RepRisk

Most

Controversial

Projects

RepRisk Special Report

Most Controversial Projects (MCP) 2017

March 2018

About RepRisk

RepRisk is a leading research and business intelligence provider, specializing in ESG and business conduct risks.

As a premium due diligence solution, RepRisk helps clients prevent and mitigate ESG and business conduct risks related to their operations, business relationships, and investments.

Since 2006, RepRisk has been leveraging artificial intelligence and human analysis to translate big data into actionable analytics and metrics. With daily updates, universal coverage, and curated adverse data on companies, projects, sectors, and countries, RepRisk offers a suite of powerful risk management and compliance services.

Headquartered in Zurich, Switzerland, RepRisk serves clients worldwide, enabling them to reduce blind spots and shed light on risks that can have reputational, compliance, and financial impacts on a company.

For more information, please visit www.reprisk.com.

Foreword CEO

I am pleased to announce the release of our Special Report on the Most Controversial Projects of 2017, which focuses on ten projects – including pipelines, thermal power plants, residential and day care complexes – that were most exposed to environmental, social, and governance (ESG) and business conduct risks in 2017.

Four 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 were linked to physical abuses, one against children and the other against detainees in a detention center. The remaining four projects were linked to issues such as bribery, terrorism funding, impacts on protected areas, and the illegal transportation of endangered species.

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 publicly available media, stakeholder, and other third-party sources.

Currently, RepRisk's ESG Risk Platform covers over 25,000 projects that are linked to ESG and business conduct risk incidents. This number increases daily as new risk incidents are captured and analyzed.

We hope you find the report useful and interesting. Our aim is to raise awareness of potential ESG risks and to encourage companies to systematically take into account such issues in their risk management strategies and processes.

Philipp Aeby, CEO, RepRisk AG

RepRisk

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1 The most controversial projects are primarily selected based on their Peak RepRisk Index (RRI). Should companies have the same Peak RRI, the projects will be ranked based on the number of severe and very severe risk incidents in the given year. RepRisk may have chosen to exclude projects if they were extensively covered in previous reports and no new developments were reported in the previous two years.

2 As some of the projects ranked had completely untarnished reputations prior to the issues they experienced during 2017, the impact on their RRI was greater due to the novelty of such incidents (the RRI emphasizes projects that are newly exposed, while projects with a history of risk exposure are less affected by new incidents). For more information on the RRI, please refer to the methodology on page 25.

Overview and ranking

RepRisk's Most Controversial Projects (MCP) 2017 Report identifies and assesses the projects that had the highest exposure to ESG and business conduct risks in 2017.

Since 2007, RepRisk has systematically screened big data from over 80,000 public sources in 16 languages in order to identify, analyze, and quantify environmental, social, and governance (ESG) and business conduct risks related to companies, projects, sectors, and countries.

RepRisk's report on the Most Controversial Projects of 2017 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 operated by Chinese companies, two are located in the UK, and the other projects are based in Nigeria, Germany, Russian Federation, the Syrian Arab Republic, South Korea, and USA. In addition to the ten projects, we have added an update on the ETP Crude Pipeline Project, which was ranked third on our Most Controversial Projects of 2016 Report, due to continuous protests against this project throughout the whole 2017.

The report shows that the Construction and Oil and Gas sectors were particularly exposed to ESG risk incidents in 2017, as four projects in these sectors have been included in the MCP 2017 Report. The construction projects were located in the UK and in the Syrian Arab Republic, while the oil and gas projects were based in Germany, Russian Federation, and Nigeria, highlighting that such risks are not limited to countries in emerging markets.

One of the Chinese-operated projects was criticized in Ecuador for illegally transporting endangered species, while another, a day care center, was linked to physical abuse against toddlers. Negligence at the third Chinese-operated project, a waste treatment plant, led to an accident that caused the deaths of nine workers.

Other workplace accidents at projects in South Korea and USA show that hazardous and poor working conditions frequently cause exposure to ESG risks.

Lastly, it is interesting to note that two of the projects, Lafarge's cement factory in the Syrian Arab Republic and the OPL 245 Oil Block in Nigeria, faced harsh criticism in 2017, although the ESG risk incidents date back several years. This emphasizes that ESG violations can cause long-lasting regulatory and reputational problems for the companies involved.

Although some other projects in 2017 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 of 2017 or Most Controversial Projects of 2016 reports[2].

1 Please refer to the methodology on page 25 for more information on the RRI.

2 To view the Special Reports, please refer to RepRisk's Publications page at https://www.reprisk.com/publications.

#1 Grenfell Tower

Sector: Construction and Materials; **Location:** UK; **Peak RRI:** 93

Grenfell Tower, a 24-story apartment block in a residential district of London, ranks first in RepRisk's MCP 2017 Report due to a fire that engulfed the building on June 14, 2017, destroying 151 apartments and causing over 71 deaths and dozens of injuries. The tower was owned by the borough council of the Royal Borough of Kensington and Chelsea and was managed by the Royal Borough of Kensington and Chelsea Tenant Management Organization (KCTMO). The fire reportedly began on the building's fourth floor after a Whirlpool refrigerator burst into flames.

The building had recently been refurbished, with Rydon Construction completing the work in the summer of 2016. Rydon had apparently subcontracted the exterior cladding to Harley Facades, who installed aluminum sheets manufactured by Arconic Inc. The sheets, which had a combustible polyethylene core, were allegedly slightly cheaper than fire-resistant cladding. The refurbishment was funded by the Royal Borough of Kensington and Chelsea council and overseen by the KCTMO.

Following the refurbishment, the tower was given a medium fire risk rating by the London Fire Brigade and the borough council. However, there were reports that building inspectors had failed to note several fire hazards, such as a lack of mandatory sprinklers, and cluttered stairwells. Safety tests on the building ordered by the UK government after the fire allegedly found sub-standard tiles and insulation, as well as cladding that breached safety standards.

The residents' association, Grenfell Action Group, accused the KCTMO of criminal negligence and violation of fire safety regulations, after claiming that the KCTMO had repeatedly ignored warnings from tenants about fire safety hazards in the tower block. Allegedly, the action group had reported in February 2013 that fire safety equipment had not been tested for a year, and that roof level areas marked as "condemned" had not been tested since 2009.

Most related companies: Grenfell Tower

- The Royal Borough of Kensington and Chelsea Tenant Management Organization Ltd (KCTMO)
- Arconic Inc
- Rydon Group Ltd
- Harley Facades Ltd
- Hotpoint Electric Heating Co

Top ESG Issues: Grenfell Tower

- Impacts on communities
- Products (health and environmental issues)
- Supply chain issues
- Local participation issues

There were also reports that in 2013 the KCTMO had covered up complaints from residents about power surges caused by improper wiring, and that the company had threatened tenants, two of whom died in the accident, with defamation lawsuits for reporting the dangers.

On July 13, 2017, an investor filed a lawsuit against Arconic and its former and current executives in a US District Court, claiming that the company had been deceiving shareholders by failing to disclose the dangers linked to its highly flammable aluminum panels. The lawsuit, which sought class-action status, alleged that investors endured heavy losses and damages as Arconic's value dropped by more than USD 1 billion after it was revealed that the company had supplied flammable cladding panels to Grenfell Tower, despite knowing that they were prohibited for use on tall buildings.

Following the announcement of an independent public inquiry into the Grenfell Tower fire in September 2017, the London Metropolitan Police began investigating Arconic, Whirlpool, the Royal Borough of Kensington and Chelsea Council, and the KCTMO on suspicions of corporate manslaughter.

At the end of December 2017, the KCTMO announced that it was handing back the management of around 9,000 homes to the Royal Borough of Kensington and Chelsea council.

At the time of writing, the independent public inquiry is ongoing.

Top ESG Topic Tags: Grenfell Tower

- Negligence

The residents' association, Grenfell Action Group, accused the KCTMO of criminal negligence and violation of fire safety regulations, after claiming that the KCTMO had repeatedly ignored warnings from tenants about fire safety hazards in the tower block.

#2 Ctrip Day Care Center

Sector: Retail; **Location:** China; **Peak RRI:** 73

The Ctrip Day Care Center in Shanghai set up by the online travel company Ctrip in February 2017 to provide childcare services for its employees, ranks second in RepRisk's MCP 2017 report due to allegations of child abuse. The center was administered by an education services provider, the Reader Service Department of the Shanghai Modern Family Magazine Publishing House, which in turn is a wholly-owned subsidiary of Shanghai Women's Federation. The daily operations were subcontracted to Shanghai Jinxia Education Information Consulting.

The scandal was revealed in November 2017, when CCTV footage was released showing toddlers between 18 months and two years old being subjected to various forms of abuse, such as slapping, kicking, dragging, pushing, and being force-fed wasabi, an extremely strong condiment similar to hot horseradish. The video clips apparently spanned a period of four months and uncovered a total of 61 occasions on which the children had been allegedly abused.

It was later revealed that the Shanghai Modern Family Magazine Publishing House was not authorized to provide education services, and that unqualified teachers had been hired and paid extremely low wages in order to maximize profits. There were also claims that the center had appalling hygiene standards and was understaffed.

The center suspended operations after the scandal became public. A complaint against staff members filed by Ctrip on November 8, 2017, led to four staff members being fired and placed under investigation by the police. The Human Resource Director of Ctrip, who had supervised the center, resigned.

Five staff members were eventually arrested by the police for child abuse after a Basic People's Procuratorate in Shanghai ordered its juvenile criminal prosecution department to lead a police investigation into the case.

Most related companies:
Ctrip Day Care Center

- Ctrip.com International Ltd
- Shanghai Modern Family Magazine Publishing House
- Ctrip Computer Technology Shanghai Co Ltd
- Shanghai Ctrip Commerce Co Ltd
- Shanghai Jinxia Education Information Consulting Co Ltd

Top ESG Issues:
Ctrip Day Care Center

- Human rights abuses and corporate complicity
- Supply chain issues
- Products (health and environmental issues)

#3 Fu Yuan Yu Leng 999 Vessel

Sector: Industrial Transportation; **Location:** China; **Peak RRI:** 72

The Fu Yuan Yu Leng 999, a vessel registered to China-based Fuzhou Honglong Ocean Fishing, has been included in the MCP 2017 Report due to allegations that the ship violated the Convention on International Trade in Endangered Species.

On August 13, 2017, the Fu Yuan Yu Leng 999 was intercepted by Ecuadorian authorities in the Galapagos Marine Reserve, a UNESCO World Heritage Site in the Galapagos National Park. The vessel was found to be illegally transporting around 6,600 sharks, including some that were endangered species included on the "red list" of the International Union for the Conservation of Nature.

The Ecuadorian authorities sentenced 20 crew members to between one and three years in prison for the illegal transportation of animals at risk of extinction, and ordered them to pay a collective fine of USD 5.9 million. In December 2017, at the request of the Ecuadorian government, the South Pacific Regional Fisheries Management Organization launched an investigation into the case.

In February 2018, the Chinese Ministry of Agriculture suspended the pelagic fishing qualification of Fuzhou Honglong Ocean Fishing, as well as the operations of the company's 78 fishing vessels that were linked to the case.

The source of the 300 tons of fish found on Fu Yuan Yu Leng 999 remains shrouded in mystery, as a Chinese news outlet found inconsistencies between official claims that the sharks were offloaded from two Taiwanese vessels between August 5 and August 7, 2017, and third-party tracking data that shows that during that period Fu Yuan Yu Leng 999 only made contact, and possible cargo exchanges, with four vessels, including two owned by Pingtan Marine Enterprise, a company closely affiliated with Fuzhou Honglong Ocean Fishing.

Most related companies:
Fu Yuan Yu Leng 999 Vessel

- Fuzhou Honglong Ocean Fishing Co Ltd
- Pingtan Marine Enterprise Ltd
- PT Dwikarya Reksa Abadi
- Hai Yi Shipping Ltd

Top ESG Issues:
Fu Yuan Yu Leng 999 Vessel

- Impact on ecosystems and landscapes
- Violation of international standards

Top ESG Topic Tags:
Fu Yuan Yu Leng 999 Vessel

- Abusive/illegal fishing
- Endangered species
- Protected areas

#4 Brook House Immigration Removal Centre

Sector: Support Services (Industrial Goods and Services); **Location:** UK; **Peak RRI:** 68

The Brook House Immigration Removal Centre (Brook House), a detention facility operated by the security company G4S on behalf of the UK Home Office, is one of the most controversial projects of 2017 due to reports that conditions inside the facility violated the human rights of detainees. Located on the grounds of Gatwick Airport in the UK, it has been built to a security level of a Category B prison that can also accommodate foreign prisoners prior to their removal from the country.

In September 2017, an undercover investigation by the BBC revealed footage of G4S personnel "mocking, abusing, and assaulting" foreign nationals who were facing deportation from the UK, as well as widespread drug use, self-harm, and attempted suicide inside Brook House. Following the release of the footage, various detainees corroborated allegations that G4S staff frequently used brutal tactics and racial abuse.

G4S subsequently suspended ten staff members, dismissed six of them, and referred the allegations to police in the county of Sussex. The director of Brook House then resigned, and other employees were dismissed or suspended. At a Home Affairs Select Committee hearing, G4S was criticized for failing to prevent the abuses.

Concerns were also raised over profits of around 20 percent that G4S reportedly made from Brook House, as the permitted limit stipulated in the company's contract was supposedly 6.8 percent. In September 2017, a former director at the facility admitted that G4S had given the Home Office inaccurate information regarding costs, savings, and staffing in institutions run by the company in an attempt to charge for staff and equipment that were never provided.

In January 2018, former detainees took G4S and the UK Government to the High Court in London, claiming that they had been held in degrading conditions that violated their human rights. The detainees claimed that they had been locked up in overcrowded cells for up to 13 hours a day, and had been forced to use the toilet, which had no seat, lid, or screen, in

Most related companies: Brook House Immigration Removal Centre

- G4S PLC

Top ESG Issues: Brook House Immigration Removal Centre

- Human rights abuses and corporate complicity
- Fraud
- Impacts on communities
- Social discrimination

front of the other detainees. Muslim detainees claimed that to be forced to pray in a room with a toilet breached their right to religious observances, an opinion that was upheld by the UK High Court.

The UK Equality and Human Rights Commission (EHRC) demanded an immediate independent inquiry into the alleged abuses, claiming that Brook House could have breached the European Convention on Human Rights that forbids inhuman or degrading treatment of detainees.

G4S's contract to run Brook House is due to terminate in May 2018. The UK Home Office reportedly plans to renew G4S's GBP 150 million (USD 207 million) contract to operate the center, despite concerns raised by both the UK Home Affairs Committee and Amnesty International.

At the time of writing, the charity Bail for Immigration Detainees is raising crowdfunding to pay for litigation to force the UK government to designate G4S a "high risk supplier," which would make it harder for the UK government to award future contracts to G4S.

Top ESG Topic Tags: Brook House Immigration Removal Centre

- Negligence

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#5 Nord Stream 2 Gas Pipeline

Sector: Oil and Gas; **Location:** Germany; Russian Federation; **Peak RRI:** 61

The Nord Stream 2 Gas Pipeline (NS2), a proposed 1,200-kilometer twin pipeline system that will transport natural gas from Russia to Europe through the Baltic Sea, ranks fifth on the MCP 2017 Report due to allegations that the project violates environmental laws and the Paris Climate Agreement. The project, an expansion of the Nord Stream 1 Gas Pipeline laid in 2011, will be constructed and operated by Nord Stream 2 AG, a consortium led by Gazprom and financed by ENGIE, OMV, Shell, Uniper, and Wintershall. Various companies including Allseas Engineering, Boskalis, United Metallurgical Company, Van Oord, Voestalpine Grobblech, and Wasco have been identified as suppliers and subcontractors of the project.

The consortium has reportedly employed public relation firms such as Brunswick, Edelman, Fleishman-Hillard, and G-Plus to lobby for the project, which has received support from the German Committee on Eastern European Economic Relations, as well as from senior German politicians.

However, the project has been opposed by the International Union for Conservation of Nature, and NGOs including Greenpeace, HELCOM Habitat, Nature and Biodiversity Conservation Union, and the WWF, as well as academics and local communities, due to environmental and safety concerns.

Nord Stream 2 reportedly runs through five protected areas that serve as a habitat for endangered flora and fauna. Environmentalists have warned that NS2 would require seabed excavations in the Baltic Sea that would destroy the natural habitat of maritime species and waterfowl. There are also concerns as NS2 will transport methane, which is reportedly 25 times more damaging to the climate than CO2, and any leakage could severely contaminate the Baltic Sea.

In Russia, construction of the pipeline could endanger local flora, fauna, and local communities by releasing radioactive fallout from the Chernobyl disaster that contaminated

Most related companies: Nord Stream 2 Gas Pipeline

- Nord Stream 2 AG
- Gazprom PAO
- OMV AG
- Royal Dutch Shell PLC
- Wintershall Holding GmbH

Top ESG Issues: Nord Stream 2 Gas Pipeline

- Impacts on ecosystems and landscapes
- Impacts on communities
- Global pollution (including climate change and GHG emissions)
- Violation of international standards

#5 Nord Stream 2 Gas Pipeline

the sediment on the seabed around the Kurgalsky peninsula. Members of three indigenous tribes in Russia's Kingiseppsky district have written a letter to the Russian President calling for a halt to the construction of the Nord Stream 2 pipeline over fears of its impacts on their livelihoods and on the Kurgalsky Nature Reserve in the Leningrad Oblast, which is home to 250 bird species, and 750 types of plants. The construction of the pipeline through a nature reserve contradicts three of Russia’s environmental protection laws as well as international environmental agreements signed by the country. Confidential government documentation reportedly shows how the consortium has attempted in several meetings with Russian politicians to either change the current legislation or re-define the borders of the nature reserve.

Concerns have also been raised about the possible release of highly carcinogenic chemicals, as a section of the pipeline runs through an area in Denmark where several thousand sulfur mustard bombs were allegedly dumped after World War II.

As of February 2018, governments in Russia and Europe are continuing to discuss the advantages and disadvantages of this controversial project.

At the beginning of March, the German Nature and Biodiversity Conservation Union announced that it was filing a lawsuit against the Nord Stream 2 Gas Pipeline, as it will apparently cross marine protected areas in German waters.

Top ESG Topic Tags:
Nord Stream 2 Gas Pipeline

- Protected areas
- Indigenous people
- Endangered species
- Fracking
- Involuntary resettlement

Confidential government documentation reportedly shows how the consortium has attempted in several meetings with Russian politicians to either change the current legislation or re-define the borders of the nature reserve.

#6 Jalabiya Cement Works (Jalabiyeh Cement Works)

Sector: Construction and Materials; **Location:** Syrian Arab Republic; **Peak RRI:** 59

The Kobani Cement Factory, located in the commune of Jalabiyeh near the Syrian city of Raqqa, has been included in the MCP 2017 Report due to allegations linking the plant to the funding of the terrorist group Islamic State of Iraq and Syria (ISIS).

In 2017, French Public Prosecutors began investigating the operations of Lafarge Cement Syria, a company opened by Lafarge in 2010. In 2015, Lafarge merged with Swiss-based Holcim Group to form LafargeHolcim. The investigations were launched following a complaint lodged in October 2016 by the French Ministry of Economy that accused Lafarge Cement Syria of violating EU sanctions imposed against Syrian President Bashar al-Assad in 2011, which prohibited the acquisition of fuel in Syria.

RepRisk had already captured media reports in June 2016 accusing the company of paying "taxes" to ISIS between 2013 and 2014 in order to continue operating its Kobani Cement Factory near Raqqa, which became the de facto capital of the Islamic State's self-proclaimed caliphate.

The European Center for Constitutional and Human Rights, the NGO Sherpa, and 11 former employees of the company filed a lawsuit against Lafarge and its subsidiary Lafarge Cement Syria in November 2016, accusing it of complicity in war crimes and crimes against humanity.

Although other international companies left Syria when the civil war broke out in 2011, Lafarge continued to operate the Jalabiyeh plant. Reportedly, in October 2012, nine employees were captured by ISIS on their way to the plant, and Lafarge paid USD 200,000 to liberate them.

Although the company evacuated its European staff in September 2012 when terrorist activities escalated, the local staff were allegedly asked to stay and keep the plant running. Internal correspondence between Lafarge Syria and the parent company in Paris reportedly showed that the company

Most related companies: Jalabiya Cement Works

- LafargeHolcim Group Ltd
- Lafarge Cement Syria
- Groupe Bruxelles Lambert SA
- Power Corporation of Canada
- Pargesa Holding SA

Top ESG Issues: Jalabiya Cement Works

- Human rights abuses and corporate complicity
- Occupational health and safety issues
- Fraud
- Corruption, bribery, extortion, and money laundering

#6 Jalabiya Cement Works (Jalabiyeh Cement Works)

negotiated "passes" from ISIS to allow employees to cross checkpoints, and trucks to supply the plant. The company also allegedly bought refined oil from the terrorist group.

At the end of July 2014, the Kobani factory closed due to the deterioration of the military situation in the vicinity, but operations, and payments to ISIS of USD 20,000 per month, reportedly resumed five weeks later, despite a UN resolution dated August 15, 2014 that banned any financial relationship with terrorist groups in Syria.

On September 18 and 19, 2014, the factory was attacked by ISIS forces. Allegedly, 27 employees who were inside the plant were left to fend for themselves as an evacuation plan failed. Four Lafarge employees were held hostage for 10 days by ISIS, and two Christian employees were forced to convert to Islam before being released.

In March 2017, Lafarge admitted that its Syrian unit had used independent intermediaries to make arrangements with armed groups, including parties under sanctions, in order to continue operations at its Jalabiyeh plant. The company was accused of putting profits before the safety of its employees.

In July 2017, Eric Olsen, the CEO of LafargeHolcim, resigned over the scandal.

On November 14 and 15, 2017, the French police searched the Paris headquarters of Lafarge, and on December 6, 2017, prosecutors in Paris opened formal investigations into Eric Olsen, Bruno Lafont, the former Chairman and CEO of Lafarge, and Christian Herrault, the company's former Director of Operations. Mr. Herrault claimed that he had regularly informed Mr. Lafont about the situation in Syria and that Mr. Lafont had raised no objections.

The investigations into the scandal are still ongoing as prosecutors seek to determine the role of the parent company in the affair.

In March 2017, Lafarge admitted that its Syrian unit had used independent intermediaries to make arrangements with armed groups, including parties under sanctions, in order to continue operations at its Jalabiyeh plant.

#7 OPL 245 Oil Block

Sector: Oil and Gas; **Location:** Nigeria; **Peak RRI:** 59

The OPL 245 Oil Block in Nigeria remained another controversial project throughout 2017 as Dutch and Italian prosecutors continued to investigate possible corruption linked to the sale of the Nigerian state-owned asset to Royal Dutch Shell (Shell) and Eni SpA (Eni).

Shell and Eni paid USD 1.1 billion in 2011 for the drilling rights to the OPL 245 oil field located off the cost of Nigeria, which was estimated to contain over 9 billion barrels of oil as well as vast gas reserves. The deal raised suspicions of corruption as the USD 1.1 billion was paid into bank accounts in London and then subsequently transferred to Malabu Oil and Gas (Malabu), a company jointly owned by Dan Etete, the former Nigerian Minister of Petroleum, who had been already convicted of money laundering in France, and Mohammed Sani Abacha, the son of General Sani Abacha, Nigeria's de facto president at that time. Mr. Etete had reportedly used a false identity to set up Malabu in 1998, and then used it to award himself the OPL 245 Oil Block.

In February 2016, Shell's headquarters in The Hague were raided by Dutch and Italian investigators. Shortly after the raid, in a phone call wiretapped by the Dutch authorities, Shell's current CEO Ben Van Beurden, warned his Chief Financial Officer not to "volunteer any information that is not requested."

Italian prosecutors claimed that the OPL 245 Oil Block had been fraudulently awarded to Malabu

Most related companies: OPL 245 Oil Block

- Eni SpA
- Royal Dutch Shell PLC
- Malabu Oil & Gas Ltd
- Nigeria Agip Exploration Ltd
- Shell Nigeria Exploration and Production Company

Top ESG Issues: OPL 245 Oil Block

- Corruption, bribery, extortion and money laundering
- Fraud
- Impacts on communities
- Local participation issues
- Local pollution

Oil & Gas (Malabu) by General Sani Abacha, and that Shell Nigeria Exploration Production (SNEPCO) and Nigeria Agip Exploration had entered into a corrupt deal to purchase the oil block. Other companies identified in the deal include Group Construction, Imperial Union, MegaTech Engineering, Novel Properties & Development Company, and Rocky Top Resources.

Prosecutors further claimed that the money had been transferred to two banks controlled by Mr. Etete, before being laundered to accounts of several individuals and companies, and then distributed to various Nigerian politicians, including the former President Goodluck Jonathan.

In April 2017, the activist groups Global Witness and Finance Uncovered tracked down emails that allegedly showed how executives of Shell knew that the USD 1.1 billion would be used to pay bribes to Nigerian politicians. Although Shell had denied accusations of corruption for many years, the leaked documents forced it to admit that it had known that the deal to purchase the OPL 245 Oil Block was a bribery scheme that was detrimental to the interests of the Nigerian people.

The OPL 245 deal, which is generally regarded as one the most corrupt deals in the oil sector's history, is also being probed by the Dutch, Nigerian, Swiss, UK, and US authorities.

In December 2017, an Italian judge ordered Shell and Eni to face trial in March 2018. Both companies risk losing their licenses for the OPL 245 Oil Block.

In April 2017, the activist groups Global Witness and Finance Uncovered tracked down emails that allegedly showed how executives of Shell knew that the USD 1.1 billion would be used to pay bribes to Nigerian politicians.

#8 Changwon Jinhae Shipyard

Sector: Industrial Engineering; **Location:** South Korea; **Peak RRI:** 58

The Changwon Jinhae Shipyard, located in Jinhae district in the city of Changwon, South Korea, has been included in the MCP 2017 Report due to an explosion on August 20, 2017 that killed four contracted workers. The workers were painting the interior of a residual oil tank situated in the shipyard, owned and operated by STX Offshore & Shipbuilding (STX O&S). The explosion was reportedly triggered by the ignition of combustible gases from spray paint guns due to poor ventilation and a malfunctioning explosion-proof lamp in the oil tank.

In October 2017, a joint investigation by South Korean authorities, including the South Regional Headquarters of the Coast Guard and the National Forensic Service, concluded that the accident had been caused by safety negligence on the part of the company and its subcontractor. Arrest warrants were issued against five employees of STX O&S and its subcontractor in connection with 213 safety violations found at the shipyard, such as failing to check the level of gases inside the tank, failing to conduct on-site safety inspections, and manipulating documents to hide evidence of safety negligence. Allegedly, the subcontractor had also falsified the work contracts of 41 workers, including the four deceased.

In December 2017, the Changwon District Prosecutors' Office in South Korea indicted STX O&S, as well as 11 executives and employees of the company and its subcontractor. The shipyard director, together with eight other STX O&S employees, were charged with involuntary manslaughter due to negligence, while the CEO and an employee of the STX O&S subcontractor were accused of violating safety duties and thereby contributing to the death of the workers.

Most related companies: Changwon Jinhae Shipyard

- STX Corp (STX Group)
- STX Offshore & Shipbuilding Co Ltd (STX O&S)

Top ESG Issues: Changwon Jinhae Shipyard

- Occupational health and safety issues
- Supply chain issues
- Fraud
- Poor employment conditions

Top ESG Topic Tags: Changwon Jinhae Shipyard

- Negligence

#9 Guangzhou No 7 Thermal Power Plant

Sector: Utilities; **Location:** China; **Peak RRI:** 57

On March 25, 2017, a 40-meter-high operation platform at a construction site at Guangzhou No 7 Thermal Power Plant, also known as the Guangzhou Conghua Solid Waste General Treatment Center, in Guangdong Province, China, collapsed, killing nine workers and injuring two others. Guangzhou No 7 Thermal Power Plant is owned by Guangzhou Environment Protection Investment Group (Grantop), and is administered by Grantop's subsidiary, Guangzhou Grantop Conghua Environmental Energy.

In November 2017, the government of Guangzhou City published the result of its investigation into the accident, which concluded that the collapse had been mainly caused by a structural flaw in the operation platform, poor weather conditions, and the failure of workers to properly use their safety harnesses.

Seventeen individuals were arrested after the accident, including the General Manager of Guangzhou Grantop Conghua Environmental Energy, the Deputy General Manager of Guangzhou Dianbai Construction Group, two employees from Guangzhou Municipal Group, an engineer from Guangzhou Municipal Engineering Supervision, and other subcontractors.

The project developer and four contracting companies responsible for various aspects of the project, including Guangzhou Dianbai Construction Group, Guangzhou Municipal Engineering Supervision, Guangzhou Municipal Group, and Guangzhou Municipal Industry, may also face possible administrative penalties for their roles in the accident.

Most related companies: Guangzhou No 7 Thermal Power Plant

- Guangdong Dianbai Construction Group Co Ltd
- Guangzhou Environment Protection Investment Group Co Ltd (Grantop)
- Guangzhou Grantop Conghua Environmental Energy Co Ltd
- Guangzhou Municipal Group Co Ltd (also known as Guangzhou Civicism Group)

Top ESG Issues: Guangzhou No 7 Thermal Power Plant

- Occupational health and safety issues
- Supply chain issues

Top ESG Topic Tags: Guangzhou No 7 Thermal Power Plant

- Negligence

#10 Imperial Pacific Resort Hotel

Sector: Travel and Leisure; **Location:** USA; **Peak RRI:** 57

Throughout 2017 the Imperial Pacific Resort Hotel in the US territory of Saipan, an island about 3,700 miles west of Hawaii, was at the center of an investigation by the US FBI into alleged "systematic human smuggling" and other illegal labor practices.

The luxury resort, which includes a casino, is being developed by Imperial Pacific International Holdings (IPIH), and its contractors, including China Metallurgical Group, MCC International Saipan (MCC), Nanjing Beilida New Material System Engineering, Sino Great Wall International Engineering, and Suzhou Gold Mantis. IPIH already operates a temporary gambling facility near the site called Best Sunshine Live, which is facing a separate money-laundering probe by the US Justice Department.

The FBI investigation, prompted by the death of a worker who fell from a scaffold on a construction site inside the resort in March 2017, has so far resulted in the repatriation of 92 Chinese workers, who were among 150 others found working without proper permits. Two employees of MCC International Saipan, a local affiliate of the Chinese state-owned company China Metallurgical Group Corp, which in turn is a subsidiary of China Minmetals Corp, were charged with illegally harboring and employing immigrant workers. The President and Director of Beilida Overseas (CNMI) Ltd, and an employee of Marianas Enterprises were also charged.

Most related companies:
Imperial Pacific Resort Hotel

- Imperial Pacific International Holdings Ltd (IPIH)
- China Metallurgical Group Corp (MCC Group)
- MCC International Saipan Ltd Co (MCC)
- Nanjing Beilida New Material System Engineering Co Ltd
- Sino Great Wall International Engineering
- Suzhou Gold Mantis

Top ESG Issues:
Imperial Pacific Resort Hotel

- Poor employment conditions
- Occupational health and safety issues
- Human rights abuses and corporate complicity
- Supply chain issues

The investigations revealed that the workers, who had been lured by promises of high wages and a “green card” that allows the holder to be a permanent US resident, were made to endure 12-hour shifts in the tropical heat. Some workers claimed that they had been paid less than originally promised, while others claimed that they were owed wages by Sino Great Wall International Engineering.

#10 Imperial Pacific Resort Hotel

The resort had also faced allegations of occupational health and safety violations in 2016, when a doctor reported 80 cases of serious injuries such as amputations and fractures between January and December 2016 at the resort. In December 2016, the US Department of Labor sought a federal warrant to inspect the resort after a US Occupational Safety and Health Administration officer was denied entry. In September 2017, a project manager of MCC was sentenced to a six-month prison term as part of a plea bargain in which he pleaded guilty to a misdemeanor charge of unlawfully employing illegal aliens.

In October 2017, an employee of Beilida Overseas pleaded guilty to harboring illegal aliens as part of a plea deal. She will be sentenced in March 2018 and could face up to 33 months in prison. Three other employees of Beilida Overseas including the company's President are currently facing charges of harboring illegal aliens, which can carry a penalty of ten years in prison.

Top ESG Topic Tags: Imperial Pacific Resort Hotel

- Migrant labor

Two employees of MCC International Saipan, a local affiliate of the Chinese state-owned company China Metallurgical Group Corp, which in turn is a subsidiary of China Minmetals Corp, were charged with illegally harboring and employing immigrant workers.

Update: ETP Crude Pipeline Project (Bakken pipeline; Dakota Access Pipeline)

Sector: Oil & Gas; **Location:** USA; **Peak RRI:** 71

The ETP Crude Pipeline Project, also known as the Dakota Access Pipeline, was ranked third in RepRisk's Most Controversial Projects of 2016 Report[1] due to its alleged impact on sacred sites of Native Americans and on the drinking water sources of the Standing Rock Sioux reservation in the state of North Dakota in the US. The pipeline will reportedly transport up to 570,000 barrels of crude oil a day from the Bakken oil fields in North Dakota to Illinois, crossing the states of South Dakota and Iowa.

In January 2017, during his first month in office, US President Donald Trump signed executive orders to support the construction of the pipeline, which prompted indigenous groups and activists in the US to step up their protests.

The Dakota Access Pipeline is being constructed by Dakota Access LLC, a fully owned subsidiary of Bakken Holdings Company, which is a joint venture formed by Energy Transfer Partners and Sunoco Logistics Partners, both part of the Energy Transfer family of companies.

Throughout 2017, the project faced strong criticism for violating the human rights of Native Americans by failing to obtain their prior consent, and by impacting their water supplies and sacred lands. The protests increased in April 2017, when the Dakota Access Pipeline leaked 84 gallons of crude oil. In total, the pipeline leaked at least five times in 2017.

In May 2017, TigerSwan, a security firm hired by Energy Transfer Partners was accused of using military-style counter-terrorism tactics, including social media monitoring and video surveillance, against protesters and Native American groups opposing the pipeline.

The Standing Rock Sioux Tribe and their NGO supporters have put pressure on international banks urging them to cancel their financial support for the pipeline. During the autumn of 2017, tens of thousands of people joined the activists and indigenous tribes to protest against the Dakota Access Pipeline, which remains highly controversial.

1 To view the Special Report, please refer to RepRisk's Publications page at https://www.reprisk.com/publications.

Methodology

RepRisk Special Reports are compiled using information from the RepRisk ESG Risk Platform, the world's largest due diligence database on environmental, social, and governance (ESG) and business conduct risks, used to conduct in-depth risk research on listed and non-listed companies as well as projects of all sizes, from all sectors and countries, including emerging and frontier markets.

RepRisk believes it is important to look at performance, not just policies. Therefore, we take an outside-in approach to assessing a company or project: Our research captures and analyzes information from media, stakeholders, and other public sources external to a company. This perspective helps assess whether a company's policies and processes are translating into actual performance on the ground. RepRisk combines artificial intelligence with human analysis in 16 languages to translate big data into curated and actionable research and metrics, using a proprietary, rules-based methodology.

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. 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.

For more information on our research approach and the ESG Risk Platform, please visit our website or email us at contact@reprisk.com.

The RepRisk Index (RRI)
The RRI is a proprietary risk metric developed by RepRisk that dynamically captures and quantifies a company's or project's 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.

Find out more about RepRisk's suite of risk metrics and how they can support your business here or email us at contact@reprisk.com.

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