Most

Controversial

Projects

RepRisk Special Report

Most Controversial Projects (MCP) 2016

March 2017

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 control. The RepRisk ESG Risk Platform currently includes risk profiles for over 84,000 listed and non-listed companies, 21,000 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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CEO Foreword

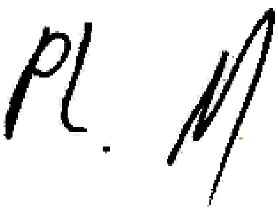
I am pleased to announce the release of our Special Report on the Most Controversial Projects of 2016, which highlights the ten projects – such as mines, hydroelectric power plants, oil and gas facilities, and factories – that were most exposed to environmental, social, and governance (ESG) risks in 2016.

Six of the projects included in the report were affected by deadly accidents, which posed reputational, compliance, and financial risks for the companies concerned. A further two projects, located in the Americas, are strongly opposed by indigenous communities, who are concerned about the impact of the project on their daily lives.

The report has been compiled using RepRisk's dynamic ESG risk analytics and metrics, and is based on information that is screened, analyzed, and quantified on a daily basis from a wide range of publicly available media, stakeholder, and other third-party sources.

Currently, RepRisk's ESG Risk Platform covers over 21,000 projects that are linked to ESG related risk incidents. This number increases daily as new information is captured and analyzed.

The MCP 2016 Report shows that it is not only project owners that can be exposed to ESG risk, but also investors. The aim of the report is to raise awareness of possible risk incidents and to encourage corporations to systematically consider such issues in their risk management strategies and processes.



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RepRisk

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Table of Contents

Overview and ranking

MCP 2016 ranking	Project name	Peak RRI in 2016	Sector	Country of location
#1	Fengcheng Power Plant Phase 3	**88**	Utilities	China
#2	Hong'ao Landfill	**76**	Support Services	China
#3	ETP Crude Pipeline Project	**72**	Oil and Gas	USA
#4	Aliso Canyon Natural Gas Storage Facility	**68**	Oil and Gas	USA
#5	Sports Direct Shirebrook Warehouse	**66**	Retail	UK
#6	Petroquimica Mexicana de Vinilo Plant	**63**	Oil and Gas	Mexico
#7	Agua Zarca Hydroelectric Project	**62**	Utilities	Honduras
#8	Tongi Packaging Plant	**60**	Personal and Household Goods	Bangladesh
#9	Angra dos Reis Nuclear Complex	**59**	Utilities	Brazil
#9	Jinshangou Coal Mine	**59**	Mining	China

Overview and ranking

Throughout 2016, RepRisk systematically screened big data from over 80,000 public sources in 15 languages in order to identify, analyze, and quantify environmental, social, and governance (ESG) risks related to companies, projects, sectors, and countries.

RepRisk's Special Report on the Most Controversial Projects (MCP) of 2016 provides case studies of the projects that had the highest RepRisk Index (RRI)[1] – and therefore, the highest exposure to ESG risks. Three of the projects ranked in the report are located in China, and the fatal accidents they faced highlight a pervasive lack of adherence to safety regulations on behalf of Chinese companies.

The report shows that the Oil and Gas sector has been particularly exposed to ESG risk incidents, as three projects in this sector have been included in the MCP 2016 Report. Two are located in the United States, while the third is based in Mexico.

Two factories, one in the UK and one in Bangladesh, are also ranked in the report, highlighting the fact that poor and hazardous working conditions suffered by factory workers frequently cause exposure to ESG risks, and that such risks are not limited to countries in emerging markets.

It is interesting to note that fierce opposition by indigenous communities to two of the projects, namely the Agua Zarca Hydroelectric Project and the ETP Crude Pipeline Project, is causing significant problems for investors, and that some have decided to withdraw financing due to continuous stakeholder backlash.

Although two other projects in 2016, the Fundao Tailings Dam and Santarem Tailings Dam, had a higher ranking than those highlighted in this report, we have chosen to exclude these as they were cited in our Most Controversial Companies Report 2016.

[1] The RRI is RepRisk's exclusive and proprietary algorithm which dynamically quantifies reputational risk exposure related to ESG issues. It facilitates an initial assessment of the ESG and reputational risks associated with financing, investing, or conducting business with a particular company. For more information see our methodology on page 25.

#1 Fengcheng Power Plant Phase 3

Sector: Utilities; **Location:** China; **Peak RRI:** 88

RepRisk has identified the Fengcheng Power Plant Phase 3 in China's Jiangxi province, as the most controversial project in 2016, due to a fatal accident at the plant on November 24, which killed 74 people and seriously injured two.

Allegedly a scaffolding platform collapsed inside the 165-meter-high concrete cooling tower during construction work on the third phase extension of the Fengcheng Power Plant, which is co-owned by China Guodian Corp and Jiangxi Provincial Investment Group Corp.

The planned extension reportedly included the installation of two one-gigawatt generation units, the first of which was scheduled to start operations in November 2017, and the second in 2018, as part of a project to increase the power capacity in Jianxi province.

Most associated companies: Fengcheng Power Plant Phase 3

1. Jiangxi Ganneng Co Ltd
2. Hebei Yineng Tower Engineering Co Ltd
3. Central Southern China Electric Power Design Institute (CSCEPDI)
3. China Power Engineering Consulting Group Corporation (CPECC)
3. Guodian Fengchen Power Generation Co Ltd
3. Jiangxi Provincial Investment Group Corp
3. Shanghai Shinaidi Engineering Consulting Co Ltd

The USD 1.1 billion expansion project was being funded by Jiangxi Ganneng, and most of the construction work had been contracted out to Central Southern China Electric Power Design Institute (CSCEPDI), a subsidiary of China Power Engineering Consulting Group, which sourced workers from four different construction companies. Work on the cooling tower was subcontracted to Hebei Yineng Tower Engineering (Hebei Yineng). Witnesses reported that the top layer of concrete on the cooling tower collapsed and pulled with it steel piping and the crane that was supporting the platform.

Following the accident, the Chinese government set up a high-level investigation team, and the Chinese police in Fengcheng City arrested nine individuals on charges of gross negligence. The detainees included the CEO of Hebei Yineng and four senior managers in charge of the Phase 3 construction project, two managers at CSCEPDI, and two general managers at

#1 Fengcheng Power Plant Phase 3

Shanghai Shinaidi Engineering Consulting. At the end of December 2016, the Supreme People's Court of China began investigating ten individuals, including a party committee member of Jiangxi Provincial Investment Group, for possible dereliction of duty in relation to the accident.

Preliminary investigations into the cause of the accident showed that the project had been poorly managed and that the employees were working to a rushed schedule. Allegedly, CSCEPDI had put pressure on Hebei Yineng to complete the work quickly, and several workers complained that they had been ordered to take risky shortcuts. Another construction company claimed that they had not won the bid because they had estimated that the work would take eight months, but the contractors wanted it finished in only four.

Top ESG Issues:
Fengcheng Power Plant Phase 3

1. Occupational health and safety issues

2. Corruption, bribery, extortion and money laundering

2. Local pollution

2. Supply chain issues

Top ESG Topic Tags:
Fengcheng Power Plant Phase 3

1. Negligence

2. Coal-fired power plants

It is thought that the concrete had not had enough time to fully dry when the carpenters began to move the mold from the previous concrete level, and this had caused the collapse. There were also claims that Hebei Yineng might have used substandard sand, which lengthens the drying time of concrete. On November 27, Hebei Yineng announced that the victims' families would each be awarded CNY 1.2 million (USD 174,000) in compensation.

In March 2017, the Chinese Anti-Corruption Bureau of the Supreme People's Procuratorate, together with the Provincial People's Procuratorate in Jiangxi province launched an investigation against 18 people linked to the fatal accident, including a former executive of Jiangxi Provincial Investment Group, who was the head supervisor of the project. The suspects are likely to face charges of dereliction of duty, bribery, and embezzlement.

#2 Hong'ao Landfill (Hong Ao Landfill; Hongao Construction Waste Dump)

Sector: Support Services; **Location:** China; **Peak RRI:** 76

The Hong'ao Landfill, also known as Hong Ao Landfill, Hongao Construction Waste Dump, or Hong'ao Dumpsite, operated by Shenzhen Lvwei Property Management in the Chinese city of Shenzhen, ranks as the second-most controversial project in 2016 due to the repercussions of an accident that happened at the end of 2015. On December 20, 2015, a large pile of earth and construction waste stored at the landfill collapsed, triggering a landslide that left more than 91 people missing, affected three industrial parks, and buried factories and dormitories.

Apparently, the landfill had only been approved for use until February 21, 2015. Nearby residents had repeatedly complained about pollution and noise from trucks that frequently operated overnight, transporting earth and construction waste to the site.

Two inspection firms claimed they had warned local officials and Shenzhen Lvwei Property Management about safety risks posed by the landfill prior to its collapse. One of the firms said they even asked for the facility to be shut down four days before the accident, as soil and debris were sinking in parts of the site.

Police arrested the Vice President of Shenzhen Yixianglong Investment Development (Shenzhen Yixianglong), the company that manages and operates the landfill, and seized the company's computers.

Most associated companies:
Hong'ao Landfill

1. Shenzhen Lvwei Property Management Co Ltd

2. Shenzhen J-Star Project Management Consultant Co Ltd

2. Shenzhen Yixianglong Investment Development Co Ltd

Top ESG Issues:
Hong'ao Landfill

1. Impacts on communities

2. Corruption, bribery, extortion and money laundering

3. Local pollution

3. Waste issues

Shenzhen Yixianglong had allegedly commissioned Zhongye Changtian International Engineering to provide a government-required safety endorsement for the landfill prior to the accident, but it was later claimed that Zhongye Changtian was not qualified to endorse landfill projects.

By January 28, 2016, the death toll from the landslide had risen to 73, and a total of 42 people had been placed under investigation.

#3 ETP Crude Pipeline Project (Bakken pipeline; Dakota Access Pipeline)

Sector: Oil and Gas; **Location:** USA; **Peak RRI:** 72

The ETP Crude Pipeline Project, also known as the Dakota Access Pipeline (DAPL) or the Bakken pipeline, was particularly controversial in 2016 and has therefore been ranked in third position on the MCP 2016 Report. The USD 3.7 billion project, to transport crude oil from the Bakken oil fields in North Dakota to Illinois, will carry up to 570,000 barrels of oil a day across the states of North Dakota, South Dakota, Iowa, and Illinois. The project has been particularly opposed by Native Americans, who say that the pipeline will devastate sacred sites as well as the drinking water sources of the Standing Rock Sioux reservation in North Dakota.

Most associated companies: ETP Crude Pipeline Project

1. Dakota Access LLC
2. Energy Transfer Partners LP
3. Sunoco Logistics Partners LP
4. DnB ASA
4. Phillips 66 Co

RepRisk detected opposition to the pipeline in 2014, when a coalition of NGOs, including the Sierra Club and the Iowa Citizens for Community Improvement, delivered a petition with 2,300 signatures to the Governor of North Dakota, calling on him to halt the construction of the pipeline due to concerns about potential oil leaks and the impacts of extensive construction.

Initially, the pipeline was to cross the Missouri River near the towns of Bismarck and Mandan. However, following opposition from municipal councils, who raised concern about the potential contamination of drinking water supplies, the pipeline was diverted via the Standing Rock Sioux Reserve without consulting the Standing Rock Sioux tribe, which violates the UN's Declaration on the Rights of Indigenous Peoples.

Construction of the 1,886-kilometer pipeline began in May 2016, despite complaints that no cultural or environmental impact assessment had been conducted. Allegedly, cemeteries and other cultural sites of great importance to the Standing Rock Sioux tribe have already been desecrated.

The pipeline is being constructed by Dakota Access LLC, a fully owned subsidiary of Bakken Holdings Company LLC, which is a joint venture formed by Energy Transfer Partners and Sunoco Logistics Partners, both part of the Energy Transfer Family of companies. As of September 2016, Philips 66, and Marathon, and Enbridge were also stakeholders in DAPL. According to Food and Water Watch, 17 financial institutions, including Bank of Tokyo-Mitsubishi, Bayern LB, BBVA Compass, Citibank,

#3 ETP Crude Pipeline Project (Bakken pipeline; Dakota Access Pipeline)

DNB Capital, ICBC London, Intesa Sanpaolo, Mizuho Bank, Sumitomo Mitsui Bank, SunTrust, TD Securities, and Wells Fargo have provided credit lines worth USD 2.5 billion to construct the pipeline.

Major international banks including Bank of America, Bank of Nova Scotia, Barclays, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC Bank, JP Morgan Chase, Morgan Stanley, PNC Bank Royal Bank of Canada, UBS, and US Bank have committed substantial resources to companies in the Energy Transfer Family and other stakeholders, so that they can build additional oil and gas infrastructure: Energy Transfer Partners allegedly has a commitment from 26 banks for a revolving credit line of USD 3.75 billion, Sunoco Logistics Partners and Energy Transfer Equity reportedly have credit lines of USD 2.5 billion and USD 1.5 billion respectively.

There are reports that Dakota Access has sued protesters, who have tried to disrupt the construction of the project. In September, an arrest warrant was issued on charges of criminal trespass for the host of the news program Democracy Now, after she and her crew recorded footage of guards at the pipeline allegedly using violence against Native American protesters. It was claimed that six people had been bitten by dogs, and at least 30 people had been pepper-sprayed. An arrest warrant was also issued against a Green Party US presidential candidate who was opposing the project due to climate issues. A task force, which included North Dakota's Bureau of Criminal Investigation, the US Bureau of Indian Affairs, and the local sheriff's department, opened investigations to find out which companies had provided security on the day of the clash and whether they were licensed.

In October, an armed man identified as a security contractor hired by Dakota Access, was accused of infiltrating Native American groups who were protesting against the pipeline. It was also reported that over 140 protesters had been arrested and jailed in squalid conditions by the police, who also had purportedly attacked them with pepper spray, tasers, and rubber bullets. The protesters also claimed that people working for the pipeline had intentionally started a bush fire near their main resistance camp. They

Top ESG Issues:
ETP Crude Pipeline Project

1. Impacts on communities
2. Impacts on ecosystems and landscapes
3. Local pollution
4. Global pollution (incl. climate change and GHG emissions)
4. Human rights abuses and corporate complicity
4. Local participation issues

#3 ETP Crude Pipeline Project (Bakken pipeline; Dakota Access Pipeline)

complained that the emergency services had failed to respond to their urgent phone calls, and that reconnaissance planes and helicopters, which had been flying over the area for weeks, stopped flying a couple of hours before the fire was started.

In November, the Canadian Union of Public Employees (CUPE) expressed support for the efforts of the Standing Rock Sioux Tribe and their allies to block the construction of the pipeline, claiming that Dakota Access had disregarded the rights of indigenous people and had subjected them to high levels of violence and intimidation at the hands of private security and state forces working on behalf of the company. CUPE also warned that DAPL would exacerbate climate change by encouraging reliance on fossil fuels.

In the same month, Oxfam Novib, Greenpeace, and Friends of the Earth criticized banks including ING and ABN AMRO for supporting the controversial pipeline, pointing out that the project contradicted the banks' alleged commitment to the Equator Principles.

In France, Oxfam France and other NGOs urged BNP Paribas, Credit Agricole, Natixis, and Société Générale to stop their support for the pipeline. The four French banks have reportedly also signed the Equator Principles.

In December, the Obama administration refused to grant the necessary permits required to complete the project, due to opposition from Native Americans. However, Energy Transfer Partners filed a request with a federal judge asking for permission to continue construction.

Despite rising concerns, in January 2017 the new US president signed an executive action approving DAPL and the Keystone XL Pipeline.

Activists have now begun targeting specific banks, urging them to withdraw financing for the project. As of February 2017, over 700,000 people had signed petitions demanding that banks remove their support for the project. Opponents of the pipeline have also launched the "#defunddapl" campaign, which calls on individuals to withdraw their funds from banks that are financing the project. As of March 2017, several major banks and investors had announced the withdrawal of their support for the pipeline.

Top ESG Topic Tags:
ETP Crude Pipeline Project

1. Indigenous people

2. Protected areas

#4 Aliso Canyon Natural Gas Storage Facility

Sector: Oil and Gas; **Location:** USA; **Peak RRI:** 68

The Aliso Canyon Natural Gas Storage Facility, owned by Southern California Gas (SoCalGas), ranks as the fourth-most controversial project in 2016 due to the ongoing lawsuits related to a 2015 gas leak at the facility. The facility is located in the Santa Susana Mountains near Porter Ranch in Los Angeles.

On October 23, 2015, a gas leak from the facility's SS-25 well released around 96,000 metric tons of the greenhouse gas methane, as well as benzene, nitrogen oxides, and other noxious substances. For several months, the company struggled to plug the well and around 4,500 households had to be evacuated as residents complained of symptoms such as severe nosebleeds, headaches, and nausea.

In February 2016, SoCalGas faced a civil lawsuit for allegedly failing to report the methane leak. The company was also criticized for its allegedly negligent response to the accident.

In March 2016, Sempra Energy, the parent company of SoCalGas, and its management team faced a class action lawsuit from shareholders who accused the company of violating securities laws in relation to the operations of SoCalGas. The lawsuit accused Sempra Energy of making misleading statements regarding its business and operations, particularly in relation to SoCalGas' capability to contain gas leaks, and the serious risk of an extended gas leak to public health and safety. Local residents had filed a similar case against SoCalGas in November 2015.

Most associated companies:
Aliso Canyon Natural Gas Storage Facility

1. Southern California Gas Company (SoCalGas)
2. Sempra Energy
3. The Termo Co

In September 2016, SoCalGas reached a USD 4 million settlement with California prosecutors over the leak. The settlement called for the company to install and maintain a monitoring system at the site, as well as pressure monitors at each gas well. The settlement also called for the monitoring systems to be tested and certified by an outside company. SoCalGas was fined USD 307,500 for its failure to immediately report the leak to authorities, as well as USD 246,672 for the cost of investigation and emergency response.

Later in the month the NGO Save Porter Ranch claimed that there had been another gas leak from a pipe at the facility, and a spokesman for the NGO Food and Water Watch called for the closure of the site.

#4 Aliso Canyon Natural Gas Storage Facility

In March 2017, Los Angeles County filed a lawsuit against the state's Division of Oil, Gas and Geothermal Resources, to prevent the reopening of the underground gas storage facility until a complete investigation into the rupture had been carried out.

Top ESG Issues:
Aliso Canyon Natural Gas Storage Facility

1. Impacts on communities
2. Local pollution
3. Global pollution (incl. climate change and GHG emissions)
4. Fraud
4. Impacts on ecosystems and landscapes
5. Executive compensation issues

Top ESG Topic Tags:
Aliso Canyon Natural Gas Storage Facility

1. Negligence

The NGO Food and Water Watch has called for the closure of the Aliso Canyon Natural Gas Storage Facility.

#5 Sports Direct Shirebrook Warehouse

Sector: Retail; **Location:** UK; **Peak RRI:** 66

The Shirebrook Warehouse owned by the UK clothing retailer Sports Direct International (Sports Direct), ranks in fifth place on the MCP 2016 Report due to repeated allegations of appalling working conditions. The warehouse, which employs over 5,000 workers, most of them Polish, is located in Shirebrook in the UK county of Derbyshire. Mike Ashley, the owner of Newcastle United Football Club, controls the Sports Direct retail chain.

Reports of dreadful working conditions first surfaced at the end of 2015, when The Guardian newspaper placed two undercover reporters inside the warehouse. The newspaper reported that workers were mostly paid below the minimum wage and were employed on "zero-hour" contracts, meaning that they always had to be available for work, although the agencies only guaranteed a minimum number of hours and had no obligation to pay anything between assignments.

It was also revealed that staff were subjected to surveillance and rigorous security checks, and were given "strikes" for menial offenses such as excessive chatting, taking a sick day off, or taking a long bathroom break. Staff were allegedly fired after six "strikes." The undercover reporters also found that the warehouse had no automated systems, and workers had to walk around 20 miles a day to pick products off the shelves. Some workers claimed that they were promised permanent contracts in exchange for sexual favors.

Most associated companies:
Sports Direct Shirebrook Warehouse

1. Sports Direct International PLC
2. The Best Connection Group
2. Transline Group (QualityCourse Ltd)
3. Royal London Asset Management Ltd
3. Standard Life PLC

Top ESG Issues:
Sports Direct Shirebrook Warehouse

1. Poor employment conditions
2. Occupational health and safety issues
2. Supply chain issues
3. Corruption, bribery, extortion and money laundering
3. Executive compensation issues

The Unite trade union compared conditions at the warehouse to a "labor camp" and alleged that workers were subjected to "a culture of fear" as the management fired employees without notice. Activists launched the #SportsDirectshame campaign to criticize the company. The BBC then reported that ambulances had been called to the Shire-

#5 Sports Direct Shirebrook Warehouse

brook Warehouse over 80 times in the previous two years, and BBC's Channel 4 reported that warehouse staff were being named and shamed publicly for not working fast enough.

In March, Sports Direct was removed from the Financial Times Stock Exchange (FTSE) 100 following an investigation into the company's allegedly poor employment practices.

In June, Mike Ashley admitted that employees at the company's Derbyshire warehouse were fined for tardiness and were paid below the minimum wage. The UK's Revenue and Customs agency began an investigation into the amount of salaries paid.

In a July report entitled "Employment practices at Sports Direct," the Business, Innovation and Skills Committee of the UK House of Commons confirmed "extremely disturbing" reports of appalling working conditions at the warehouse. The Committee found Mr. Ashley's claims that he was unaware of the practices to be "incredible."

In August, Sports Direct agreed to pay back GBP 1 million (USD 1.23 million) in wages to workers to settle charges lodged by the UK's Revenue and Customs Authority that the company had failed to pay the minimum wage. According to Unite, some workers, who had been hired by the agencies Best Connection and Transline, had been paid at these rates since as far back as May 2012 and would receive as much as GBP 1,000 (USD 1,240). Unite claimed that over 1,700 Transline agency workers at the warehouse would probably only receive half of the back-pay they were owed because Sports Direct was refusing to honor commitments it had made when it took over the management of the Shirebrook Warehouse from Blue Arrow recruitment firm in 2014.

In September, Sports Direct shareholders including Aberdeen Asset Management, California's CalPERs and CalSTRS, Legal & General Investment Management, the Ontario Teachers' Pension Plan, and Royal London Asset Management expressed concern about Sports Direct's election of a new executive deputy chairman. Additionally, investors were shocked by reports of cocaine and amphetamines abuse at the warehouse. Sports Direct shares reportedly fell 59 percent from August 2015 to August 2016, raising widespread concerns about job security within the company. Sports Direct's current chairman was also accused of cronyism after he allegedly gave a high-paying consulting position to his daughter's partner.

Top ESG Topic Tags:
Sports Direct Shirebrook Warehouse

1. Migrant labor

#6 Petroquimica Mexicana de Vinilo (PMV) Plant

Sector: Oil and Gas; **Location:** Mexico; **Peak RRI:** 63

The Petroquimica Mexicana de Vinilo (PMV) Plant, located within the Pajaritos Petrochemical Complex in Coatzacoalcos in the Mexican state of Veracruz, has been included in the MCP 2016 Report as it suffered a massive gas leak on April 20, 2016. The plant, jointly owned by Petroleos Mexicanos (Pemex) and Mexichem, was producing vinyl chloride monomer, also known as chloroethene, an industrial chemical used in the manufacture of plastic piping.

The gas leak caused an explosion which killed at least 32 people and injured 136 others. Hundreds of people had to be evacuated from their homes and a number of schools were closed as the explosion polluted the air with toxic smoke.

On April 29, 2016, Mexico's Environmental Protection Prosecutor (PROFEPA) ordered the temporary closure of the plant due to harmful waste found after the explosion. PROFEPA also ordered companies certified by the Ministry of Environment to dispose of hydrochloric acid and the chemical 1,2-dichloroethane found on the premises.

The Mexican authorities and the management of Pemex have promised to conduct a careful investigation into the incident.

Most associated companies:
Petroquimica Mexicana de Vinilo

1. Mexichem SAB de CV (Mexichem Fluor)

1. Petroleos Mexicanos SA de CV

1. Petroquimica Mexicana de Vinilo SA de CV (PMV)

Top ESG Issues:
Petroquimica Mexicana de Vinilo

1. Impacts on communities

1. Occupational health and safety issues

2. Local pollution

3. Waste issues

Top ESG Topic Tags:
Petroquimica Mexicana de Vinilo

1. Negligence

#7 Agua Zarca Hydroelectric Project

Sector: Utilities; **Location:** Honduras; **Peak RRI:** 62

The Agua Zarca Hydroelectric Project hit the headlines in March 2016 when the activist Berta Caceres was shot dead in her home after protesting against the Agua Zarca dam. Mrs. Caceres, who had co-founded the Civic Council of Popular and Indigenous Organizations of Honduras (COPINH) had allegedly received repeated threats and was being constantly harassed. The project was being developed by Desarrollos Energeticos SA (DESA), with financing from Sinohydro. Before her death, Mrs. Caceres alleged that DESA's president had offered her bribes to halt her campaign.

RepRisk had been detecting fierce opposition to the dam by the Lenca indigenous people since 2013, as they claim that it encroaches on their territory. In 2013, Tomas Garcia, another co-founder of COPINH was shot dead by the Honduran military in broad daylight, which prompted Sinohydro to withdraw from the project.

Mrs. Caceres had repeatedly accused the Honduran government of criminalizing the human right to defend the environment and indigenous communities, and of giving privileges to transnational companies in the country. She had also claimed that the project was being built without consent from local communities and warned that the Honduran Military had a "death list" with 18 names of activists opposing the interests of foreign companies.

Most associated companies:
Agua Zarca Hydroelectric Project

1. Desarrollos Energeticos SA de CV
2. Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden NV (Netherlands Development Finance Company; FMO)
3. Finnish Fund for Industrial Cooperation Ltd (Finnfund)
3. Siemens AG
3. Voith Hydro Holding GmbH & Co KG
4. Sinohydro Corp (China Hydraulic and Hydroelectric Construction Group Corp)

Two weeks after the murder of Mrs. Caceres, another COPINH member was reportedly shot dead during a violent eviction carried out by Honduran security forces. As a result of the violence, the Netherlands Development Finance Company, and the Finnish Fund for Industrial Cooperation suspended their support for several projects in Honduras, including the Agua Zarca Hydroelectric Project. Meanwhile, social movements in the country called for a decisive withdrawal of financing from banks such as Banco Centroamericano de Integracion Economica, which had granted a USD 24.4 million loan to the Agua Zarca

#7 Agua Zarca Hydroelectric Project

Hydroelectric Project. Several NGOs including BankTrack, Both Ends, and Friends of the Earth Germany also called on investors such as Siemens to permanently withdraw their support for the project.

Five individuals have been arrested in relation to Ms. Caceres' murder, allegedly including two people directly linked to DESA and a major in the Honduran army.

A national party of Honduras parliamentarian rejected the EU Parliament's request to appoint an international committee to investigate the death of Mrs. Caceres. Her family criticized the Honduran government for failing to carry out a fair investigation, and called for an independent investigation by the Inter-American Commission on Human Rights, but this was also rejected by the country's government.

The Agua Zarca Hydroelectric Project has also been linked to corruption, an illegal authorization process, the violation of the UN's principle of prior and informed consent, improper compensation of indigenous communities, forgery of support signatures, and impacts on the Gualcarque River.

Top ESG Issues:
Agua Zarca Hydroelectric Project

1. Human rights abuses and corporate complicity
2. Impacts on communities
3. Local participation issues
4. Impacts on ecosystems and landscapes
5. Corruption, bribery, extortion and money laundering

Top ESG Topic Tags:
Agua Zarca Hydroelectric Project

1. Indigenous people
2. Hydropower (dams)
3. Involuntary resettlement
4. Land grabbing

#8 Tongi Packaging Plant (Tampaco Foils)

Sector: Personal and Household Goods; **Location:** Bangladesh; **Peak RRI:** 60

The Tongi Packaging Plant ranks as number eight on the MCP 2016 Report as a result of a fire on September 1, 2016. The five-story plant, located inside the Tongi Industrial Zone about 20 kilometers from Dhaka in Bangladesh, reportedly supplies packaging products to local and international customers including British American Tobacco, Nestlé, Pran Dairy, and Nabisco Biscuit & Bread, a unit of Mondelez International.

The fire left 35 workers dead and more than 50 injured. Fire crews, who searched through the debris, were hindered by pockets of fire and thick smoke. Officials suspected that the fire had been started by a gas-line leak and a boiler explosion in the morning hours, shortly before a change in work shifts. Some reports said that the plant had been expanding production capacity and was congested.

The police in Bangladesh filed a murder charge against the owner of Tampaco Foils and seven of its top management, but all of the accused allegedly went into hiding.

Most associated companies:
Tongi Packaging Plant

1. Tampaco Foils Ltd

2. British American Tobacco Bangladesh Co Ltd (BATBC)

3. Mondelez International Inc (Kraft Foods Inc)

3. Nabisco Biscuit & Bread Factory Ltd)

3. Nestle Bangladesh Ltd

3. Pran Dairy Limited

Top ESG Issues:
Tongi Packaging Plant

1. Occupational health and safety issues

#9 Angra dos Reis Nuclear Complex (Almirante Alvaro Alberto Nuclear Complex)

Sector: Utilities; **Location:** Brazil; **Peak RRI:** 59

Throughout 2016, the Angra dos Reis Nuclear Complex, also known as Almirante Alvaro Alberto Nuclear Complex, faced allegations of fraud and corruption and has therefore been included on the MCP 2016 Report. The complex, which is owned by Eletronuclear, a subsidiary of Centrais Eletricas Brasileiras (Eletrobras), is located at the Central Nuclear Almirante Álvaro Alberto in the Brazilian state of Rio de Janeiro. The complex holds two nuclear reactors: Angra 1 and Angra 2, which connected to the grid in 1985 and 2000 respectively. Although work on the Angra 3 project began in 1984, construction was suspended in 1986 and only resumed in 2010.

Suspicions about corruption at the Angra dos Reis Nuclear Complex were first raised by investigators probing bribes accepted by officials of the state-owned company Petrobras, an investigation known as the Lava Jato probe. The probe linked Brazil's former President Luiz Inacio Lula da Silva to a BRL multi-billion criminal network involving public contracts for projects including the Angra 3 Nuclear Reactor and revealed that companies had colluded to win the bid to build the Angra dos Reis complex.

The Brazilian Federal Court of Accounts found various irregularities in the contracts for the plant, including pricing above market value, infeasibility of the construction, and advanced payments for services.

Most associated companies:
Angra dos Reis Nuclear Complex

1. Centrais Eletricas Brasileiras SA (Eletrobras)
1. Eletronuclear (Eletrobras Termonuclear SA)
2. Andrade Gutierrez SA (Andrade Gutierrez Group)
3. Camargo Correa Group (Camargo Correa SA)
4. Engevix Engenharia SA (Engevix Group)

Two executives of Andrade Gutierrez and the former president of Andrade Gutierrez Energia testified that the company had paid bribes to the Democratic Movement Party and the Workers Party in exchange for being granted construction contracts for the Angra 3 Nuclear Reactor.

In April 2016, the Brazilian Federal Court of Accounts (TCU) linked UTC Participacoes, Odebrecht, Andrade Gutierrez Group, Camargo Correa Group, Queiroz Galvao, Empresa Brasileira de Engenharia, Technint, and Eletronuclear to bidding fraud related to construction contracts worth BRL 2.9 billion (USD 938 million) for the Angra 3 Nuclear Plant.

#9 Angra dos Reis Nuclear Complex (Almirante Alvaro Alberto Nuclear Complex)

In July, Brazilian police arrested 19 individuals suspected of participating in a corruption scheme involving over BRL 200 million (USD 64.7 million) in bribes at the Angra dos Reis Nuclear Plant. The bribes were allegedly paid to senior executives of Eletrobras' nuclear power unit Eletronuclear in exchange for allowing construction firms to inflate the cost of the Angra 3 Nuclear Reactor in order to fund kickbacks for politicians and political parties.

Following charges filed by the Federal Ministry of Public Prosecution, on August 3, 2016, the Federal Criminal Court in Rio de Janeiro sentenced the former President of Eletronuclear to 43 years in prison for participating in bid-rigging, corruption, and money laundering related to contracts for the Angra 3 Nuclear Reactor. The former President of Andrade Gutierrez Group was sentenced to 7 years and 4 months for his role in the scheme and an executive of Engevix Engenharia was sentenced to 21 years and 10 months.

On January 18, 2017, Brazil's Administrative Council for Economic Defense signed four Termination Commitment Terms (TCCs) valued at BRL 195 million (USD 63 million) with UTC Participacoes and Andrade Gutierrez Group, whereby the companies pleaded guilty to their participation in cartels to win construction contracts in Brazil since 2008 and 2010 respectively. Reportedly, two of the TCCs, worth around BRL 15 millio (USD 4.8 million), were linked to the Angra 3 Nuclear Reactor.

Top ESG Issues:
Angra dos Reis Nuclear Complex

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

In July, Brazilian police arrested 19 individuals suspected of participating in a corruption scheme involving over BRL 200 million (USD 64.7 million) in bribes at the Angra dos Reis Nuclear Plant.

#9 Jinshangou Coal Mine

Sector: Mining; **Location:** China; **Peak RRI:** 59

The privately-owned Jinshangou Coal Mine, located in the Chongquing region of China, has also been included on the MCP 2016 Report due to a gas explosion that occurred on October 31, 2016, and reportedly killed 33 miners. The mine was licensed to produce 60,000 tonnes of coal a year. The local authorities immediately ordered an investigation into the explosion and ordered the temporary closure of smaller mines in the region. The legal representative of the mine's operator, Chongquing Yongchuan Jinshangou Coal, was held in custody pending investigations.

On October 31 the Deputy Chief of China's State Administration of Coal Mine Safety stated that the accident had occurred because workers had been mining in unapproved areas and accused the mine's operator of disregarding safety regulations. It was claimed that the explosion had been caused by the accumulation of combustible gas. Allegedly, the illegal mining activities first began in November 2014, but later resumed in May 2016, when the mine's managers used falsified maps and documents to cover up the illegal mining activities.

Most associated companies:
Jinshangou Coal Mine

1. Chongqing Yongchuan Jinshangou Coal Co Ltd

Top ESG Issues:
Jinshangou Coal Mine

1. Occupational health and safety issues

2. Corruption, bribery, extortion and money laundering

2. Fraud

Methodology

RepRisk's five step research process

RepRisk Special Reports are compiled using information from the RepRisk ESG Risk Platform which serves as a due diligence, research, and monitoring tool in risk management, compliance, investment management, corporate benchmarking, and supplier risk. It includes ESG risk profiles for over 84,000 listed and non-listed companies, 21,000 projects, as well as for every sector and country in the world.

On a daily basis, RepRisk screens over 80,000 media, stakeholder, and third-party sources including print and online media, NGOs, government bodies, regulators, think tanks, newsletters, social media, and other online sources at the international, national and local level in 15 languages. RepRisk's methodology is issues-driven, rather than company-driven – i.e. RepRisk's daily screening is driven by RepRisk's research scope. The scope is comprised of 28 ESG Issues, which were selected and defined in accordance with the key international standards and of 45 Topic Tags, ESG "hot topics" that are specific and thematic.

Once a risk incident has been identified and analyzed for its novelty, relevance and severity, a RepRisk Analyst enters an original summary into the RepRisk Platform and links it to the entities in question. No risk incident is entered twice unless it has been escalated to a more influential source, contains a significant development, or has not appeared for the past six weeks. All data is collected and processed through a strict, rules-based methodology. This helps to ensure the balanced and objective rating and weighting of the risk incident.

The RepRisk Index (RRI)

The RRI is a proprietary algorithm developed by RepRisk that dynamically captures and quantifies reputational risk exposure related to ESG issues. The RRI is not a measure of reputation, but is rather an indicator of ESG-related reputational risk of a company. It facilitates an initial assessment of the ESG and reputational risks associated with financing, investing, or conducting business with a particular company. The RRI ranges from zero (lowest) to 100 (highest). The higher the value, the higher the risk exposure. A value between 75 and 100 denotes extremely high risk exposure.

The Peak RRI equals to the highest level of the RRI over the last two years – a proxy for overall ESG-related reputational risk exposure.

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