

December 28, 2008

Dear Executive Director,

Request for EBRD evaluation of ArcelorMittal investments

We are writing to request that during 2009 the European Bank for Reconstruction and Development undertakes a thorough evaluation of the bank's investments in ArcelorMittal and its predecessors since 2001, and that sufficient resources are allocated for the evaluation work.

Since 2001 the European Bank for Reconstruction and Development has supported ArcelorMittal with the following loans:

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|--------|---------------------------------|--------------------|------------------|
| • 2001 | Ispat Sidex/Mittal Steel Galati | Romania | USD 100 million |
| • 2002 | Mittal Steel Galati | Romania | USD 100 million |
| • 2005 | Mittal Steel Skopje | Macedonia | USD 25 million |
| • 2006 | Mittal Steel Kriviy Rih | Ukraine | USD 200 million |
| • 2006 | Mittal Steel Zenica | Bosnia-Herzegovina | USD 39.2 million |
| • 2007 | Mittal Steel Temirtau | Kazakhstan | USD 100 million |

Yet after more than ten years of the company receiving support from the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation, communities and workers at many of ArcelorMittal's plants continue to suffer from high levels of pollution and unsafe working conditions. Our collection of case studies entitled *In The Wake of ArcelorMittal* published in May 2008 (available on our website at <http://www.globalaction-arcelormittal.org>) detailed the situation at several of the company's plants, including almost all of those financed by the EBRD.

For example, after the third fatal accident at the company's mines in five years in Kazakhstan, an investigation carried out in 2008 by the public prosecutor found that the Karaganda coal mines owned by ArcelorMittal are continuing to use decades-old health and safety equipment and putting miners' lives at risk. The Kazakh government also threatened that the company may lose its license to operate the mines if it does not make rapid improvements. The situation has now become more complicated due to the financial crisis, which decreases governments' negotiating position in relation to environmental and health and safety issues due to the need to protect working places.

In Zenica, Bosnia-Herzegovina, local people have organised several protests this year against ArcelorMittal for its high levels of air pollution. At the end of 2007 and beginning of 2008 air quality measurements in various parts of the city showed that levels of sulphur dioxide and particulate matter concentrations often exceeded legal limits. These were shown by one-off monitoring measures, however regular measurements do not appear to be carried out. Recently the protests intensified as the district heating system, which is run by the steel mill, failed for over a month during cold weather, resulting in schools being closed. The company repeatedly failed to resolve the problems on its own deadlines.

While it is clear that the problems could not be solved overnight, by now there should have been tangible improvements in the environmental and health and safety performance of the plants run by the company. Most of the EBRD loans were given specifically for environmental, health and safety and energy efficiency improvements, however local people have not been able to see any progress. Only fragmented information has been available about the planned investment measures and their implementation.

A Stakeholder Engagement Plan was adopted by ArcelorMittal in Kazakhstan under the auspices of the EBRD. The Plan establishes mechanisms for liaising with affected people and workers, introduces a grievance mechanism and commits the company to disclosure of project-specific information. Despite detailed timelines, the disclosure of information has yet to be significantly

improved. The grievance mechanism procedures, environmental information disclosure policy, reports on information disclosure, analysis of risks in health and safety and other relevant documents were already supposed to have been released on the company's website as per the Plan, yet this has not been done, and the company often still ignores requests for information from local civil society organizations.

According to our experience, the EBRD's loans to ArcelorMittal have failed to exhibit sufficient demonstration effects and transition impact. It is unclear how the EBRD's involvement has added additional value to the company's environmental and health and safety performance compared with what privately financed projects would have provided.

Given the global financial crisis reducing companies' access to private financing, the EBRD may be asked to provide further loans to ArcelorMittal and other controversial and heavily polluting companies. It is therefore essential that all relevant lessons are learnt from the EBRD's experiences with ArcelorMittal in order to increase the robustness of the EBRD's criteria for assessing whether it is able to add real value in projects undertaken by such companies.

Given that several loans have been provided to the company and that the company has a particularly controversial record, we would request that:

- 1) A thorough evaluation of the bank's investments in ArcelorMittal is conducted by the EBRD Evaluation department in 2009;
- 2) The evaluation covers all the loans to ArcelorMittal and its predecessors since 2001;
- 3) Sufficient resources are allocated for the evaluation work;
- 4) External stakeholders such as civil society organisations, trade unions and citizen initiatives are consulted during the evaluation;
- 5) The full evaluation report is made public.

We hope for your support of our request when approving the operations to be evaluated in 2009 at the Board meeting.

Please do not hesitate to contact us with any questions you may have.

Yours sincerely,

Sunita Dubey,
groundWork USA and Co-ordinator, Global Action on ArcelorMittal

On behalf of:

Dana Sadykova, Karaganda Ecological Museum, Kazakhstan

Blanche Weber, Friends of the Earth, Luxembourg

Liz Ilg, Ohio Citizen Action, USA

Tarik Mujacic, e-DOZE campaign, Zenica, Bosnia-Herzegovina

Alena Miskun, National Ecological Center of Ukraine, Ukraine

Jan Srytr, The GARDE program of Environmental Law Service, Czech Republic

Vaal Environmental Justice Alliance, South Africa

Pippa Gallop, CEE Bankwatch Network, Czech Republic