



Most Environmentally and Socially Controversial Companies in 2008

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To round up the social and environmental risk landscape of 2008, this month's Most Controversial Companies report is a summary of the top stories across a range of categories, with the companies that have been criticized most. The report focuses on the following categories:

- Emerging Markets
- North America
- Financial Institutions (Banks, Financial Services, and Insurance)
- Utilities, including Clean Tech
- Most Environmentally and Socially Controversial Companies Overall 2008

Companies on these lists have been severely criticized by the world's media and NGOs for issues including human rights abuses, severe environmental violations, impacts on local communities, corruption and bribery, and breaches of labor, health and safety standards. Rankings are based on the Reputational Risk Index (RRI), as measured by RepRisk.

RepRisk does not measure a firm's overall reputation. Instead, by capturing criticism, RepRisk provides an indicator of reputational risk. The ranking is directly derived from the negative press captured by RepRisk and is strictly rule-based. RepRisk is used by asset owners and asset managers, commercial and investment bankers, and supply chain managers and corporate responsibility experts.

The following pages provide a summary of the criticism to which the most controversial companies have been exposed, as well as the environmental and social issues that have been associated with these companies.

Please refer to page 7 for more details on methodology.

Emerging Markets (Definition from MSCI Emerging Markets Index)

Top Five Companies:

1. Shijiazhuang Sanlu Group Holding Co., Ltd.
2. China Petroleum & Chemical Corp (Sinopec Corp)
3. Samsung Group
4. China National Petroleum Corporation (CNPC)
5. Inner Mongolia Yili Industrial Group Co., Ltd.

Top Three Issues in Emerging Markets:

1. Human Rights Violations and Corporate Complicity
2. Supply Chain (E, S, L Issues)
3. Impacts on Ecosystems/Landscapes

Shijiazhuang Sanlu Group Holding Co. Ltd. Rank 1

Shijiazhuang Sanlu Group Holding Co. Ltd. has been embroiled in a major scandal involving the contamination of its milk powder with melamine. The company, which is 43 percent owned by Fonterra, has been blamed for up to six infant deaths and 300,000 falling ill, allegedly caused by the tainted milk powder. An official product recall was issued only after the New Zealand government intervened. It is alleged that farmers or dealers may have diluted milk with water and added melamine to make the milk's protein level appear higher than it really was. Sanlu supposedly knew about the dangers of its contaminated products as early as 2007.

China Petroleum & Chemical Corp (Sinopec Corp). Rank 2

Sinopec's involvement in projects in such sensitive countries as Sudan and Myanmar has received much criticism, as NGOs allege that it indirectly helps the governments fund their military expenditure through oil revenues and associated human rights abuses. Sinopec's oil exploration activities within Gabon's Loango National Park have also come under fire for their impacts on communities and alleged human rights abuses.

Samsung Group. Rank 3

Samsung was widely accused of mass bribery, and authorities in South Korea raided the head office of Samsung Group as well as executives' homes as part of their on-going investigation. An independent counsel was established to investigate allegations of multi-million dollar bribery deals made with prosecutors, government officials and journalists. Samsung's subsidiary, Samsung Heavy Industries, was held responsible for South Korea's largest oil spill, in which over 12,000 tons of crude oil was spilt. Samsung was subsequently criticized for not compensating adequately for the damage incurred.

China National Petroleum Corporation (CNPC). Rank 4

It is alleged that CNPC is the largest player in Sudan's oil industry, and has perpetrated human rights abuses, including violent displacements. CNPC is also actively engaged in the Myanmar oil industry. NGOs state that CNPC and others have indirectly helped the Sudanese and Myanmar governments fund their military expenditures through oil revenues and human rights abuses. Several funds have divested CNPC as a result of these involvements.

Inner Mongolia Yili Industrial Group Co. Ltd. Rank 5

Inner Mongolia Yili Industrial Group is a Chinese dairy producer which has been implicated in the large Sanlu milk powder scandal. Yili has had several products recalled owing to their contamination with melamine, a protein enhancer at the root of several baby fatalities in China. Some Asian and African countries have banned Yili products as a result. KFC and Starbucks were just some of the many western outlets which used Yili as a supplier.

North America

Top Five Companies:

1. Wal-Mart Stores
2. Baxter International
3. Monsanto
4. Chevron Corp.
5. Exxon Mobil

Top Three Issues in North America:

1. Impacts on Ecosystems/Landscapes
2. Supply Chain (E, S, L Issues)
3. Impacts on Communities

Wal-Mart Stores. Rank 1

Wal-Mart was accused of labor violations, including the persecution of staff, keeping unions out of its stores and exposing employees to humiliating conditions. The company was also accused of having horrendous conditions at its factories in Bangladesh and China, with forced overtime, child labor, low wages, and physical abuse. Several Chinese-made products were recalled from Wal-Mart stores owing to excessive lead paint levels. In addition, the company has several large lawsuits pending against it for social discrimination.

Baxter International. Rank 2

Baxter International had a particularly bad start to 2008, as it had to recall thousands of doses of its heparin product owing to an unusually high incidence of allergic reactions, which led to several deaths. The product was found to contain ingredients from Chinese suppliers which were neither inspected nor certified properly. Baxter faced several personal injury lawsuits in US federal courts as a result.

Monsanto. Rank 3

Monsanto continues to be criticized for its development of genetically modified crops. Critics argue that it will have damaging effects on crop resistance and growth, put the health of local people in danger, and is yet to be tested thoroughly. A film was released, alleging that Monsanto has falsified reports, lobbied governments and attempted corruption in order to get genetically engineered crops authorized without having independent scientific proof of their safety. Monsanto was nearly excluded from the Norwegian Pension Fund as it was accused of using child labor in India; Norges Bank refrained from divesting the company and instead continued to pressure Monsanto to change its practices.

Chevron Corp. Rank 4

Chevron is accused of involvement in human rights abuses and environmental destruction on a global scale, of profiteering in Iraq, of violating human rights, including killings in Nigeria, of supporting the Myanmar regime through its Yadana pipeline project, and of causing extensive contamination endangering humans and the environment in the Philippines, the US and in Ecuador. Chevron also faced several lawsuits, including one against Chevron's Nigerian subsidiary, brought by plaintiffs injured in an oil platform incident in the Niger Delta in 1998. The suit alleged that Nigerian troops shot at more than 100 protesters demonstrating against Chevron's activities. Chevron also faces a lawsuit demanding a settlement of up to USD 16 billion in connection with Texaco's operations in Ecuador between 1964 and 1990.

Exxon Mobil. Rank 5

Exxon Mobil's involvement in the Chad-Cameroon pipeline has allegedly resulted in the large-scale seizure of farm lands without providing adequate compensation. It is also accused of polluting water sources. This has caused severe health problems. Furthermore, Exxon is accused of funding the Chad president's alleged involvement in violence in Darfur through its revenue. The company was criticized for its continued reluctance to engage in discussions over the controversial Sakhalin I oil and gas project's potential environmental and social impacts. Exxon Mobil also faces a suit alleging that members of the Indonesian military kidnapped, abused and killed people on its property while employed to guard a natural gas facility in the Aceh province. Exxon Mobil also came under fire for its attitude towards climate change and alternative energy, with a large percentage of its shareholders demonstrating their unhappiness at the annual meeting.

Financial Institutions (Banks, Financial Services, Insurance)

Top Five Companies:

1. Barclays Plc.
2. Citigroup Inc.
3. Société Générale
4. Bank of America Corp.
5. Deutsche Bank

Top Three Issues in Financial Institutions Sector:

1. Impacts on Ecosystems/Landscapes
 2. Impacts on Communities
 3. Global Pollution (including Climate Change)
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Barclays Plc. Rank 1

Barclays was under fire for its investments in the weapons industry, including cluster ammunition, and the coal industry. The bank was also criticized for paying out large bonuses during the current financial crisis. Barclays was among the companies being sued in the US for allegedly having supported the South African apartheid system by providing weapons, financing, fuel, transportation, and military technology. The bank's involvement in a number of Indian projects was also scrutinized as the projects could have detrimental effects on local communities.

Citigroup Inc. Rank 2

Citigroup's payout of high bonuses to its executives in the midst of the financial crisis drew a great deal of criticism from the media. The bank's funding of companies and projects linked to the coal industry was criticized owing to their impact on the environment and climate change. Citigroup and others were criticized for their involvement in the Kashagan Oilfields; a project which is deemed controversial because of environmental and health issues. The bank was also under pressure to shed its investment in companies with business dealings in Darfur.

Société Générale. Rank 3

Société Générale's financial involvement in numerous controversial projects, such as the Mochovce reactors in Slovakia, the Toka Tindung gold mine in Indonesia, the Nord Stream pipeline, Sakhalin gas fields, the Camisea gas fields in Peru, and the Ilisu dam in Turkey, has brought it much criticism as NGOs argue the projects will have devastating effects on local biodiversity, violate human rights, and disperse local populations. The bank also came under fire for its financing of companies related to land mine and cluster bomb production; as well as its investment in agrofuels, including palm oil.

Bank of America Corp. Rank 4

NGOs heavily criticized Bank of America and others for their practice of funding companies and projects associated with coal in the US, and the industry's link to global climate change. The bank came under fire from its shareholders over its supposedly poor environmental record, and after much pressure from environmental groups, Bank of America decided to phase out its lending to companies that engage in mountain-top-removal coal mining practices. The bank was accused in the US of predatory lending practices, and faced the possibility of several lawsuits in US courts. Overseas, the scandal-hit Italian company Parmalat sued Bank of America for its alleged role in illegally covering up losses during the company's downfall in 2007.

Deutsche Bank. Rank 5

NGOs criticized Deutsche Bank for investing too much in "harmful investments" and cited the bank's link with cluster munitions producers, as well as agrofuels, including palm oil production in Latin America, and pulp and timber operations in developing countries. The bank has also come under attack for its support of energy firm Total and that company's cooperation with the Myanmar junta through the Yadana gas field and pipeline, as well as its financial involvement with other companies that allegedly commit human rights violations and impact negatively on the environment and local communities.

Utilities (Including Clean Tech)

Top Five Companies:

1. E.ON AG
2. Endesa SA
3. Areva SA
4. Electricité de France
5. Duke Energy Corp

Top Three Issues in Utilities:

1. Impact on Ecosystems/Landscapes
2. Impacts on Communities
3. Global Pollution (Including Climate Change)

E.ON AG. Rank 1

E.ON has repeatedly been the target of environmental protesters and NGOs as the company's plans for coal-fired power plants are criticized for impacts on the environment and climate change. The company's Kingsnorth power station, in particular, has come under fire with protesters staging several demonstrations. NGOs claim that Kingsnorth would allegedly produce the same amount of carbon dioxide as the world's least polluting countries combined. The company has plans for several new coal-fired power plants in a number of countries, including the Netherlands and Belgium. E.ON's involvement in a number of proposed pipelines has also been criticized for its impact on local communities and landscapes.

Endesa SA. Rank 2

Endesa's involvement in numerous utilities projects has brought criticism from several areas. Its involvement in the HydroAysen project in Chile has been criticized for the project's supposedly negative impact on communities and the environment. With regard to Endesa's Neltume Hydroelectric Complex, local tribes denounced attempts by the company to divide communities through bribery. Endesa's As Pontes power plant in Spain was also criticized for its impacts and labeled as one of the biggest contributors to global warming in Europe. Safety procedures were questioned as two of the company's nuclear power plants had incidents involving fires, leaks and the illegal dumping of radioactive materials.

Areva SA. Rank 3

Greenpeace France launched two court cases against Areva and its subsidiary Socatri for water pollution and the illegal dumping of waste and radiation leaks at the Tricastin plant. Activists protested against the shipment of waste from Eurodif, another subsidiary of Areva, to Russia, arguing that the transport of such loads can be extremely dangerous, with a high probability of contamination along the way owing to leaks. The company has also come under fire for the allegedly poor management of its nuclear reactors, with critics citing poorly executed maintenance work, leaks, and the contamination of employees.

Electricité de France. Rank 4

Electricité de France (EDF) was ordered by the Nuclear Safety Authority to halt work at its flagship generation nuclear power station at Flamanville, France for allegedly failing to address deficiencies in quality controls. When it was re-opened NGOs claimed the safety issues which forced the closure had not been addressed. There were also reports of uranium solution leaking from the company's Tricastin nuclear plant in France, where there have already been several incidents. The French Nuclear Safety Authority warned EDF of an explosion risk at the company's Cruas-Meysses nuclear power station, owing to inadequate protection measures.

Duke Energy Corp. Rank 5

Environmentalists argued that Duke Energy Corp's controversial Cliffside Steam Station project violates the federal Clean Air Act and protesters have launched action against the company. Duke Energy's plans to expand the Cliffside Steam Station in North Carolina, with the construction of a coal-fired generator, sparked debate among shareholders and outraged environmental groups. Environmentalists asked a judge to stop the project, and a lawsuit will be filed against Duke Energy by environmental organizations. The company was recently ordered to assess the plant and to comply with environmental issues within 60 days.

Most Environmentally and Socially Controversial Companies Overall 2008

Top Five Companies Overall:

1. Shijiazhuang Sanlu Group Holding Co., Ltd.
2. China Petroleum & Chemical Corp (Sinopec Corp)
3. Samsung Group
4. Siemens AG
5. ArcelorMittal

Top three issues:

1. Human Rights Abuses and Corporate Complicity
2. Corruption, Bribery, Extortion and Money Laundering
3. Impacts on Communities

Shijiazhuang Sanlu Group Holding Co. Ltd. Rank 1

See summary in Emerging Markets section of report

China Petroleum & Chemical Corp (Sinopec Corp). Rank 2

See summary in Emerging Markets section of report

Samsung Group. Rank 3

See summary in Emerging Markets section of report

Siemens AG. Rank 4

Siemens has been embroiled in a widespread corruption and bribery scandal at its head office for most of 2008, which has also spread to its business in several locations. As the bribery case continued to evolve, the company came under fire for not doing enough to implement its own anti-corruption measures. The year ended with Siemens being fined EUR 2.5 billion for corruption. In addition, Siemens was criticized by NGOs for its power lines in the Congo that had supplied coltan mining without benefiting local communities.

ArcelorMittal. Rank 5

ArcelorMittal was accused of pollution, intimidation, poor safety standards, forced evictions and acquisition of agricultural land, local participation issues, suppression of union activities and poor pay conditions. Repeated accidents and high death tolls at its mines in Kazakhstan resulted in the company having dozens of sites shut owing to safety violations. Its operations also came under fire with residents protesting that emissions levels from its steel mills had increased further, thus polluting local areas.

Methodology

RepRisk objectively monitors the level of criticism to which a company is exposed. All data is collected and processed using a strictly rule-based approach; it is not the result of an assessment, rating or verdict from our analysts.

The "Most Environmentally and Socially Controversial Companies" report was compiled using information from the RepRisk database, which consists of negative news on companies' environmental and social performance. The RepRisk database currently covers more than 8,000 companies and holds news from thousands of sources, ranging from commercial newspapers and on-line media to NGO websites, blogs and newsletters. Once the negative news has been identified with advanced search algorithms and analyzed for its novelty, relevance and severity, risk analysts enter it into the database and link it to the companies in question. No news is entered twice unless it has been escalated to a more influential source or higher-profile media outlet. This helps to ensure the balanced and objective rating and weighing of the negative news, and thus the company's RRI. The RRI measures the *risk* to a company's reputation, not its actual reputation in general. Each report is compiled by taking the most criticized companies in our database of more than 8,000 companies.

For more information about the "Most Environmentally and Socially Controversial Companies" report, please contact Charlotte Mansson at mansson@ecofact.com, tel: +41 44 350 6022, or visit our websites: www.reprisk.com or www.ecofact.com.

RepRisk®

RepRisk is a web-based tool that provides insights into environmental and social issues that present financial and reputational risks to a bank, company, or investment portfolio. It facilitates the identification and assessment of controversial issues associated with specific companies and business relationships.

RepRisk's assessment of the environmental and social performance of a company is based on the company's activities in the field as observed by independent third parties, and is not derived from information provided by the company itself.

Every day, RepRisk captures the reactions of print media, more than 650 NGO websites and newsletters, news websites, blogs and other online sources on controversial issues relevant to financial institutions, other companies, and projects.

RepRisk covers controversial issues ranging from employee and community relations to resource availability and efficiency, environmental footprint and product portfolio-related risks. In particular, it addresses all of the principles of the UN Global Compact.

ECOFACT

ECOFACT is a leading provider of environmental and social data in the financial industry. Our client base consists of asset managers, pension funds, commercial and investment banks, the leading development banks, insurance companies, and governmental agencies.

ECOFACT AG was founded in 1998 as a spin-off from a leading Swiss bank and is a fully independent corporation.