges were pressed against company officials, the Minister of Environment notified the Prosecutor General that there were a number of violations related to the exploitation of the Mghart gold mine. Notably, the mine had been operating without a water use permit since 2011. Additionally, an enrichment plant and tailings dump were constructed without an environmental impact assessment.

## Human Rights Commitments

- ⊖ Human rights policies and commitments **are not available** on the company website
- ⊖ Multi Group Concern **did not respond** to our questionnaire of its human rights policies and commitments

## Human Rights Impacts

- ⚠ Environmental and water rights
- ⚠ Right to livelihood and adequate standard of living
- ⚠ Labour rights and wages
- ⚠ Access to information
- ⚠ Community, cultural, and property rights
- ⚠ Corruption

### ➔ Unpaid Wages and Access to Remedy:

In 2008, workers at Mghart mine were allegedly not paid several months of wages, and many employees said they were dismissed without warning or explanation. In February 2020, Gagik Tsarukyan also announced that he would not pay the wages of employees who had been placed on leave because of the Covid-19 pandemic.

### ➔ Socioeconomic Development and Relationship with the Local Community:

The mayor of Odzoun says that Mghart village is one of the poorest villages in all of Armenia. The village has not had potable water since 1991, and residents rely on nearby springs, which sometimes dry up. One Mghart village resident complained, 'Other than doing damage, the mine brings the village no benefit. All the pasture land has been destroyed. Bulldozers brought in to excavate the pit have blocked off roads leading to our pastures. Only two guys from the village work at the mine'.

Multi Group Concern does not have publicly available information of its human rights policies or environmental and social standards. The company did not respond to our questionnaire of its human rights policies and commitments.

## Company Information

Multi Group Concern operates the Mghart gold mine, which has been out of operation since 2012.<sup>☞</sup> The company has a number of subsidiaries with multiple industries, including natural gas, automotive import, fitness, pharmaceuticals, real estate and wine production.<sup>☞</sup>

Multiple high-level officials at the company have been charged with corruption and bribery. General Director, Sedrak Arustamyan, allegedly paid 8.142 billion AMD (\$22.401 million USD) to prevent state tax and customs agencies from investigating the operations of Multi Group Concern. Arustamyan has denied the allegations.<sup>☞</sup>

Multi Group Concern is well-connected to the Armenian government. The company is 66% owned by oligarch Gagik Tsarukyan, the founder of the Prosperous Armenia political party and a deputy at the Armenian parliament. In June 2020, Tsarukyan was also charged with bribery and corruption; however, he remains highly active with Armenian politics. (For more information, see below.)

## Human Rights Allegations

### Corruption, Political Connections, and Criminal Charges

Multiple company officials, including the owner of Multi Group Concern, have been charged with bribery and corruption. Events began to unfold during 2019 when Gagik Khachatryan—the former Minister of Finance and head of Armenia's State Revenue Committee—was arrested for embezzlement and abuse of power. Khachatryan had been repeatedly accused of corruption before his arrest.<sup>☞</sup>

According to subsequent investigations, Khachatryan allegedly received 8.142 billion AMD (\$22.4 million USD) in bribes in order prevent state tax and customs agencies from investigating the operations of Multi Group Concern. In June 2020, Armenia's Prosecutor General announced that Multi Group Concern General Director, Sedrak Arustamyan, was arrested for money laundering and bribery related to the investigation. Arustamyan has denied the allegations.<sup>☞</sup>

Soon after, Gagik Tsarukyan—the owner of Multi Group Concern—was also charged with bribery and corruption. Tsarukyan is the founder of the Prosperous Armenia political party, a significant political power within the country. He also serves as a deputy at the Armenian parliament.<sup>☞ ☞</sup>

While the charges were being debated, employees of Tsarukyan's various businesses attempted to block the street to his mansion using vehicles registered with Multi Group Concern. In the past, Tsarukyan was accused of using his close relationship with the former president, Robert Kocharyan (who is also under investigation for corruption),<sup>2</sup> to grow his business empire.<sup>2</sup> According to OpenDemocracy, Tsarukyan gifted shares from some of his companies to former Prime Minister Serzh Sargsyan during the 2000s. The relationship between the two political leaders later soured.<sup>2</sup> Notably, Sargsyan later became president before he was ousted during the 2018 Velvet Revolution. He is on trial for corruption charges.<sup>2</sup>

Not long after the bribery charges were announced, Armenia's Minister of Environment sent a letter to the Prosecutor General over violations related to Mghart gold mine, which had gone unaddressed for years (see below).<sup>2</sup>

## Access to Information

Journalists, activists and community members have noted consistent lack of information related to Mghart mine and Multi Group Concern. Community members and NGOs have complained that they do not know if, or whether, the Mghart mine shall reopen after being closed for nearly nine years; the company replied that it has been gathering 'expert assessment' since 2018.<sup>2</sup> The mine previously closed and suddenly reopened without public notice during 2009. A second tailings dam also appeared at that time.<sup>2</sup>

After forty-six Mghart residents working in the gold mine were terminated and their wages were unpaid (see below), they appealed at court and sought information from the company. The office of GM Magharo, the company allegedly operating the mine for Multi Group Concern's behalf, suddenly closed, and journalists and community members were unable to obtain information from any relevant parties. The termination papers did not have an official seal or stamp. Reportedly, the mine was still operating, but the terminated employees were told that there was no work for them to do.

The workers appealed to several tribunals and sent a letter to Prime Minister Serzh Sargsyan, which went unanswered. (Notably, critics say Sargsyan had ties to Multi Group Concern's owner, Gagik Tsarukyan, at the time. Sargsyan was charged with corruption after being ousted in the Velvet Revolution.<sup>2</sup> See above.)

Additionally, residents reported that a foreign company had been operating the mine, but no one knew the name of the firm. The Armenian Government Ministry that issued the extraction licence did not have any information of a foreign company.<sup>2</sup>

## Environmental Degradation and Pollution

For several years, residents at Mghart and Odzun have complained about environmental damages caused by the gold mine.<sup>2</sup> Deputy Community Head of Odzun, the community affected by the Mghart mine, said that atmospheric pollution was observable during the operation of the mine, but not since it had ceased activity. Landslide disturbances were also clearly visible. The deputy called for studies to be carried out to find out what impact the mine has had concerning the environment and the health of the local population.<sup>2</sup>

After charges were pressed against company officials, the Minister of Environment notified the Prosecutor General that there were a number of violations related to the exploitation of the Mghart gold mine. Notably, the mine had been operating without a water use permit since 2011;<sup>2</sup> this is in spite of local community concerns about lack of water (see below).

Additionally, an enrichment plant and tailings dump were constructed without an environmental impact assessment. Multi Group Concern also owed money to the Environmental Protection Fund and failed to meet monitoring obligations.<sup>2</sup>

## Unpaid Wages and Access to Remedy

In 2008, workers at Mghart mine were allegedly not paid several months of wages, and many employees said they were dismissed without warning or explanation (see access to information, above). The workers petitioned several local courts, but they were told that, since the company was headquartered in Yerevan, they must appeal there. The workers said they did not have any money to travel to the capital. Additionally, the workers were told to bring a certificate with data about their wages; the company allegedly refused to provide this information to the workers.<sup>27</sup>

When Hetq later tried to find out whether the workers were ever paid, the Plant Director simply said that, during that time, the mine was operated by GM Magharo and not Multi Group Concern, and therefore, Multi Group Concern was not responsible for the back wages. It is worth noting that both GM Magharo and Multi Group Concern are owned by Gagik Tsarukyan.<sup>28</sup>

Local workers also complained that locals were paid a very small amount, while workers who were brought from elsewhere were paid two-to-three times as much for the same work.<sup>29</sup> In February 2020, Gagik Tsarukyan also announced that he would not pay the wages of employees who had been placed on leave because of the Covid-19 pandemic.<sup>30</sup>

## Socioeconomic Development and Relationship with the Local Community

Multi Group Concern pays rent to the local community for Mghart mine, but the community has complained of a lack of investment and infrastructure. The mayor of Odzoun says that Mghart village is one of the poorest villages in all of Armenia, and that it faces significant problems. The village has not had potable water since 1991, and residents rely on nearby springs, which sometimes dry up. According to Hetq, Multi Group Concern allegedly has not made significant investments for the Mghart community since 2005.<sup>31</sup>

One Mghart village resident complained, 'Other than doing damage, the mine brings the village no benefit. All the pasture land has been destroyed. Bulldozers brought in to excavate the pit have blocked off roads leading to our pastures. Only two guys from the village work at the mine'.<sup>32</sup> Residents have also claimed that the benefits of the gold mine go only to 'company owner Gagik Tsarukyan and his thick gold necklaces'. Even those who manage to find work do not receive high wages. Villagers claimed that the mine has not resulted in opportunities to the village, but it has noticeably harmed the environment.<sup>33</sup>

The company promised to address the drinking water problem during 2018, but an administrative representative of the village said that the company stopped working and never came back. The water situation has deteriorated further, and the village now faces a lack of spring water. Mghart residents believe the spring water was affected by explosions from the mine. Residents say their houses were also affected by the explosions.<sup>34</sup>

Despite these complaints, the community did not oppose a proposed increase of the mine's production during public hearings in 2018.<sup>35</sup>

The soil management contract signed between Multi Group Concern and the Ministry of Energy and Natural Resources does not mention any commitments to socio-economic development with the local community, which contradicts Armenian law.<sup>36</sup> Acting Director Arayik Kesoyan acknowledged this shortcoming, and said the company would include social assistance in a new contract once the mine resumes development. It is unknown when this shall occur.<sup>37</sup>

## Human Rights Commitments

Multi Group Concern does not have publicly available information of its human rights policies or environmental and social standards on its website. The company did not respond to our questionnaire of its human rights policies and commitments.