

Response provided by Cronimet on 5 June 2017 to the Business & Human Rights Resource Centre

In regard to your letter dated 30th May 2017, please be informed on the position of the “Zangezur Copper Molybdenum Combine” (the “Company”) below.

First and foremost, we would like to mention our high appreciation of your work ethic and style in cooperation with partners and in the business environment. We consider the responsible and extensive work carried out by the Business & Human Rights Resource Centre regarding business and human rights issues to be truly worthy of praise.

Referring to the cited publications designed to be included in the newsletter we would like to provide some clarifications. Notably:

1. The substantial part of the published information relates to the years of 2005-2011. Since then significant changes have been made in all areas of the activities of the Company, including management, technical upgrading, environmental and social policy.

It should also be noted that in July 2014 there has been a change in the composition of the executive body of the “Zangezur Copper Molybdenum Combine” CJSC, which has considerably affected the pace of reform, leading to the introduction and incorporation of modern and innovative approaches.

“Zangezur Copper Molybdenum Combine” CJSC adheres to a compliance policy of its activities with the principles of sustainable development and consistently implements necessary measures. Ensuring sustainable development is not merely perceived as a metaphysical concept, rather, as a definite and measurable category determining Company’s reputation on national and international levels.

We are well-aware that sustainable development shall simultaneously be in line with all the three components of sustainability: economic, social, and environmental. For this reason, all the key issues, related to the further activities and development of the Company, are discussed in a detailed and comprehensive manner—taking into account the legal, social, economic, and environmental factors.

As a company with a domestic and international high reputation, we fully comply with the prescribed requirements of the national legislation. We do not in any way try to avoid public law obligations via arbitrary interpretation of legal provisions, abuse of formal requirements or in other ways. We believe that these are the most significant responsibilities assumed before the state and the society: a guarantee for strengthening of legal system.

We further appreciate the role and the importance of NGOs in the formation and strengthening of civil society. We strongly welcome the initiatives and social activism of civil society and give a high importance to the open and transparent cooperation with the affected communities, as well as with other members of the concerned society: the cornerstone of the social policy of the company, designed to ensure the legitimacy of our social activities (social license).

We confirm that we can achieve wide social integration and sustainable development only through genuine partnerships with employees, customers, shareholders, local communities,

and other stakeholders, which are based on integrity, co-operation, transparency and mutual value-creation. Thus, “Zangezur Copper Molybdenum Combine” CJSC receives permanent critical analysis and feedbacks from civil society institutions, and on the basis of their professional statistics the Company improves its works on the issues which they consider need improvement.

The mentioned NGOs are the following:

- Civil Voice NGO <http://www.civilvoice.am/en> ;
- Green Age NGO <http://green-age.info/>;
- Armenian Center of Young Analysts NGO <http://www.acova.org/language/en/> ;
- Armenian Regional Youth NGO <https://www.facebook.com/armenianregionalyouth/> ;
- Aliq Media NGO <http://www.aliq.ge/ru/author/aliq/> ;
- HEAT International Dragonboat <https://www.facebook.com/groups/335613516526036>;
- "Public Diplomacy" Charitable
NGO <http://paradiplomacy.am/en/category/SCHOOL%20OF%20PUBLIC%20DIPLOMACY/new> ;
- Environmental Public Society NGO;
- Center of Bird Lovers NGO <https://www.facebook.com/groups/314187008712396/>.

We attach a great importance to environmental protection, its improvement and restoring, reasonable use of natural resources—sharing responsibility with the society and the state before the present and future generations. We do not idle and do not save money for the implementation of measures aimed at reducing to the minimum the impacts of our activities on the environment.

We are convinced that within the framework of our activities this is the only way to achieve a fair balance between the public and private interests.

Since 2014, the Company has implemented a number of measurements aimed at the assessment and reducing of the impact on the environment, and the involvement of stakeholders in the process of decision making.

In this context, the Company has developed a set of documents, reflecting the Company’s positions, and which requirements guide the Company in the implementation of its activities.

- Report on the environmental impact assessment of the expansion of the Company's operations, including social impact assessment, mine closure plan (2014-2016);
- Environmental Monitoring Programme (2015);
- Stakeholder Engagement Plan 2015;
- Assessment of Environmental Risks of ZCMC (2016);
- Waste inventory on ZCMC territory, an action plan aimed at reducing the waste (2016);
- Impact Assessment on Archaeological and Cultural Objects (2016);
- Assessment Report of Ecosystem Services (2016);
- Water Resources Management Plan (2016);
- Impact on the functioning of ecosystems and biodiversity on the territory of activities of ZCMC (2017);
- ZCMC Comprehensive Waste Management Plan 2017;
- 2017 Conformity Assessment Quarterly Report (in accordance with the IFC standards) on the compliance of ZCMC activities in environmental, social, health, and safety sectors.

Given that a number of activities stipulated by the RA legislation, including the exploitation of mines, as well as on the changes in preliminary approved exploitation documents are subject to environmental impact assessment and expertise, the Company is required to maintain the prescribed procedures, securing within that framework the involvement of the public and affected communities.

As an illustrative to the above-mentioned, we would like to mention the change of the Company's mine design, for which a comprehensive environmental impact assessment and expertise have been carried out. During this time 4 public discussions were initiated with wide involvement of affected communities and stakeholders from the earliest stages of manifestation of the initiative.

As a pioneer in ensuring the standards of sustainable development, and as a responsible miner, "Zangezur Copper Molybdenum Combine" CJSC has been actively involved in the implementation of the EITI international standard in the Republic of Armenia.

From the first day of the implementation of the initiative of EITI standard, the Company has been actively involved and has participated in the implementation of necessary measures and acts as the coordinator. The Company representative is involved in the EITI standard implementation and coordination multistakeholder group.

Simultaneously, the Company puts a significant effort in establishing a mutually beneficial cooperation with the communities of the Syunik province of the Republic of Armenia.

Since 2005 with the financial and technical support of the "Zangezur Copper Molybdenum Combine" CJSC various projects (urban, social charitable, etc.) have been implemented.

These projects are in line with the above-mentioned documents describing the Company's social responsibility, are in the interests of the beneficiaries of the company, and are aimed at the implementation of national and local community development projects.

The Company spends considerable effort and resources to determine the social, environmental and economic impact, to minimise the negative risks for the purposes of enduring efficiency and targeted addressing of the programmes.

2. As with any activity, the mine exploitation involves certain effects and risks for the environment, and the primary objective of each business is to minimise or eliminate these effects and to control the risks.

At the same time, no business is safe from emergency situations, industrial accidents, which may occur due to various objective and subjective factors. In particular, such accidents can be natural phenomena (weather conditions, earthquakes, landslides, floods, collapses, etc.), which are beyond the reasonable control of the Company or human factor (employee mistake, failure or other).

In order to prevent and reduce the risk of accidents caused by the factors described in the first group, various studies have been continuously carried out on an ongoing basis, which results are used to design, built and restore the appropriate infrastructure.

With the aim of preventing and reducing accident risk caused by the factors described in the second group, the Company regularly organizes and implements training of personnel,

teaching, assessment of professional knowledge and skills, introduction of new methods of management and control.

Meanwhile, given that the above-mentioned measures do not 100% rule out the possibility of risks caused by possible accidents, as it is objectively impossible to foresee all factors and the consequences of their occurrence, the Company has formed appropriate infrastructures for emergency situations, a highly trained team which to the best of their possibilities efficiently eliminates causes and consequences of accidents. It is also worthy to mention, that in similar situations the Company is also exposed to respective administrative liability and compensation for the damage caused to the environment.

We can confidently state that as a result of the taken measures, there has been a sharp decline in the number of industrial accidents and as a result of it in the amount of emissions. Only exceptional cases of accidents have been reported during the recent years, which prove the above-mentioned information. In particular:

- 2 accidents (emission) in 2013;
- 1 accident (emission) in 2014;
- 0 accident in 2015;
- 1 accident (emission) in 2016.

Consequences of such similar accidents are mentioned in the publication relating to the Company.

It should be pointed out that every accident, every emission that exceeds the permissible quantity is obligatory registered by the state authorities. The Company, in its turn, does not hide or conceal such incidents—enabling the competent authorities to clarify the circumstances of the case within the prescribed procedures and carry out its administrative functions.

The following are the environmental costs incurred by the Company during the period of 2014-2017:

- 96,167,700 Armenian drams in 2014;
- 231,205,000 Armenian drams in 2015;
- 106,665,000 Armenian drams in 2016;
- 93,990,184 Armenian drams in the first quarter of 2017.

We deeply regret that the cited publications do not reflect the objective situation. We strongly condemn the dissemination of incomplete information which casts a shadow on the Company's operations, reputation, exerted efforts, and the results of daily hard work of hundreds of employees.

We consider that materials, which are viewed separately from the main context and relate to some emergency situations, cannot be considered as objective characteristic of the situation, and the Company activities shall be considered for a certain period of time in an objective and comprehensive manner.

We welcome the initiative of the Business and Human Rights Resource Centre to receive the Company's position, which indicates that your approach is to identify and present the

objective situation. It is a fact that from time to time our Company receives different letters on various issues, which have nothing to do with the protection of the environment or human rights. We are convinced, that you act in accordance with the protection of human right and environment, hence, we are ready to cooperate with you and are open to provision and publication of objective information. Further, we believe that based on the provided information, you can get a full picture and understanding of the real state of affairs.