

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]