

# Special Report on MINT Countries: ESG Issues in Mexico, Indonesia, Nigeria & Turkey

## Introduction

After Jim O’Neill of Goldman Sachs coined the acronym “BRIC” to refer to top emerging markets Brazil, Russia, India and China, he has now popularized “MINT” - Mexico, Indonesia, Nigeria and Turkey as a second category. O’Neill recently told the BBC that beyond simply having large populations, these countries also have good “inner” demographics as their populations will increase in the number of people able to work compared with those who cannot, unlike China and Russia as well as much of the developed world. He claims some of the MINTs could have the potential to match the double-digit rates China had between 2003 and 2008.

As is common with emerging markets, the flipside of the high potential these countries hold is their significant environmental, social and governance (ESG) risks. RepRisk’s new Country ESG Index, launched in late 2013, can dynamically track country-specific ESG issues and is an indicator of the ESG risk as well as the associated reputational, compliance and investment risk of a particular country. The index is based on criticism, controversies and negative incidents related to more than 180 countries around the world and builds upon the seven years of data collected by RepRisk since January 2007.

This report summarizes key issues in the MINT countries on activities related to human rights violations, poor working conditions, corruption, and environmental degradation throughout 2013.

In Mexico, concerns over the number of union members and activists murdered in the past year as well as the effect of power generation and mining projects on indigenous peoples have sparked brutal clashes. The country has also experienced a multitude of problems with money laundering and bribery and has a poor record of working conditions.

Indonesia has experienced a range of ESG issues related to its palm oil, oil and gas, coal, metals and plywood industries, where working conditions are dangerous and child labor is often employed. The environment has also suffered severe degradation due to illegal logging, forest burning, and the destruction of natural parks, which also impacted endangered species such as orangutans and the Sumatran tiger.

Nigeria’s banking and oil and gas sectors have been heavily tainted by allegations of corruption, which has resulted in local people reaping little benefit despite their country’s rich natural resources. Multinational oil and gas companies operating in the country have experienced strong repercussions from locals, who have even sabotaged pipelines to make their feelings clear. They have also reacted angrily to environmental damage caused by the companies.

Turkey has experienced a year of social unrest, which started with the government’s plan to raze a central park in Istanbul, as part of an ongoing stream of development projects which have destroyed green spaces and the natural environment. Following months of violent protests, a corruption scandal involving top-level government officials and several banks sent the country into turmoil again and caused the lira to plunge.



## Mexico

RepRisk detected severe criticism related to the alleged murder of union members and activists in Mexico in 2013. Amongst others, Fortuna Silver Mines, Blackfire Exploration and Minefinders were accused of having ordered the killings of dozens of activists. Similarly, the Mexican Human Rights Commission was asked to look into the disappearance of an opponent of the El Naranjal Hydroelectric Project in August 2013. Companies have also been criticized for hiring private security contractors such as SYColeman and Risk Incorporated to protect project sites despite the questionable human rights records of these security firms.

RepRisk further picked up criticism of numerous power generation and mining projects said to endanger indigenous communities in Mexico. In October 2013, the Popular Assembly of the People of Juchiteco in Oaxaca accused Gas Natural Fenosa of burning down their encampment during a peaceful protest against the construction of the Bii Hioxo Wind Farm. Similarly, violent protests over a Fortuna Silver mining project in Ocotlan, which has reportedly displaced an estimated 6,000 indigenous Zapotecs, has resulted in at least two deaths. Also in 2013, construction of the Independence Aqueduct continued unabated despite a Supreme Court ruling that the project would threaten the existence of the Yaqui tribe.

Public access to drinking water continued to be a major source of controversy in 2013. In the state of Veracruz, residents complained that they were forced to purchase bottled water as a result of water privatization deals by Coca-Cola and Nestle, which reportedly own up to 80 percent of the region's groundwater.

In January 2013, an explosion at the Pemex Executive Tower killed 37 people and injured many more. The explosion was reportedly caused by an accumulation of gas in the basement of the building. Dozens of workers were also killed or injured during accidents at the Grupo Modelo brewery in Mexico City, the Ternium factory in Nuevo Leon, and the Dulces Blueberry candy factory in Ciudad Juarez.

In June 2013, Mexican authorities rescued 275 workers, including nearly 40 teenagers, from slave-like conditions at a Bioparques de Occidente tomato packaging plant in Jalisco. Workers were reportedly forced to live and work in cramped and unhygienic conditions, and were beaten if they tried to escape. Five supervisors have since been arrested on charges of human trafficking.

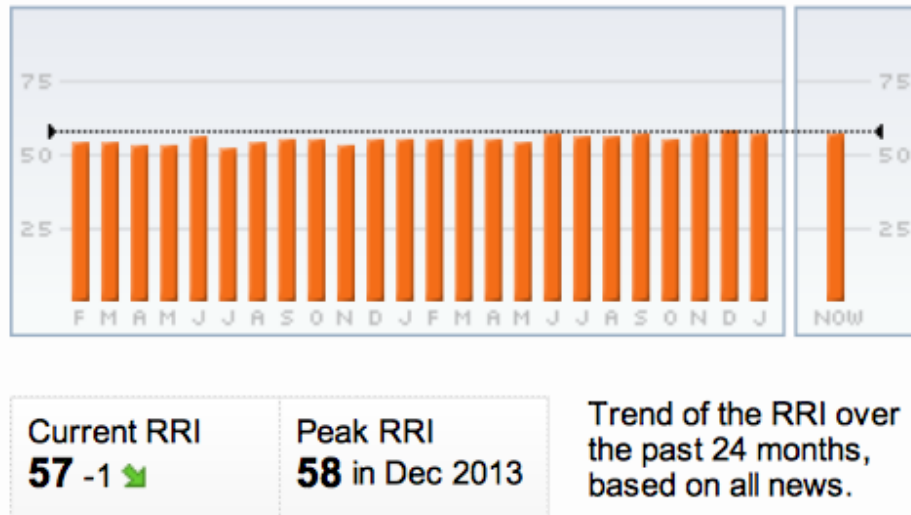
RepRisk detected severe criticism of international companies accused of money laundering on behalf of Mexican drug cartels in 2013, including significant ongoing criticism of HSBC. In October 2013, HSBC was named one of the "five cruelest banks in history" by a popular Mexican website for its ties with the Sinaloa Cartel, which has been blamed for tens of thousands of murders over the past decade. Previously, in December 2012, HSBC was fined USD 1.9 billion for money laundering in Mexico and elsewhere. Other companies criticized for alleged money laundering in Mexico included JPMorgan Chase, Prodira, Compania Ganadera 5 Manantiales, Casa El Viejo, and many others.

The alleged bribery of Mexican officials by Wal-Mart, Avon, Siemens and others has also continued to draw significant criticism. In August 2013, Wal-Mart estimated that total expenditures on investigations into alleged bribery in Mexico and other places would likely reach USD 380 million.

In another high-profile corruption case, the Mexican federal government accused Pemex of operating a network of corruption that was hindering reform in the oil sector. The allegation came after a former member of the Mexican Gulf Cartel testified that the cartel's paramilitary wing had directly financed a Pemex contractor.

Other major issues of contention in 2013 included an investigation into allegations that German weapons company Heckler and Koch sold G36 guns to several Mexican states, where cases of corruption, arbitrary arrests and tortures had been reported. Environmentalists also criticized the Mexican state for allowing Monsanto, DuPont and Dow AgroSciences to cultivate genetically modified maize in the country, where several original varieties of the crop could be contaminated.

### Mexico ESG Country Index Trend



#### Top Three Topic Tags:

- Indigenous People
- Protected Areas
- Genetically Modified Organisms

#### Top Three Issues:

- Violation of National Legislation
- Impacts on Communities
- Corruption, Extortion, Bribery and Money Laundering

## Indonesia

In 2013, RepRisk detected continued criticism of ESG issues related to several of Indonesia’s key exports, including palm oil, oil and gas, coal, metals and plywood. In particular, companies like Samsung and Apple were heavily criticized for sourcing tin from Indonesia’s Bangka Island. The island produces approximately one-third of the world’s tin supply, much of which is reportedly produced under extremely dangerous labor conditions, with death rates reaching an average of one miner per week. A significant number of miners, most of them illegal, are allegedly children. In addition, excessive tin mining is said to have had a severe impact on the local environment, destroying up to 60 percent of the island’s forests and 70 percent of its coral reefs.

RepRisk also detected significant criticism related to child labor, forced labor, local participation issues and human rights abuses in Indonesia’s lucrative palm oil, agriculture and forestry sectors. Companies like Sinar Mas, Asia Pacific Resources and Kuala Lumpur Kepong have been accused of disregarding indigenous land rights and displacing thousands of people. Sinar Mas alone is said to have converted over 1.6 million hectares of indigenous land into sugarcane, corn and palm oil plantations, while Asiatic Persada was accused of hiring security forces to attack and intimidate members of the Batin Sembilan with machetes. In response to allegations of severe abuses in the palm oil industry, the Norwegian Government Pension Fund divested from over 20 Asian palm oil companies in 2013, including Golden Agri Resources, Kuala LumpurKepong and Wilmar, according to REDD-Monitor.

RepRisk also detected serious criticism related to illegal logging, forest burning, and the destruction of natural parks in Indonesia. Such practices have been heavily criticized by environmentalists for curtailing biodiversity and for threatening the habitats of several endangered species, including the orangutan and the Sumatran tiger.

In addition, the use of slash-and-burn practices on palm oil plantations in Indonesia has led to diplomatic tensions with neighboring Singapore and Malaysia, which were engulfed in a smoky haze in June 2013. Singapore promised to take legal action against Sinar Mas and Asia Pacific Resources for starting forest fires in Sumatra, while Indonesia blamed the pollution on eight Malaysian companies operating in the country.

Activists and unions have also criticized several companies operating in Indonesia for various alleged labor abuses in 2013, including curbing freedom of association and collective bargaining, failing to pay wages, and using forced and child labor. In April 2013, War on Want and other NGOs spearheaded a protest in the UK demanding that Adidas pay USD 1.8 million owed to workers of PT Kizone in Indonesia, raising international media attention on labor issues in the country.

Later in the year, managers at CV Cahaya Loham faced trial over alleged human trafficking and holding workers in slave-like conditions.

Occupation health and safety issues were another big concern for Indonesia in 2013, as highlighted by a deadly collapse at Freeport-McMoRan's Big Gossan mine in May 2013. Thirty-eight workers were reportedly trapped underground at the time of the collapse, 28 of whom have since been confirmed dead.

Several high profile corruption cases involving the alleged bribery of Indonesian officials have raised concerns for international businesses operating in the country. In December 2013, the UK Serious Fraud Office opened a formal investigation into Rolls Royce over allegations of malpractice in China and Indonesia. In another court case in June 2013, the US Department of Justice charged a fourth executive of Alstom with money laundering and conspiring to violate the US Foreign Corrupt Practices Act in order to win contracts in Indonesia. Similarly, four mid-level managers at Chevron were convicted in an Indonesian court for their alleged abuse of power involving an oil cleanup contract for 28 plots of land.

Finally, RepRisk detected criticism of a number of controversial projects in Indonesia in 2013. In particular, the Jatigede Dam Project in West Java drew significant criticism from activists, who warned that only 12 of the 32 villages that would be flooded by the dam would be eligible for compensation. In July 2013, violent clashes between residents and local police during protests over the construction of the Bhimasena Coal-fired Power Plant left at least 15 people injured. Allegations of violence and intimidation have also been reported by opponents of Kaltim Prima Coal mines in Indonesia.

### Indonesia ESG Country Index Trend



<p><b>Current RRI</b> <b>59</b> -2 </p>	<p><b>Peak RRI</b> <b>64</b> in Apr 2013</p>	<p><b>Trend of the RRI over the past 24 months, based on all news.</b></p>
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**Top Three Topic Tags:**

- Palm Oil
- Endangered Species
- Indigenous People

**Top Three Issues:**

- Impacts on Ecosystems / Landscapes
- Impacts on Communities
- Violation of National Legislation



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## Nigeria

Nigeria has significant, ongoing corruptions issues, which pervade a range of sectors, but are particularly prominent in banking and oil and gas. A vast number of banks have also been implicated in fraud and money laundering. Just a few of these examples include Ecobank Transnational, which was accused of selling off assets below market value and manipulating the bank's 2012 results; Access Bank, which was accused of systematic corruption; and Zenith Bank, Access Bank, Fidelity Bank, all accused of hosting deposit accounts of companies associated with the Jigawa State governor and his two sons who are under suspicion of corruption.

While the oil sector accounts for 58 percent of Nigeria's public revenue, widespread corruption has meant the majority of the population has not seen any benefit from the country's natural resources. Nigeria's House of Representative voted to have the Nigerian National Petroleum Corporation investigated over its alleged failure to account for some USD 13 billion in sales. Meanwhile, Bilfinger and Willbros Group are accused of conspiring to pay Nigerian officials more than USD 6 million in bribes in order to win contracts involving the Eastern Gas Gathering System project. Shell and Eni have also been accused of paying USD 1.1 billion under controversial circumstances in order to acquire an offshore oil field. The money was allegedly transferred to Malabu Oil and Gas a company controlled by convicted money-launderer and former Nigerian oil minister Dan Etete. An Italian Court in Milan has also found Saipem guilty of corruption in Nigeria, in order to secure a contract for liquefied natural gas works in Bonny Island.

Along with corruption, the oil and gas industry faces a host of other social and environmental issues in Nigeria. The advocacy group Okpoama Vanguard has threatened to mobilize its supporters and shut down Nigeria Agip Oil's Brass Oil Export Terminal over concerns that it would fail to contain an oil spill first reported in November 2013. The spill has reportedly caused serious harm to the livelihood of fishermen in the Bayelsa state region. Agip, an Eni subsidiary, has allegedly not made any statements regarding the leak nor shared details about the volume released.

Amnesty International has accused oil companies operating in the Niger Delta of exaggerating incidents of oil sabotage in order to avoid paying compensation for oil spills caused by corroded pipes or faulty equipment. The majority of the report's findings related to Shell, the primary operator in the region, but also found a large number of spills in an area operated by Nigerian Agip Oil, a subsidiary of Eni. Oil spills in the Niger Delta have had a devastating impact on the local environment and people. Residents complain that witness testimony in oil spill investigations is often ignored. Many have also cited witness intimidation by security forces as a big part of the problem.

An Amnesty International report entitled, "Bad Information: Oil Spill Investigations in the Niger Delta," refutes claims by Shell Petroleum Development Company, Nigerian Agip Oil, a subsidiary of Eni, and Total Nigeria that oil spills in the Niger Delta are due to sabotage and theft. The companies reportedly have been polluting the Niger Delta for over a decade. However, the report alleges that many spills are due to corrosion, poor maintenance, and equipment failure.

An explosion at Shell's Trans Niger pipeline on June 19, 2013 in the Niger Delta swamp has resulted in the death of several people and spill of 6,000 barrels of crude oil into waterways near the Bodo village. According to the official investigation, the accident was caused by an attempt to steal tens of thousands of barrels of crude oil from the pipeline. Shell's Trans Niger pipeline is considered one of the most "sabotaged" pipelines in the world. The company has accused local communities of the theft, while the locals blame Shell and other oil companies for giving them no choice but to steal oil by failing to compensate for the pollution of the waterways.

Shell Petroleum Development Co. of Nigeria has also been in hot water with the Imbasikiri community in Nembe, Bayelsa State, who have threatened court action. As an oil producing community, the Imbasikiri expect certain privileges, but have complained of being deprived of their rights. They claim that Shell falsely named the location of its operations as an area 10 kilometers away rather than as the Imbasikiri area.

Nigeria has also been confronted with a range of other ESG issues, including the sale of contaminated pharmaceuticals which led to the death of 80 children (Barewa Pharmaceuticals), the facilitation of mass internet surveillance by the government (Elbit Systems), and land-grabbing and harassment (Wilmar).

### Nigeria ESG Country Index Trend



**Current RRI**  
**59** -2 ↓

**Peak RRI**  
**64** in Apr 2013

**Trend of the RRI over the past 24 months, based on all news.**

**Top Three Issues:**

- Violation of National Legislation
- Impacts on Communities
- Impacts on Ecosystems / Landscapes

**Top Three Topic Tags:**

- Indigenous People
  - Palm Oil
  - Water Scarcity
- 

## Turkey

In Turkey, the Kalyon Group's plan to build the Taksim Gezi Park Mall in Istanbul was met by fierce opposition from local inhabitants in May 2013, who claim that the project's approval lacked proper public consultation and who say that the project will destroy a green area that is beloved by many citizens of Istanbul. This has led to a series of protests, which have attracted criticism for the way in which police forces have used violent means to contain the protests. Thousands of protesters reportedly suffered injuries and six died from exposure to tear gas and water cannons. Combined Systems, Federal Laboratories, Non-Lethal Technologies and Condor Non-Lethal Technologies have been criticized for exporting tear gas, and cashing in on the uprisings in Turkey.

Five months later, a corruption investigation involving key members of the Turkish government has created turmoil within the executive and judiciary bodies, and sparked public outrage since December 2013. Iranian-Azeri businessman Reza Zerrab was charged with bribing officials to help disguise illegal gold sales to Iran via Halkbank, whose chairman was also arrested. The chairman of the Sorinet Group was equally implicated in the probe. Zerrab allegedly made money transfers through Bank Mellat, while the money was received into accounts with Aktif Bank, Deniz Bank, Kuveyt Turk and Garanti Bankasi.

Halkbank has been previously criticized for illegal money transfers to Iran and in April 2013, US senate deputies requested sanctions on Halkbank due to its dealings with the country. Bank Asya has issued a statement to Bourse Istanbul in response to a media report claiming that it made USD 2 billion in profits through foreign exchange purchases just before a corruption investigation. Critics alleged that the lender made unfair gains when the investigation and subsequent political tensions led to a sharp appreciation of the US dollar against the Turkish lira .

In March 2013, ING Bank, together with Akbank, Garanti Bank, Is Bankasi, Ziraat Bankasi, Yapi Kredi, Denizbank, Finansbank, Tuerk Ekonomi Bankasi, Halkbank and VakifBank were fined TRY 1.1 billion for rate fixing. Turkey's Competition Authority later released a detailed report on its verdict, according to which the banks colluded to set maximum deposit rates, interest rate increases on credit cards, as well as fees and commissions for card services.

According to a report by the University of Toronto's Citizen Lab, Blue Coat Systems has supplied some of its dual-use IT technology to a range of countries including Turkey. Critics claim that such technology can easily be misappropriated for the purpose of internet surveillance and censorship. There have also been disputes over Facebook censorship in the country, and Twitter handing over information on activists.

Daiyang-SK Networks Metal, a joint venture of Daiyang Metal and SK Networks, has been accused of systematic suppression of labor unions. The company reportedly committed acts of violence against workers who protested against its unfair dismissal of union members, leading to five injuries. IKEA Turkey has allegedly also prohibited union activities and used bribery and threats to retaliate against employees.

The Turkish Office for Social Security has estimated that an average of five people a day are killed in work-related accidents in the country, making Turkey one of the most dangerous countries in the world for manual labor. In January 2013, an explosion caused by a methane leak at the Kozlu district coal mine, owned by Turkish Hard Coal Enterprises (TTK), in Turkey's Zonguldak province reportedly killed eight workers.



The Ilisu Dam has created ongoing controversy in Turkey since 2006, as well as major problems for its investors, several of whom have pulled out. Critics of the project have claimed it would displace about 55,000 people, flood the ancient city of Hasankeyf, and restrict water flows downstream to Iraq. Activists have blocked roads to the construction site to protest against the alleged environmental and social consequences of the hydroelectric project.

### Turkey ESG Country Index Trend



Current RRI  
**51** -2 ↓

Peak RRI  
**59** in Apr 2013

Trend of the RRI over the past 24 months, based on all news.

#### Top Three Topic Tags:

- Protected Areas
- Nuclear Power
- Indigenous People

#### Top Three Issues:

- Violation of National Legislation
- Impacts on Ecosystems / Landscapes
- Impacts on Communities



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## METHODOLOGY

RepRisk Special Reports are compiled using information from the RepRisk database, which consists of negative incidents, criticism and controversies related to projects and companies’ environmental, social and governance (ESG) performance. The RepRisk database currently contains criticism on more than 39,000 private and publicly listed companies. RepRisk analysts monitor the issues related to ESG risk across a broad shareholder and other stakeholder audience of NGOs, academics, media, politicians, regulators and communities. All data is collected and processed through a strictly rule-based methodology. Once the negative news has been identified with advanced search algorithms and analyzed for its novelty, relevance and severity, risk analysts enter an original summary into the database and link it to the companies and projects in question. No article is entered twice unless it has been escalated to a more influential source, contains a significant development, or has not appeared for the past 6 weeks. This helps to ensure the balanced and objective rating and weighting of the negative news, and thus the company’s quantitative measure of risk exposure, the RepRisk Index (RRI). The RRI measures the risk to a company’s reputation related to ESG issues, not its actual reputation. RepRisk objectively monitors the level of criticism to which a company is exposed. Controversial issues covered include breaches of national or international legislation, controversial products and services, environmental footprint and climate change, human rights and community relations, labor conditions and employee relations as well as fraud, anti-competitive behavior, tax evasion and corruption. In particular, all principles of the UN Global Compact are addressed.

## ABOUT REPRISK

RepRisk is the leading provider of business intelligence on ESG risks. It systematically collects and analyzes negative incidents, criticism, and controversies related to companies and projects worldwide. It does so on a daily basis and in 14 languages from thousands of public sources including international and local media, government sites, non-governmental organizations (NGOs), newsletters, social media and blogs. The RepRisk database currently includes information on over 39,000 companies, 9,000 projects, 6,000 NGOs and 5,000 governmental bodies. These numbers are continuously growing as relevant ESG information is added. The use of RepRisk business intelligence allows companies and financial institutions to proactively assess ESG issues that may present financial, reputational and compliance risks. For more information about RepRisk, please visit: [www.reprisk.com](http://www.reprisk.com).



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