

Most 



 Controversial



 Companies 



RepRisk Special Report

Most Controversial Companies (MCC) 2015

About RepRisk

RepRisk is a leading business intelligence provider, specializing in environmental, social, and governance (ESG) risk analytics and metrics.

Harnessing a proprietary, systematic framework that leverages cutting-edge technology and hands-on human intelligence in 15 languages, RepRisk curates and delivers dynamic risk information for an unlimited universe of companies.

Since 2006, RepRisk has built and continues to grow the most comprehensive ESG risk database that serves as a due diligence, research, and monitoring tool in risk management, compliance, investment management, corporate benchmarking, and supplier risk. The database currently includes risk profiles for over 60,000 public and private companies, 15,000 projects, as well as for every sector and country in the world.

Headquartered in Zurich, Switzerland, RepRisk serves clients worldwide, including global banks, insurance providers, investment managers, and corporates, helping them to manage ESG and reputational risks in day-to-day business.

RepRisk provides the transparency needed to enable better, more informed decisions.

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Foreword RepRisk



I am delighted to announce the release of the sixth edition of our annual Most Controversial Companies Report, which focuses on the companies that were most exposed to environmental, social, and governance (ESG) risks in 2015.

The report, compiled from RepRisk's ESG risk analytics, is based on information that is screened, analyzed, and quantified daily from a wide range of publicly available stakeholder and media sources.

The aim of the report is to outline the sequence of events that can lead a corporation to an unforeseen crisis, causing it to suffer a major fall in stock prices, face substantial product recalls and record fines, and in some cases, even result in the removal of the company's senior officials.

We hope that this insight into the incidents and circumstances that caused challenges for these companies in 2015 will raise awareness of potential ESG risks faced by globally active businesses, and encourage corporations to employ robust risk management strategies and processes.

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Overview and ranking

MCC 2015 ranking	Company name	Peak RRI in 2015	Sector	Country of headquarters
#1	Ruihai International Logistics Co	94	Industrial Transportation	China
#2	Uber Technologies Inc.	89	Software and Computer Services	USA
#3	Samarco Mineração SA	86	Mining	Brazil
#4	Takata Corp	82	Automobiles and Parts	Japan
#5	Blue Bell Creameries LP	80	Food and Beverage	USA
#6	HSBC Private Bank (Suisse)	75	Banks	Switzerland
#7	Sony Corp	74	Personal and Household Goods	Japan
#8	Volkswagen AG	72	Automobiles and Parts	Germany
#9	Fédération Internationale de Football Association (FIFA)	70	Travel and Leisure	Switzerland
#10	1Malaysia Development Berhad	69	Financial Services	Malaysia
#10	Odebrecht SA	69	Construction and Materials	Brazil
#10	General Motors	69	Automobiles and Parts	USA
#10	Honda Motor Company	69	Automobiles and Parts	Japan

Overview and ranking

How a company manages environmental, social, and governance (ESG) issues is now seen as directly linked to its operational excellence and social license to operate. ESG risks – such as environmental degradation, human rights abuses, and corruption – can also translate into compliance, reputational, and financial risks.

When we look at the Most Controversial Companies (MCC) Report 2015, we see various examples of companies who have been severely exposed to ESG risks and therefore put their reputation and long-term viability in question. From Brazil to China to the US, and from the automotive to the banking sector, these companies have either been exposed to a major scandal or disaster – such as Ruihai International Logistics or Blue Bell Creameries – or have been systematically linked to risks not only in 2015, but also before¹.

The information highlighted in these case studies was captured by RepRisk's proprietary research framework that combines cutting-edge technology with hands-on human intelligence. On a daily basis, RepRisk systematically screens big data in 15 languages from a broad range of stakeholder and media sources in order to deliver curated ESG risk data related to companies, projects, sectors, and countries.

Our MCC report identifies and assesses the companies that had the highest Reputational Risk Index (RRI)² in 2015 – and therefore, the highest exposure to ESG risks.

1. As some of the companies listed had completely untarnished reputations prior to the issues they experienced during 2015, the impact on their RRI was greater due to the novelty of such incidents (the RRI emphasizes companies that are newly criticized, while companies with a history of risk exposure are less affected by new criticism and negative incidents).
2. The RRI is RepRisk's proprietary risk metric that quantifies a company's exposure to ESG risks. See methodology on page 45 for more information.

#1 Ruihai International Logistics Co.

Sector: Industrial Transportation; **Headquarters:** China; **Peak RRI:** 94

Ruihai International Logistics ranks in first position in RepRisk's Most Controversial Companies of 2015 report (MCC 2015) due to a series of massive explosions at its warehouse on August 12, 2015. The blasts killed over 170 people, injured hundreds more, and forced the evacuation of about 6,000 nearby residents due to fears of chemical pollution. The incident occurred in the Chinese port of Tianjin and has been classified as one of the worst industrial disasters in China.

After the accident, it was reported that sodium cyanide, calcium carbide, and other hazardous chemicals had been stored at the facility.

In the immediate aftermath of the disaster, details emerged of multiple safety violations, and Ruihai was suspected of criminal negligence. Allegedly, the company had been storing hazardous chemicals for at least one year before it had been officially granted the necessary license in June 2015. It was also reported that 700 tons of sodium cyanide had been stored at the warehouse, far more than the 24 tons declared by the company in official documents.

The company had also reportedly been violating national safety regulations by storing the chemicals in a trans-shipment warehouse, close to residential areas and schools, instead of in zones officially designated for hazardous materials.

Top ESG Issues: Ruihai International Logistics Co.

1. Impacts on communities
 2. Local pollution
 3. Corruption, bribery, extortion, money laundering
 3. Impacts on ecosystems and landscapes
 3. Local participation issues
 3. Occupational health and safety issues
-

A few days after the accident, Chinese authorities detained Ruihai's top executives, and on August 19, two top shareholders of Ruihai allegedly admitted to having used their connections to acquire fraudulent licenses for the Tianjin Port warehouse. Further investigations into the company's background revealed that the company's top management had ignored safety measures, and had paid low wages and benefits to employees.

At the end of August, several government officials and executives from the state-owned Tianjin Port were also detained and held liable for the fatal blast.

Top ESG Topic Tags: Ruihai International Logistics Co.

1. Negligence

Most related companies: Ruihai International Logistics Co.

1. Tianjin Port Group Co Ltd
2. Hebei Andi Investment Management Co
2. Hebei Huyang Investment Co Ltd
2. Tianjin Port Holdings Co Ltd

The incident has been classified as one of the worst industrial disasters in China.

#2 Uber Technologies Inc.

Sector: Software and Computer Services; **Headquarters:** USA; **Peak RRI:** 89

The US-based technology company Uber Technologies ranked fifth in RepRisk's MCC 2014 report, mainly due to allegations of sexual assault by its drivers. The company has risen to second place in the 2015 report, as the allegations of assault or harassment by Uber drivers continued to surface throughout the US, including in California, Florida, Illinois, Massachusetts, Texas, and Washington DC. There were also alleged incidents of sexual assault in Australia, Canada, China, India, and the United Kingdom. Protests against Uber for unfair competition and poor employment conditions were also held in several countries around the world.

Uber was launched in San Francisco in 2009, and in just over five years, the company has expanded its operations to offer services in more than 300 cities in 58 countries. However, the company's drivers have faced numerous allegations of rape, assault, and sexual harassment.

In January 2015, an Uber passenger who claimed she had been kidnapped and raped by an Uber driver in New Delhi one month earlier, filed a lawsuit against the company in a US court, accusing Uber of failing to check the background of its drivers. When the driver was arrested in New Delhi, Indian police discovered that he was facing other charges of assault. The Indian courts then found the driver guilty of kidnapping and raping the passenger and sentenced him to life imprisonment.

Top ESG Issues: Uber Technologies Inc.

1. Human rights abuses and corporate complicity
 2. Poor employment conditions
 3. Anti-competitive practices
 3. Impacts on communities
 4. Fraud
-

onment. In June, another Uber driver in India was suspended for attempting to harass a female client who was using the service from New Delhi to Gurgaon.

In August, an Uber driver was also arrested in China for allegedly pulling a knife on a passenger and then robbing and molesting her. This was the second alleged sexual assault by an Uber driver in China.

In October, an Uber customer in the US published an online account of an incident in which an Uber driver apparently threatened to kill and rape her. One month later, Uber was implicated in another alleged sexual assault on an intoxicated 24-year-old woman in the US. The case came amid an October federal lawsuit filed in California alleging that Uber did not do enough

to protect intoxicated passengers, despite the company's claims that it was helping to combat drinking and driving.

Controversial business model

Throughout the year, the legality of Uber's services was challenged in several countries and regions, including China, Europe, Japan, South Korea Mexico and the US. In South Korea, Uber's CEO and nearly 30 people linked to the company were charged with running an illegal taxi firm. The authorities in Hong Kong arrested five Uber drivers for operating without the necessary licenses, and in India, the Department of Telecommunications ordered Internet service providers to block the company's websites in New Delhi after claiming that Uber drivers were operating without radio-taxi permits. The Dutch police raided the company's offices in Amsterdam, and municipal authorities in Rio de Janeiro ruled that the service was illegal.

In March, the French police raided Uber's offices in Paris and in June, French prosecutors charged two of the company's executives with using deceptive commercial practices, operating an illegal taxi service, and illicitly storing personal data.

The company's low cost "Uberpop" service, launched in February 2014, also proved to be extremely controversial in 2015 as, unlike existing Uber services, Uberpop uses

Top ESG Topic Tags: Uber Technologies Inc.

1. Privacy violations
 2. Migrant labor
 2. Negligence
-

non-professional drivers. Uber contended that the new service was simply "ride-sharing," and therefore not governed by taxi laws. However, French prosecutors fined Uberpop drivers for transporting passengers without relevant licenses, and in December, a French appeals court ordered Uber to pay a EUR 150,000 (USD 162,800) fine for deceptive commercial practices. A German court also banned the service after ruling that Uberpop violated transport laws.

Antitrust

Throughout 2015, traditional taxi drivers in many countries including Brazil, Bulgaria, China, France, Italy, Mexico, the Philippines, and the UK claimed that Uber's business model gave the company an unfair competitive advantage. In May, a court in Milan ordered Uber to discontinue its Uberpop service throughout Italy, and the Bulgarian Commission for Protection of Competition fined Uber BGN 100,000 (USD 55,000) for anti-competitive practices.

Uber Technologies Inc.

In China's Shandong and Shenzhen provinces, the authorities ordered cab drivers to uninstall car-hailing apps, saying that the services disrupted the market. In June, metered taxi drivers in Paris staged violent demonstrations claiming that the company's services were harming their livelihoods.

Poor working conditions and impact on communities

Also throughout 2015, Uber drivers complained of insufficient pay, job insecurity, and poor treatment. Most of the complaints centered on the fact that the company classifies drivers as independent contractors and therefore avoids paying the legal benefits and protection granted to legally recognized employees.

In June, a Californian court ruled that Uber drivers should be employees of the company, a ruling that put the company's business model into jeopardy.

The company also faced ongoing criticism about its storage of customer data. In June, the Electronic Privacy Information Center claimed that the company's plan to collect more detailed data about a customer's location, was "deceptive" and posed a "direct risk" to the company's clients.

Most related companies: Uber Technologies Inc.

1. Lyft Inc.
 2. Airbnb Inc.
 2. ANI Technologies Pvt Ltd (OlaCabs)
 2. GrabTaxi Pte Ltd (GrabCar)
 2. Handybook Inc. (Handy)
 2. Hangzhou Kuaidi Technology Co Ltd (Kuaidi Taxi)
 2. Postmates Inc.
-

#3 Samarco Mineração SA

Sector: Mining; **Headquarters:** Brazil; **Peak RRI:** 86

The Brazilian mining company, Samarco Mineração, is ranked in third place in the MCC 2015 report due to the collapse of the Fundao Tailings Dam at its Germano Mine in the Brazilian state of Minas Gerais on November 5. The accident was one of the country's worst environmental disasters, killing 17 people, leaving hundreds homeless, and 300,000 people without water. At the time of writing, two workers still remained unaccounted for.

The accident caused 62 million cubic meters of mud and mining waste to spill into the Doce River, contaminating drinking water for thousands of people and devastating the water sources of the Krenak indigenous population. Experts estimated that the mining sludge would travel up to 500 kilometers from the dam, and that cleanup costs could reach USD 1 billion. Moreover, the region's ecosystems will allegedly take decades to recover.

The mining giants, British-Australian BHP Billiton (BHP) and Brazil's Vale, who jointly own Samarco Mineração, were harshly criticized in the aftermath of the accident. In November, Greenpeace and environmental activists disrupted BHP's Annual General Meeting – demanding justice for communities affected by the tailing waste spill. The Brazilian government accused Samarco of negligence, and fined Vale and BHP a preliminary amount of USD 66.3 million. Allegedly, there was evidence that Vale had been putting pressure on the tailing dams of the Germano Mine by

Top ESG Issues: Samarco Mineração

1. Impacts on communities
 2. Impacts on ecosystems and landscapes
 3. Local pollution
 4. Waste issues
 5. Occupational health and safety issues
 5. Local participation issues
-

dumping waste from its own iron-ore mines into Samarco's waste handling systems.

In early December, Samarco failed to comply with a deadline given by the Public Ministry of Minas Gerais to submit an emergency plan for the possible collapse of the Germano and Santarem dams also located at its Germano Mine complex. The mining company began incurring a fine of BRL 1 million (USD 250,000) for each day that they failed to submit the plan. A federal judge in Brazil then blocked the assets of Samarco's owners, BHP Billiton and Vale, after estimations that the cost of damages could reach USD 5.2 billion, an amount that apparently Samarco could not cover.

On December 23, 2015, Samarco reached a settlement with the Brazilian authorities in the state of Minas Gerais and agreed to pay

Samarco Mineração

BRL 20,000 (USD 5,000) in damages to each family that had been displaced by the accident, and BRL 100,000 (USD 25,000) to people who had lost family members.

RepRisk had already detected criticism against Samarco in April 2015, when the Brazilian government launched a Parliamentary Commission of Inquiry to investigate air and water pollution in the state of Espírito Santo. Samarco was accused of polluting local water sources and of failing to reduce the coal-dust emissions from its mining project in the region. In October, the Parliamentary Commission named Samarco as one of three worst polluters in the metropolitan region of Grande Vitoria.

The accident was one of the country's worst environmental disasters, killing 17 people, leaving hundreds homeless, and 300,000 people without water.

Top ESG Hot Topics: Samarco Mineração

1. Negligence
2. Endangered species
2. Indigenous people
2. Protected areas
2. Water scarcity

Top related companies: Samarco Mineração

1. Vale SA
 2. BHP Billiton Group (BHP Billiton)
 3. Valepar SA
 4. ArcelorMittal SA (ArcelorMittal Group)
 4. ArcelorMittal Tubarao Comercial SA
-

Case Study: BHP Billiton and Vale SA

BHP Billiton (BHP) and Vale SA, the joint owners of Samarco Mineracao, faced severe criticism in 2015 for engaging in other controversial projects.

BHP's Cerrejon Coal Mine, a joint venture project with Glencore and Anglo American in Colombia, was severely criticized for contaminating indigenous villages and depriving communities of water sources. Experts working with the Wayuu community claimed that since the 1980s, some 5,000 children had died due to soil, air, and water pollution from the mine. BHP was also criticized for extolling the virtues of coal, and Greenpeace ranked BHP as one of the world's biggest emitters of CO2 from coal.

Vale also face widespread criticism throughout 2015. Following the collapse of Samarco's Fundao Tailings Dam, local communities in the Brazilian state of Para raised concerns about Vale's Salobo Copper Mine and warned that a rupture of the tailings dam would cause serious environmental and social impacts.

The municipal authorities of Vitoria, the capital of the Brazilian state of Espirito Santo, also blamed pollution from plants owned by Vale and Arcelor Mittal for an increase of over 640 new cases of cancer in the city. Vale was also linked to the negative environmental and social impact of its palm oil plantations in Para, its Carajas Railway project, Apolo Mine, and Sudbury Nickel Mine in Brazil, as well as its overseas operations in Argentina, Canada, Colombia, Malaysia, Mozambique, and Peru. The company was also accused of subjecting over 300 workers to slave-like conditions at its Pico Mine in Minas Gerais in Brazil, using illegal phone tapping to spy on employees and opponents, violating International Labor Organization (ILO) conventions by failing to consult with indigenous communities, and of breaching basic standards of occupational health and safety.

#4 Takata Corp

Sector: Automobiles and parts; **Headquarters:** Japan; **Peak RRI:** 82

The Japanese company, Takata, was ranked in second place on RepRisk's MCC 2014 report due to the production of defective automobile safety airbags, which led to the recall of millions of vehicles. The repercussions of this scandal continued throughout 2015, causing Takata to rank fourth in the MCC 2015 report.

The defective airbags have been linked to eight deaths worldwide and have involved vehicles manufactured by 11 automobile companies including Ford, General Motors, Honda, and Volkswagen (Please see case studies of General Motors, Honda, and Volkswagen on pages 40, 42 and 29 respectively). In 2015, Takata faced a number of class-action lawsuits in the US and Canada, as well as investigations by the US Department of Justice. The recalls spread to a number of countries and regions including Australia, China, the Middle East, Singapore, and South Korea.

The problem concerns faulty airbags that can allegedly explode and project metal fragments into the faces of passengers. At the end of 2014, the president of Takata resigned over the scandal.

In January 2015, a woman who was left paralyzed after a car crash in Florida, sued Honda and Takata in the US, claiming that the airbag in her Honda Civic had violently exploded. Also in January, Honda and Takata were linked to the death of a 35-year-old man in Houston, after a preliminary report alleged

Top ESG Issues: Takata Corp

1. Anti-competitive practices
 2. Corruption, bribery, extortion and money laundering
 3. Fraud
 3. Impacts on communities
-

that the Takata-manufactured airbag in his Honda Accord might have ruptured.

Takata also faced allegations of price fixing in 2015, and in January, the US Justice Department indicted a Takata executive on charges of conspiring to fix seat belt prices. The company had pleaded guilty to the conspiracy in 2013 and had been fined USD 71.3 million.

The following month, the US National Highway Traffic Safety Administration (NHTSA) warned Takata that it would fine the company USD 14,000 per day if it failed to fully cooperate with investigations into the defective airbags. The company had apparently defied an NHTSA order in December 2014 calling for an expanded nationwide recall of driver's side airbags, and had failed to respond appropriately to the agency's requests for documents and information.

Honda, which had already recalled its 2004 Civic and 2001 Accord models that had been fitted with the faulty airbag, then announced that it was also recalling its 2008 Pilot models. Nissan followed suit and expanded its recall of vehicles fitted with Takata airbags to include its 2004 and 2006 Sentra models following the inadvertent deployment of a side airbag in a Nissan Sentra sedan that had allegedly injured the vehicle's passenger.

On May 19, 2015, the NHTSA issued a recall of 34 million vehicles that had been fitted with faulty Takata-manufactured airbags. This was the largest consumer recall in US history.

In the same month it was alleged that the inflation systems of Takata-manufactured airbags could potentially absorb water, which could cause the devices to fail. This was a new defect that prompted Toyota and Nissan to announce a recall of a further 6.56 million cars worldwide.

Takata also faced negligence lawsuits in Canada amid claims that in 1999 the company's executives had decided to use ammonium nitrate as a cheaper propellant for the airbags, despite knowing it was a "risky compound."

By June, the number of deaths caused by the defective airbags had risen to eight, and it was claimed that a further 130 people had been injured. On June 25, 2015, the CEO of Takata made a public apology for the scandal.

Top ESG Topic Tags: Takata Corp

1. Negligence

In the same month, Toyota, Nissan, and Mitsubishi also expanded their recalls to include an additional 3.2 million cars fitted with the faulty airbags.

Takata then faced problems in Brazil, when the country's antitrust watchdog launched an investigation into Takata Brasil and its Swedish-American rival, Autoliv Inc., on suspicions that they had colluded to fix the price of seat belts, airbags, and steering wheels.

In July, NHTSA announced that it was expanding its probe to include side airbags manufactured by Takata, as this type of airbag had apparently ruptured in a Volkswagen Tiguan model. This was the first time that Volkswagen had been implicated in the Takata airbag recalls.

A few months later, NHTSA began focusing on the effects of moisture and temperature on ammonium nitrate used in the airbag inflators. It was alleged that Takata engineers had been warning about a possible risk for almost two decades, but that the company had ignored their concerns.

Takata Corp

NHTSA fined Takata USD 70 million in November 2015, the largest civil penalty in NHTSA's history, for failing to disclose the defect in its airbags in a timely manner, and accused Takata of manipulating laboratory test results and producing selective, inaccurate, and incomplete test reports. At the time of writing, auto manufacturers are continuing to recall vehicles with Takata-manufactured airbags.

Top related companies: Takata Corp

1. Honda Motor Co Ltd
 2. Toyota Group
 3. General Motors Co
 4. Nissan Motor Co Ltd
 5. Fiat Chrysler Automobiles NV
 5. Ford Motor Corp
-

The company had apparently defied an NHTSA order in December 2014 calling for an expanded nationwide recall of driver's side airbags.

#5 Blue Bell Creameries LP

Sector: Food and Beverage; **Headquarters:** USA; **Peak RRI:** 80

Blue Bell Creameries ranks fifth in our MCC 2015 ranking due to a Listeria outbreak that killed three people in the United States and affected several others.

The Listeria outbreak was confirmed by the US Food and Drug Administration (FDA) on March 14, 2015 and linked to a contaminated machine at Blue Bell Creameries' plant in Brenham, Kansas, the company's largest manufacturing plant. Three people died from the food poisoning, and a further two people were affected. Apparently, the victims had been patients at a Kansas hospital between January 2014 and January 2015 and had all consumed ice cream products. The Texas Department of State Health Services confirmed that the ice cream had been sourced from Blue Bell Creameries' Brenham plant. Blue Bell immediately recalled the contaminated ice cream products and the US FDA warned consumers not to consume several Blue Bell frozen snacks.

The US Center for Disease Control & Prevention (CDC) confirmed that Listeria caused fever, muscle aches, diarrhea, and other gastrointestinal symptoms, and that the bacteria could pose a high health risk for pregnant women, newborn babies, older adults, and people with weakened immune systems.

In April, the CDC warned consumers against ice cream products manufactured by Blue Bell's Broken Arrow plant in Oklahoma, due

Top ESG Issues: Blue Bell Creameries LP

1. Products (Health and environmental issues)
 2. Violation of national legislation
-

to concerns about Listeria contamination. As a result of the warnings, Blue Bell temporarily closed the plant.

H-E-B Grocery Company, one of the largest retailers of Blue Bell's ice cream, decided to remove all Blue Bell products from its stores as a precautionary measure, and the retailers Sam's Club and Kroger soon followed suit.

The CDC then linked Blue Bell Creameries to three other Listeria-related illnesses suffered by individuals in Texas, who had consumed the company's ice cream between 2011 and 2014. Blue Bell responded by expanding the recall of products manufactured at its Brenham and Broken Arrow facilities. The CDC's Division of Foodborne, Waterborne, and Environmental Diseases, estimated that the total number of Listeria-related cases linked to the company could reach 11.

Blue Bell's recall of all of its products in the US was reportedly one of the biggest food recalls

Blue Bell Creameries LP

in the country by a single brand. The company destroyed over 8 million gallons of ice cream. Investigators then stated that the contamination was present in multiple US states and had been occurring for several years.

In April, the CDC confirmed that eight people in the US had contracted Listeriosis after consuming Blue Bell ice cream, prompting Chinese distributors of Blue Bell Creameries to start recalling all Blue Bell products in China.

In May, the Chinese Food and Drug Administration ordered Blue Bell Enterprise Management Dalian, Blue Bell's sales unit in China, to issue two recalls of Blue Bell products across the country.

The scandal then worsened, as the US FDA revealed that Blue Bell Creameries had known of the presence of Listeria at its Broken Arrow facility as early as 2013, but had failed to improve its sanitation procedures. There had apparently also been concerns about hygiene at the company's two other plants in Brenham and Sylacauga.

In May, the company's CEO issued a warning about the company's finances, and revealed plans to lay off over 35 percent of its workforce. However, in July, Texan businessman, Sid Bass, reportedly agreed to invest USD 125 million in Blue Bell Creameries in return for a 33 percent stake in the company.

Top related companies: Blue Bell Creameries LP

1. General Mills Inc.
 1. Sabra Dipping Company LLC
 2. H-E-B Grocery Company LP
 3. Blue Bell Enterprise Management Dalian
 3. Jack in the Box Inc.
 3. Kroger Co
 3. Sam's Club (Sam's West Inc.)
-

The scandal seemed to be over in July as the company announced that it was preparing to resume ice cream production.

Blue Bell's recall of all of its products in the US was reportedly one of the biggest food recalls in the country by a single brand.

Case Study: Peanut Corporation of America

The Blue Bell Creameries scandal revived memories of a Salmonella scandal in late 2008 and early 2009 that spread to 46 US states and Canada, resulting in the deaths of nine people and affecting more than 700.

At the beginning of 2009, the US Food and Drug Administration traced the Salmonella outbreak to peanut butter manufactured by Peanut Corporation of America (PCA). Dozens of companies, including Kellogg's, Hy-Vee, Crown Pacific Fine Foods, King Nut, Broughton Foods, Meadow Gold Dairy, Safeway, and General Mills then recalled more than 3,600 different products over fears that PCA's peanut-based ingredients could have contaminated them.

In mid-February of that year, PCA closed down all of its plants after health inspectors found dead rodents, rodent excrement, and bird feathers on the premises. The company then filed for bankruptcy court protection.

In September 2014, a US Federal jury convicted PCA's former CEO on charges of conspiracy and fraud and sentenced him to 28 years in prison. This was the first time that a US food executive had been convicted on charges linked to a food poisoning outbreak. Other PCA executives were found guilty of fraudulently selling adulterated food. The company had allegedly falsified laboratory test results in order to declare that products were Salmonella-free when they had in fact tested positive for the Salmonella bacterium.

Blue Bell Creameries LP

Case Study: Chipotle Mexican Grill

Chipotle Mexican Grill, which operates over 1,700 restaurants in the United States, also saw repeated falls in its stock value during the second half of 2015, when it was linked to outbreaks of three foodborne illnesses: Escherichia coli (E. coli), Norovirus, and Salmonella. All three bacteria cause nausea, vomiting and diarrhea, but E. coli can also lead to kidney failure and urinary tract infections.

In August, Chipotle temporarily closed one of its restaurants in Simi Valley, California, after 207 customers and 18 employees reported symptoms that were apparently linked to the Norovirus bug. In the same month, 17 Chipotle restaurants in Minnesota were linked to an outbreak of Salmonella that allegedly affected 64 of its customers.

At the beginning of October, three people in Oregon and 19 people in Washington apparently developed E. coli symptoms after dining in Chipotle's restaurants, prompting the company to close 43 of its outlets. By December, Chipotle had been linked to 45 E. coli cases in five US states and 16 people had been hospitalized.

Also in December, 120 students at Boston College in Massachusetts were reportedly sickened by the Norovirus bug after eating at a Chipotle Grill near the campus.

At the beginning of January 2016, Chipotle was subpoenaed by the US Attorney in the Central District of California as part of a criminal inquiry into the outbreak of Novovirus in Simi Valley, California. The news prompted a further fall in Chipotle's shares, which closed at USD 426.67 on January 6, from a high of USD 700 in the summer of 2015 – a drop of about 40 percent.

At the time of writing, Chipotle was planning on closing all of its outlets on February 8, 2016 to hold a food safety meeting with employees, and was also gearing up for a major marketing campaign to win back its customers.

#6 HSBC Private Bank (Suisse)

Sector: Banks; **Location:** Switzerland; **Peak RRI:** 83

“Swiss Leaks” scandal

Throughout 2015, HSBC Private Bank (Suisse), a subsidiary of the British multinational bank, HSBC Holdings PLC, continued to face fallout from its “Swiss Leaks” scandal, an investigation into a tax evasion scheme allegedly operated by the bank. The allegations first surfaced in 2007, when Herve Falciani, a whistleblower from HSBC’s Swiss office, leaked the bank account details of more than 100,000 clients of HSBC Private Bank (Suisse) to the French authorities. The accounts reportedly revealed that HSBC Private Bank (Suisse) had helped international clients hide hundred of millions of dollars from the tax authorities.

HSBC clients in numerous countries, including Argentina, Australia, Belgium, Brazil, Canada, France, India, the Ivory Coast, Nigeria, Senegal, Sierra Leone, Sweden, and Venezuela, were linked to the tax evasion schemes. The French government shared the leaked documents with other tax authorities in other countries. In April, French magistrates ordered HSBC to set aside EUR 1 billion (USD 1.1 billion) to cover a potential fine for helping French citizens avoid tax.

The International Consortium of Investigative Journalists (ICIJ) analyzed the documents in collaboration with more than 140 journalists from 46 countries, and concluded that HSBC Private Bank (Suisse) had profited from doing

Top ESG Issues: HSBC Private Bank (Suisse)

1. Corruption, bribery, extortion and money laundering
 2. Tax evasion
 3. Fraud
 4. Anti-competitive practices
 5. Human rights abuses and corporate complicity
-

business with clients linked to questionable, if not illegal practices. It was claimed that the bank’s clients included blood diamond traffickers, arms dealers, dictators, and individuals charged with fraud or war crimes.

Throughout the first half of 2015, the ICIJ systematically revealed the names of HSBC Private Bank (Suisse) clients, which included international politicians, celebrities, members of royal families, as well as many controversial clients such as Gennady Timchenko, a Russian billionaire facing US sanctions, Rami Makhlouf, a cousin of Syrian President Bashar al-Assad, and Li Xiaolin, the daughter of former Chinese Premier Li Peng, responsible for repression in Tiananmen Square. The ICIJ alleged that HSBC Private Bank (Suisse) had knowingly encouraged fiscal fraud and had

HSBC Private Bank (Suisse)

thereby facilitated the looting of the world's poorest countries, and enabled tax evasion in countries with highly developed economies. HSBC Private Bank (Suisse) promised to expel clients that did not fit the bank's strict new standards and at the end of February claimed that since 2007 it had lost 70 percent of its client base as a result.

At the end of February, Swiss public prosecutors raided the offices of HSBC Private Bank (Suisse) in Geneva as part of an investigation into "aggravated money laundering." In June, HSBC reportedly agreed to pay USD 43 million to settle the money laundering investigation by Swiss authorities.

Fraud, antitrust, and executive compensation

In the UK, HSBC was also linked to the mis-selling of insurance to cover credit card fraud and faced severe criticism for paying its CEO, Stuart Gulliver, a 2014 remuneration package worth GBP 7.6 million (USD 10.8 million). Mr. Gulliver's pre-2009 salary had been reported paid into a Swiss bank account through a Panamanian company known as Worcester Equities, in a complicated arrangement that he claimed was to prevent colleagues from knowing how much he earned.

HSBC was one of the banks cited by the US Department of Justice's Antitrust Division and the US Commodity Futures Trading Commis-

Top ESG Hot Topics: HSBC Private Bank (Suisse)

1. Privacy violations
 2. Impacts on communities
-

sion in their investigations into the potential rigging of precious metals markets, and among a group of banks that faced a USD 1 billion lawsuit in Canada over allegations of conspiring to rig foreign exchange markets.

In April, HSBC, Citigroup, and other banks were also linked to the FIFA corruption scandal when US authorities charged FIFA officials with participating in an elaborate corruption scheme and using the banks to facilitate payments and wire transfers.

In the same month, a group of banks including HSBC agreed to pay USD 1.87 billion to settle allegations that they had conspired to inflate prices in the USD 16 trillion credit default swaps (CDS) market.

HSBC Securities (USA) Inc. was also among a group of banks that faced a series of class-action antitrust lawsuits in the US for allegedly manipulating the auctions of US Treasury securities.

Global pollution, impact on ecosystems, controversial products

HSBC also faced criticism from environmental organizations that claimed that the bank was funding palm oil projects that have been linked to land grabbing, the destruction of habitats for endangered species, and greenhouse gas emissions.

In June, the Heinrich Boell Foundation and Friends of the Earth Germany ranked HSBC in ninth position on their list of the world's 20 largest investors in coal projects between January 2005 and April 2014. The NGOs warned that an increase in the use of coal would have catastrophic consequences on the climate.

In October, BankTrack urged the board of the Green Climate Fund, an initiative within the United Nations Framework Convention on Climate Change to reduce greenhouse gas emissions in developing countries, to reject HSBC's application for accreditation – claiming that the bank had failed to adequately implement the UN Guiding Principles on Business and Human Rights.

It was revealed that HSBC Private Bank (Suisse) had helped international clients hide hundreds of millions of dollars from the tax authorities.

#7 Sony Corp

Sector: Personal and Household Goods; **Headquarters:** Japan; **Peak RRI:** 74

Throughout 2015, Sony Corp faced the repercussions of a massive data breach it suffered in November 2014, and is therefore ranked in seventh position on the MCC 2015 report. On November 24, 2014, hackers calling themselves the Guardians of Peace targeted the computer systems of Sony Pictures Entertainment and stole almost 100 terabytes of data – everything stored on almost half of Sony’s global network – before erasing it completely. The hackers then systematically released confidential files onto public sites, including unfinished film scripts, internal emails, staff medical records, social security numbers, passport information, and the salary details of the company’s staff members. The attack was described as the one of the worst cyber-attacks in US history.

US officials suspected that the attack had been sponsored by North Korea in retaliation for Sony’s film, “The Interview,” a comedy about a plot to assassinate North Korea’s leader, Kim Jon-un. North Korea had apparently already expressed outrage over the film, and hackers had warned that they would attack cinemas, prompting Sony to initially cancel the film’s release. However, the company decided to share the film through digital downloads and at a few hundred select theatres, after President Obama criticized the company’s decision.

Sony was harshly criticized for failing to put basic IT safeguards in place. Although the

Top ESG Issues: Sony Corp

1. Human rights abuses and corporate complicity
 2. Anti-competitive practices
 3. Poor employment conditions
 4. Corruption, bribery, extortion and money laundering
 5. Discrimination in employment
 5. Freedom of association and collective bargaining
 5. Occupational health and safety issues
-

company insisted that they had “very, very strong” security systems in place, IT experts claimed that Sony had a lax approach to security issues. Apparently, the company stored sensitive information on unprotected documents and used emails as a long-term storage system. An IT audit by PricewaterhouseCoopers in September 2014 allegedly revealed 193 security “incidents.”

It was claimed that staff working on “The Interview” had already received warnings about a possible cyber-attack and had been advised to change their banking and email passwords.

Sony had already faced a serious data breach in April 2014, when hackers broke into Sony's PlayStation Network and released the personal data of over 77 million customers, including the credit card details of 10 million of them.

The emails leaked by the hackers in 2015 were quite embarrassing for the company. The private information of film industry celebrities was released online, and it was revealed that Sony had different pay structures for male and female actors, as well as for male and female staff members. Sony employees were also angry to discover that the company had apparently spied on their emails.

Details also emerged of a US Securities and Exchange Commission investigation into the company's release of a film entitled "Resident Evil: Afterlife" in China, following suspicions that the company's marketing agency in China had used "special influence" to secure the release, and had created fake invoices around the time the film was being considered by China's censorship board.

In July, Sony Pictures Entertainment paid approximately USD 8 million to settle a class-action lawsuit brought by current and former employees, whose personal information had been disclosed by the hackers. The settlement included USD 2.5 million to reimburse employees who had suffered losses as a result of the attack, a USD 2 million fund to

Top ESG Topic Tags: Sony Corp

1. Privacy violations
 2. Negligence
-

cover the cost of protective measures taken by employees, and roughly USD 3.5 million for attorneys' fees and miscellaneous expenses.

Poor working conditions

Sony was also criticized in 2015 for its alleged poor working conditions. In January, the company together with other film production studios, faced a class-action lawsuit by digital animation workers, who accused them of price fixing to ensure that skilled workers did not seek other job opportunities.

In April, the company was linked to poor working conditions in China when investigations revealed that tech workers lived in sub-standard housing and had to work very long hours for little pay.

Money laundering and antitrust

The company also became embroiled in the FIFA scandal, as activists called on Sony and other multinationals to withdraw their sponsorship of FIFA events following the arrest of

Sony Corp

FIFA officials on charges of money laundering, and allegations that over 1,400 migrant workers in Qatar had died on construction sites for the 2022 FIFA world cup (Please see FIFA case study on page 32)

In October, the European Commission (EC) filed charges against Sony and five other Hollywood studios for violating antitrust laws by signing illegal “territorial restriction” agreements with Sky UK to prevent EU consumers from accessing pay-TV services and new movies in the UK and Ireland.

Also in October, the EC accused Sony, Sony Optiarc, and a group of other companies of forming a European cartel for optical disk drives, and fined them a total of EUR 116 million.

Most related companies: Sony Corp

1. Sony Pictures Entertainment (SPE)
 2. Anthem Inc.
 2. Target Corp
 3. Apple Inc.
 3. The Home Depot Inc.
 3. Panasonic Corp
 3. Samsung Group
 3. Toshiba Corp
 3. The Walt Disney Co
-

The incident was described as the one of the worst cyber-attacks in US history.

#8 Volkswagen AG

Sector: Automobiles and parts; **Headquarters:** Germany; **Peak RRI:** 72

For Volkswagen AG (VW), 2015 was a tumultuous year. The company was forced to recall hundreds of thousands of vehicles in the first half of the year due to various technical defects, and then in September, became embroiled in a worldwide “emissions cheating device” scandal that finally forced the resignation of the company’s CEO, and caused the company to lose 30 percent of its stock price value.

Vehicle recalls

At the end of January, the VW Group announced a global recall of more than 93,000 Volkswagen, Audi, and Porsche vehicles over fuel leak problems. Two months later, the Group recalled another 1,000 imported Sharan vehicles in China due to safety concerns about headrests, and a further 15,000 vehicles in Japan because of stalling problems.

In June, VW was linked to the Takata airbag scandal, when a side airbag ruptured in a VW sports utility vehicle. (Please see Takata case study on page 16)

In September, the Chinese authorities warned of defects in the rear axles of VW’s Sagitar and Beetle cars sold in China since 2012. One month later, the Group decided to recall almost 6,000 imported Bentley Flying Spur and Continental GT cars from the Chinese market over fears that the battery nuts could overheat.

Top ESG Issues: Volkswagen AG

1. Fraud
 2. Local pollution
 3. Impacts on communities
 4. Global pollution (Incl. Climate change and GHG emissions)
 5. Corruption, bribery, extortion and money laundering
-

In Brazil, the VW Group announced in November that it would recall 2,400 Jetta Highline 2.0 TSI and Beetle models due to potential risks from camshaft failures, and then recalled a further 170,000 units of the VW Golf to address safety risks linked to taillights.

Corruption, fraud, and antitrust

The company faced a corruption scandal in China in April 2015, when the former acting deputy general manager of FAW-Volkswagen Sales, a VW subsidiary, was sentenced to life imprisonment for accepting bribes.

In August, India’s Competition Commission fined VW and 14 other car companies a total of KRW 506 billion (USD 425 million) for hindering fair competition between spare part dealers. In 2013, RepRisk had already identified

Volkswagen AG

reports of inconsistencies between CO2 emission statistics released by VW and other car-makers and the actual CO2 levels emitted by the companies. However, VW was only affected by the allegations on September 18, 2015, when the US Environmental Protection Agency accused VW of using “defeat device” software that made their diesel-powered vehicles appear to have lower emission levels than they actually did. US regulators accused the company of violating the Clean Air Act and ordered VW to recall 482,000 VW and Audi vehicles.

The scandal then spread to other VW brands including Skoda, SEAT, and Audi, and the governments in Australia, Brazil, Canada, China, Finland, France, Germany, India, Italy, Lithuania, Mexico, South Korea, Sweden, and Taiwan announced plans to investigate the emission levels of vehicles manufactured by the VW Group.

On September 23, VW’s CEO Martin Winterkorn resigned and was replaced two days later by Matthias Mueller, who promised a “relentless” investigation to uncover what went wrong. There were calls for Mr. Winterkorn to waive part of his compensation, as he had allegedly netted EUR 68 million (USD 73.8 million) in bonuses between 2009 and 2014. At the end of September, German prosecutors opened a criminal investigation into Mr. Winterkorn, following accusations of fraud. US regulators then began investigating

Top ESG Topic Tags: Volkswagen AG

1. Negligence
 2. Migrant labor
 2. Privacy violations
-

a second computer program known as an “auxiliary emissions control device” in VW’s diesel cars, but it was not clear whether this software had also been intended to manipulate emissions control tests. German prosecutors also seized documents from VW’s Wolfsburg headquarters in Germany, and Italian prosecutors raided Automobili Lamborghini, and the head office of VW Group Italia. In mid-October, Standard & Poor downgraded VW’s credit rating, citing “material deficiencies” in the company’s internal controls.

At the beginning of November, the company admitted that the emissions scandal could include gas engines, but it was later confirmed that this defect affected only about 36,000 vehicles manufactured a year. The company also admitted that the fuel consumption of a further 800,000 vehicles in Europe could be affected by “irregularities” related to carbon dioxide emissions.

Lawyers then began preparing lawsuits on

behalf of VW shareholders, who claimed they had lost money as the company's stock value had fallen by EUR 28 billion (USD 30.4 billion) when the full extent of the scandal became known. The Germany authorities also began checking whether VW had delayed to provide price-sensitive information about the manipulation of emissions to its shareholders, which would be a serious offense. The US authorities reportedly informed the company of pending investigations in mid-2014, but the company only officially admitted to the manipulation on September 3, 2015.

On January 4, 2016, the US Department of Justice sued VW on behalf of the Environmental Protection Agency for USD 45 billion for emissions cheating.

Most related companies: Volkswagen AG

1. Audi AG
 2. Skoda Auto AS
 3. Bayerische Motoren Werke AG (BMW Group)
 4. SEAT SA
-

At the time of writing it was still unsure whether the Department of Justice would pursue a criminal case against the company for misleading consumers and environmental regulators.

Case Study: Audi AG, Seat SA, Skoda Auto AS

VW's subsidiaries were also affected by the emissions cheating scandal after the company admitted that it had installed "defeat device" software in more than 11 million vehicles powered with its EA189 diesel engines, including VW, Porsche, Audi, Skoda, SEAT and Lamborghini cars. Volkswagen estimated that around 2.1 million Audi vehicles were affected and 1.8 million Skoda cars. The Audi A1 and A3, as well as SEAT and Skoda models were then linked to the separate issue of understated CO2 emissions. In December, a member of Audi's executive management board resigned in connection with the scandals. As a result of the scandal, the RepRisk Index (RRI) of Audi, SEAT, and Skoda rose to unprecedented levels at the end of 2015.

#9 Fédération Internationale de Football Association (FIFA)

Sector: Travel and Leisure; **Headquarters:** Switzerland; **Peak RRI:** 70

The Fédération Internationale de Football Association (FIFA) appears in our annual MCC report for the third year running. In 2015, FIFA faced a tumultuous year of arrests, resignations, and suspensions of senior FIFA officials linked to a corruption scandal that has engulfed the Association. In May 2015, Sepp Blatter was re-elected as president for a fifth term, but was forced to resign one month later as a result of the corruption investigations.

FIFA corruption scandal

The beginning of the FIFA scandal can be traced back to 2010, when the Association awarded the 2022 World Cup to Qatar. Football leagues around the world expressed concern that the intense heat in June and July could be dangerous for football players. The bidding process for the event was also surrounded by corruption speculation that triggered an internal FIFA investigation.

At the beginning of 2015, FIFA proposed that the Qatar event should be held in November and December 2022, a suggestion that was opposed by domestic leagues and sports broadcasters, who feared that the new timetable would conflict with their schedules.

Numerous allegations of human rights abuse surfaced as Qatar began constructing the facilities for the event, and in 2015 the International Trade Union Confederation reported approximately 1,000 deaths at Qatar's World

Top ESG Issues: FIFA

1. Corruption, bribery, extortion and money laundering
 2. Fraud
 3. Poor employment conditions
 4. Human rights abuses and corporate complicity
 5. Forced labor
-

Cup construction sites, and claimed that a further 3,000 workers could die before 2022.

However, FIFA's real problems concerned two separate but coordinated criminal investigations conducted by the Swiss and US authorities into alleged corruption involving FIFA.

On May 27, following a request by the US authorities, the Swiss Federal Office of Justice arrested seven high-ranking FIFA officials at a hotel in Zurich. US prosecutors alleged that more than USD 150 million in bribes and kickbacks had been paid over a period of years in exchange for commercial rights to football tournaments, and indicted nine FIFA officials and five sports executives on charges ranging for racketeering to money-laundering and wire fraud.

The US authorities also indicted former FIFA vice president Jack Warner on charges of accepting USD 10 million to vote for South Africa’s 2010 World Cup.

The Swiss authorities then raided FIFA headquarters, and seized documents as part of their investigation into criminal mismanagement in connection with the 2018 and 2022 World Cups.

The investigations then spread to international banks and corporations, over suspicions that they had played a key role in covering up the payment of kickbacks between various parties. The scandal was also linked to football associations around the world, including the Confederation of North, Central American and Caribbean Association Football (CONCACAF), the South American Football Confederation (CONMEBOL), the Union of European Football Associations (UEFA), and the national federations of countries such as Argentina, Brazil, the Cayman Islands, Chile, Costa Rica, Ecuador, Ghana, Ireland, Laos, Nepal, Nicaragua, Peru, South Africa, and Venezuela.

On June 2, Sepp Blatter announced his resignation.

By August, Switzerland’s Office of the Attorney General had linked the 2018 and 2022 World Cup tournaments in Russia and Qatar, respectively, to 103 reports of “suspicious

Top ESG Topic Tags: FIFA

1. Migrant labor
 2. Land grabbing
 2. Protected areas
-

financial activity.” In September, FIFA faced a federal class-action lawsuit in the US, which accused the Association of fraudulently overcharging for 2014 World Cup tickets.

In November, the FIFA ethics committee requested a lifetime ban for Michel Platini, the president of UEFA and a candidate to succeed Sepp Blatter as president of FIFA. Mr. Platini was accused of receiving an unexplained USD 2 million payment from FIFA in 2011 and Switzerland’s Attorney General opened criminal proceedings into Mr. Blatter for approving the payment.

One month later, FIFA’s ethics committee suspended Sepp Blatter and Michael Platini for eight years after they were both found guilty of breaching FIFA’s ethics code.

In December, the US authorities charged an additional 16 former and current high-ranking officials of FIFA, CONMEBOL, CONCACAF, and other football associations for offenses

related to the corruption scheme, bringing the number of individuals and entities charged over the scandal to 41.

The Swiss authorities then arrested FIFA vice-president, Juan Angel Napout, following suspicions that he had accepted USD millions in bribes.

A few weeks later, a former secretary-general of FIFA, Jerome Valcke, was banned from all football-related activities for nine years after apparently selling World Cup tickets from his own personal allocation on the black market.

FIFA announced it would hold an election for a new president on February 26, 2016.

Impact on communities, poor working conditions

Throughout 2015, FIFA also faced criticism from activist groups. Amnesty International criticized the 2014 FIFA World Cup and the 2013 FIFA Confederations Cup in Brazil for forcibly displacing tens of thousands of families, often without compensation payments. It was also alleged that the events had contributed to an increase in poverty and prostitution.

Migrant and Russian laborers working on the construction of the 2018 World Cup Zenit Arena in St. Petersburg also complained of unpaid wages, and it was reported that at least five men had died in accidents at the

Most related companies: FIFA

1. Confederation of North, Central America and Caribbean Association of Football (CONCACAF)
 2. Confederation Sudamericana de Futbol (CONMEBOL)
 3. Torneos y Competencias SA
 4. Citigroup Inc. (Citi; Citigroup)
 4. HSBC Private Bank (HSBC)
-

stadium site since 2011. The stadium was also linked to allegations of corruption.

#10 1Malaysia Development Berhad

Sector: Financial Services; **Headquarters:** Malaysia; **Peak RRI:** 69

1Malaysia Development Berhad (1MDB), a development agency wholly owned by the Government of Malaysia, enters the MMC rankings for the first time in 2015, due to allegations of corruption and missing funds. The corruption scandals were linked to Malaysia's Prime Minister, Najib Abdul Razak, who is chairman of the board of advisers of 1MDB, and there were calls for his resignation.

Mr. Razak founded 1MDB in 2009 as a vehicle for development. However, the fund invested in power plants overseas as well as in various unsuccessful joint ventures. It was revealed in 2015 that 1MDB had debts amounting to USD 11 billion, and the company's bonds declined to junk status.

In March 2015, Transparency International Malaysia urged the Malaysian government to launch an investigation into 1MDB, following suspicions that it was involved in widespread corporate crime, embezzlement, and mismanagement of funds. The UK-based activist site, Sarawak Report, claimed that roughly USD 700 million had been siphoned off from a suspicious 2009 deal involving 1MDB and a little-known company, PetroSaudi, and supposedly transferred to a firm controlled by a financier known as Jho Taek Low, who had links to Mr. Razak's family.

In July, the Malaysian media group, The Edge, accused PetroSaudi (PSI) of conspiring with Mr. Low to defraud USD 1.83 billion

Top ESG issues:

1Malaysia Development Berhad

1. Corruption, bribery, extortion and money laundering
 2. Fraud
 3. Impacts on ecosystems and landscapes
 3. Local participation issues
-

from 1MDB. The group claimed that 1MDB had invested USD 1.83 billion in 1MDB Petro Saudi, a joint venture with PSI, and that PSI had pledged USD 1.5 worth of oilfield assets in Turkmenistan, which it never owned, as its contribution. 1MDB Petro Saudi then reportedly diverted approximately USD 700 million to a company controlled by Mr. Low. The joint venture was called off in 2011, but 1MDB apparently never recuperated its USD 1.83 billion investment. 1MDB allegedly tried to cover this hole by paying USD 2.23 billion to a company known as Aabar Investments on condition that Aabar would deposit the money into 1MDB's account in the Cayman Islands.

Later in July, the Malaysian authorities found that in 2013, approximately USD 700 million had been deposited into an account owned by Mr. Razak at the Swiss-owned Falcon Private

1Malaysia Development Berhad

Bank in the British Virgin Islands. The allegations prompted the Swiss attorney general to launch an investigation into 1MDB.

Investigators then linked the Abu Dhabi-based International Petroleum Investment Company to the scandal and a former director of the company was dismissed.

In September, the police in Hong Kong launched their own investigation into the corruption allegations against 1MDB. The probe centered on deposits worth more than USD 250 million in a Hong Kong bank, allegedly made by companies linked to Mr. Razak.

At the end of September, the US Federal Bureau of Investigation also opened a probe into 1MDB following suspicions that part of the missing money had been routed through American banks.

By October, the scandal had also spread to Australia, and the Australian authorities began liquidating a company known as Avestra Asset Management after it was revealed that the firm had played a key role in managing USD 2.32 billion for 1MDB. By the end of December, the Swiss authorities had begun probing Swiss private banks following allegations that they had helped 1MDB to launder funds in Malaysia and Singapore.

Top ESG Topic Tags: 1Malaysia Development Berhad

1. Negligence
-

Most related companies: 1Malaysia Development Berhad

1. PetroSaudi International Ltd
 2. Falcon Private Bank Ltd (formerly AIG Private Bank AG)
 2. International Petroleum Investment Company (IPIC)
 3. 1MDB PetroSaudi Ltd
 3. Aabar Investments PJSC
 3. Avestra Asset Management
 3. Bridge Global Absolute Return SPC Fund
-

#10 Odebrecht SA

Sector: Construction and Materials; **Headquarters:** Brazil; **Peak RRI:** 69

Odebrecht SA shares tenth position on the MCC 2015 ranking as the company was engulfed throughout the year in corruption allegations that linked the company to the Lava Jato scandal. The scandal, one of the biggest corruption schemes in Brazil's history, involved a "club" that inflated charges for Petrobras contracts and then funneled kickbacks to politicians and Petrobras executives. There are suspicions that Brazil's former president, Luiz Lula da Silva benefited from the scheme, and an impeachment process against Brazil's current president, Dilma Rousseff, was initiated on December 2, 2015.

Prosecutors had already linked Odebrecht to the Lava Jato scandal in 2014, but in March 2015, it was alleged that USD 5.6 million that the Group had illegally earned from contracts with Petrobras, had been deposited in a Swiss bank account owned by the company.

In the same month, public prosecutors in Portugal linked Odebrecht to a corruption scandal involving Jose Socrates, the country's former prime minister.

The Lava Jato investigations then linked Odebrecht to corrupt activities related to the Belo Monte Dam project, the Salvador Metro project in Brazil, and the Port of Mariel in Cuba.

The influence peddling and corruption allegations against Odebrecht then spread to countries including Angola, Cuba, the Dominican

Top ESG Issues: Odebrecht SA

1. Corruption, bribery, extortion and money laundering
 2. Anti-competitive practices
 3. Impacts on communities
 4. Impacts on ecosystems and landscapes
 5. Local participation issues
-

Republic, and Ghana, and in June, Marcelo Odebrecht, the Group's President, was arrested and later charged with corruption, criminal conspiracy, and laundering more than BRL 1 billion (USD 250 million) between 2006 and 2014.

The Brazilian authorities then began investigating allegations that the Odebrecht Group had inflated the costs of various projects in Brazil, including the Angra 3 Nuclear Reactor contract, the construction of the Itaguai Submarine Construction Shipyard, the Pernambuco Arena, and the renovation of the Getulio Vargas Refinery.

International banks including HSBC Holdings, Royal Bank of Canada, and Citigroup became implicated in the money laundering investigations in September, when a Brazil-

Odebrecht SA

ian judge claimed that Odebrecht had laundered money through their branches in Switzerland. Odebrecht appealed a decision by the Swiss Attorney General to provide the Brazilian authorities with copies of the company's bank statements.

In October, Brazil's Federal Public Ministry filed new charges against Odebrecht for allegedly paying BRL 137 million (USD 34 million) in bribes to Petrobras between 2004 and 2011 for contracts in Brazil including the Petrochemical Complex of Rio de Janeiro, the Abreu e Lima Refinery, the Cabinas Gas Processing Processing Plant, and the P-59 and P-60 Platforms.

By the beginning of December, seven countries, including the US, Italy, and Switzerland, were cooperating with the Brazilian authorities in the corruption probes, and Odebrecht was linked to corruption concerning the Interoceanic Highway in Peru, the Panama Metro, and the Maravilha Port in Rio de Janeiro.

Impact on communities, global pollution, poor working conditions

Throughout 2015, indigenous communities and activist groups such as the Movement of People Affected by Dams and Movimiento Rios Vivos, criticized Odebrecht for being involved in projects that were causing serious social and environmental impacts. Odebrecht's

Top ESG Topic Tags: Odebrecht SA

1. Hydropower (dams)
 2. Indigenous people
 3. Land grabbing
 4. Migrant labor
 4. Negligence
-

Santo Antonio hydroelectric project in Brazil was particularly criticized for threatening the water supplies of local communities.

NGOs also warned that a series of megadams on the Marañon River in Peru, including Odebrecht's Rio Grande and Chadin projects, would displace thousands of indigenous people.

The Brazilian environmental agency then accused the Companhia Hidreletrica Teles Pires, a consortium formed by Odebrecht, Neoenergia, Electrobras, and Eletrosul, of violating its Deforestation Plan by failing to remove trees and vegetation before it filled the reservoir of the Teles Pires Dam in the Brazilian state of Mato Grosso at the end of 2014. The agency claimed that the decomposing vegetation in the reservoir was releasing high amounts of methane and warned the consortium that it could face heavy fines.

The company was also criticized for subjecting workers to poor and dangerous working conditions. In August, the Brazilian authorities rescued 11 construction workers from slave-like conditions at the site of the Athletes' Village being developed by the Iha Pura Consortium, composed of Odebrecht and Carvalho Hosken.

Brazil's Supreme Labor Court also ordered Odebrecht's subsidiary, Construtora Norberto Odebrecht, to pay compensation to a Brazilian worker who had allegedly suffered extremely poor working conditions while working at the company's Bioenergia project in Angola in 2012, and in September, an employee of the company was charged with involuntary manslaughter for an accident that had killed two construction workers at the Corinthians Arena in Brazil in November 2013.

Most related companies: Odebrecht SA

1. Petroleo Brasileiro SA (Petrobras)
 2. Andrade Gutierrez SA
 3. Camargo Correa Group
 4. Grupo Queiroz Galvao SA
 5. Construtora Norberto Odebrecht SA
-

The scandal involved a “club” that inflated charges for Petrobras contracts and then funneled kickbacks to politicians and Petrobras executives.

#10 General Motors

Sector: Automobiles and parts; **Headquarters:** USA; **Peak RRI:** 69

General Motors (GM) and Honda also share tenth position on the MCC 2015 report as both companies were deeply impacted by the Takata airbag scandal (Please see Takata case study on page 16). During 2015, GM recalled more than 240,000 vehicles due to exploding Takata airbag inflators.

The company was forced to issue a number of other recalls in 2015, however, due to safety concerns. Over 81,000 cars were recalled in Canada, Mexico, and the US, due to faults with power steering systems. The company had allegedly known about the problem for years and had recalled 1.3 million cars in the US in March 2014.

GM also faced serious problems with faulty ignition switches, which disabled safety features such as airbags. In 2014, the company recalled 2.6 million cars due to the defect and paid a record USD 35 million civil fine for failing to notify auto safety regulators in a timely manner. In March 2015, the defect was linked to 57 deaths and the company was accused of covering up the issue, which it had apparently known about as early as 2004.

However, by April 2015, the death toll from the ignition switch fault had reached 84, and in May, the company set aside a USD 600 million compensation fund to settle claims related to the issue. Records published by the fund in May showed that more than 4,300 claims had been filed, and that compensation

Top ESG Issues: General Motors

1. Fraud
 2. Poor employment conditions
 3. Human rights abuses and corporate complicity
 4. Forced labor
 5. Corruption, bribery, extortion and money laundering
-

payments had been approved following 100 deaths and 184 injuries.

In September, GM agreed to a USD 900 million settlement with the US Department of Justice to resolve allegations that it had deceived customers and failed to inform authorities about the safety problems.

By the end of 2015, it was claimed that the defective ignition switches had caused 124 deaths and around 275 injuries, and the compensation fund had accepted close to 400 claims.

Around 64,000 vehicles were also recalled in March due to risks of carbon monoxide poisoning in cars equipped with keyless ignitions. In addition, the company recalled

522,000 vehicles due to potential safety belt and seat frame issues, nearly 780,000 crossover sports utility vehicles due to safety problems with rear tailgates, around 1.4 million vehicles due to fires caused by dripping oil on hot engine components, and over 180,000 cars in the US and Canada because of defective headlights.

GM's recall problems were not only limited to North America but also affected the company's global operations. In May, Shanghai General Motors in China announced that a recall of 6,425 vehicles would begin in September due to a defect in the ignition lock cylinder, which could allegedly cause the motor to start automatically.

In October, General Motors Daewoo Auto and Technology CIS LLC recalled 70,200 vehicles in Russia due to issues with the hydraulic-assisted steering system, over fears it could develop cracks in extremely cold temperatures.

In South Korea, GM Korea's Gunsan plant was accused of firing all of its contractors in order to replace them with lower cost workers, and in September, the South Korean authorities accused GM Korea of inflating the mileage claims of its Chevrolet Cruze.

In China, executives of FAW-GM, a joint venture between General Motors and the FAW Group, were accused of accepting bribes,

Top ESG Topic Tag: General Motors

1. Negligence
2. Predatory lending
5. Privacy violations

Most related companies: General Motors

1. Honda Motor Co Ltd
1. Takata Corp
2. Ford Motor Co
3. Bayerische Motoren Werke AG (BMW Group)
4. Fiat Chrysler Automobiles NV
4. Toyota Group

and in Uzbekistan, GM was among a group of companies accused of sending employees to pick cotton during the harvest season, apparently a prerequisite for foreign firms operating in the country.

#10 Honda Motor Co Ltd

Sector: Automobiles and parts; **Headquarters:** Japan; **Peak RRI:** 69

Honda was deeply affected by the Takata airbag scandal and throughout 2015 had to repeatedly issue recalls (Please see Takata case study on page 16). In December, Honda dropped Takata as its supplier after claiming that Takata had provided it with inaccurate test data. In July, the company recalled 4.5 million vehicles, including 1.63 million in Japan, fitted with potentially faulty airbags made by Takata. This brought Honda's total number of recalls for the defect to around 24.5 million vehicles.

Antitrust, poor working conditions, social discrimination

However, the company also faced various other problems throughout the year, and was fined USD 35 million in January for failing to inform the US National Highway Traffic Safety Administration about 1,729 injury and death claims between 2003 and 2014 that were associated with safety defects in its cars.

In March, it was alleged that Honda and other Japanese car manufacturers must have had some knowledge of a massive price-fixing scheme by Japanese auto parts producers in the US that affected the prices of more than 25 million cars. Following an investigation by the Antitrust Division of the US Department of Justice, 33 companies pleaded guilty and agreed to pay a combined sum of USD 2.4 billion in fines.

In July, Honda's Jalisco plant in Mexico was

Top ESG Issues: Honda Motor Co Ltd

1. Social discrimination
 2. Fraud
 3. Poor employment conditions
 4. Anti-competitive practices
 5. Freedom of association and collective bargaining
-

criticized for dismissing all workers that formed an independent union. Apparently, workers had been battling since 2010 to improve their labor conditions, and the company had responded by threatening unionized workers, banning the union, and creating its own collective agreement.

In the same month, American Honda Finance paid USD 24 million to the US Consumer Financial Protection Bureau and the US Department of Justice over allegations that it had illegally charged higher interest rates on car loans to borrowers with African-American, Asian, Hispanic, and Pacific Island origins.

Honda was also investigated by Spain's National Authority for Markets and Competition over suspicions that the company

Honda Motor Co Ltd

had participated in a cartel to fix prices and exchange sensitive data.

Top ESG Topic Tag: Honda Motor Co Ltd

1. Migrant labor
-

Top related companies: Honda Motor Co Ltd

1. Takata Corp
 2. Toyota Group
 3. Fiat Chrysler Automobiles NV
 4. Nissan Motor Co Ltd
 5. Ford Motors Co
-

This brought Honda's total number of recalls for the defect to around 24.5 million vehicles.

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The RepRisk Index (RRI)

All data is collected and processed through a strictly rule-based methodology. This helps to ensure the balanced and objective rating and weighting of the risk incident, and thus the company's quantitative measure of risk exposure, the RepRisk Index (RRI). The RRI measures the risk to a company's reputation, not its actual reputation. The RRI ranges from zero (lowest) to 100 (highest). The higher the value, the higher the risk exposure. The Peak RRI denotes the value of the Peak RepRisk Index (RRI), which denotes the highest level of reputational risk exposure related to ESG issues over the last two years.



Contact information

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