



## Most Environmentally and Socially Controversial Companies of 2010

Zurich, December 15, 2010 / Karen Reiner

According to the reputational risk radar RepRisk, the top ten most environmentally and socially controversial multinational companies in 2010 were:

- |                            |                            |
|----------------------------|----------------------------|
| 1. Transocean Ltd          | 6. Chevron Corp            |
| 2. BP PLC                  | 7. BG Group PLC            |
| 3. Vedanta Resources PLC   | 8. Royal Dutch Shell       |
| 4. ExxonMobil Corp         | 9. Sinar Mas Group         |
| 5. Foxconn Electronics Inc | 10. Magyar Aluminium (MAL) |

Companies on the list have been severely criticized by the world's media, governmental organizations and NGOs for issues including human rights abuses, severe environmental violations, impacts on local communities, corruption and bribery, as well as breaches of labor, and health and safety standards. Rankings are based on the Reputational Risk Index (RRI), as measured by RepRisk throughout 2010. The RRI is directly derived from the negative press captured by RepRisk and its calculation is strictly rule-based.

RepRisk does not measure a firm's overall reputation. Instead, by capturing criticism, RepRisk computes a firm's exposure to controversy and therefore provides an indicator for reputational risk. RepRisk is used by asset owners and asset managers, commercial and investment bankers, supply chain managers, and corporate responsibility experts.

The Reputational Risk Index (RRI) ranges from zero (lowest) to 100 (highest) and its calculation is based on the reach of news sources, the frequency and timing of news, as well as its content, i.e. severity and novelty of the issues addressed. The RRI is an indicator of a company's exposure to controversial issues and allows an initial assessment of risks that are attached to investments and business relationships. It also allows the exposure of an entity to be compared with that of its peers and permits risk trends to be tracked over time.

The following pages provide a summary of the criticism to which the ten most controversial companies have been exposed in 2010, as well as the environmental and social issues that have been associated with these companies.

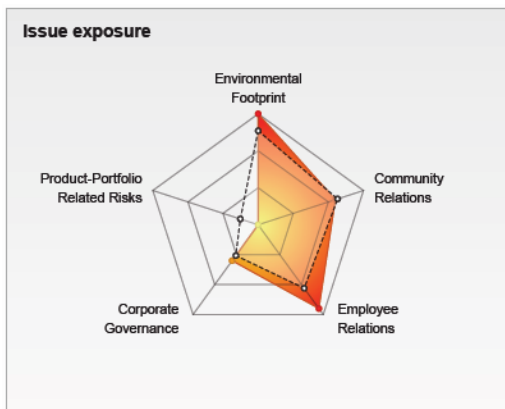
Please refer to page 12 for more details on methodology.

## Rank 1: Transocean Ltd [Switzerland]

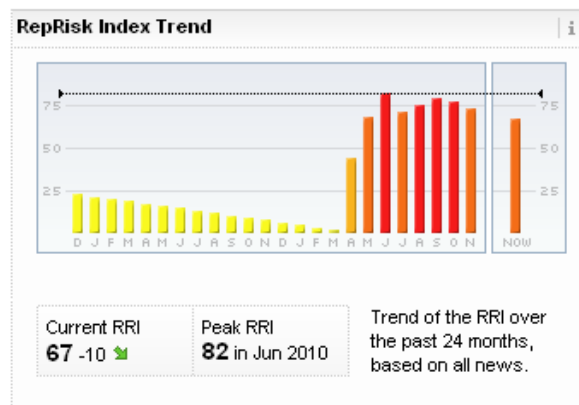
Transocean attained infamy in April 2010 as the owner of the Deepwater Horizon oil rig off the Louisiana coast in the Gulf of Mexico, operated by BP, which exploded killing eleven workers and starting an oil spill that caught the world's attention. According to a report by the US National Commission, charged with looking into the disaster, Transocean was in possession of data indicating that the cement mixture used to seal the Macondo well at the drill site was unstable, but neglected to act on this information. It is further claimed that Transocean commissioned a safety risk analysis just one month before the spill that highlighted problems with the ballast systems at several rigs and a general practice of deferring maintenance work to lower costs.

The company faced further accusations of poor management and occupational health and safety standards across the globe, with the UK Health and Safety Executive releasing a report stating that its management at four rigs in the North Sea used harassment and intimidation to prevent individuals from reporting work-related accidents.

Transocean has also been under scrutiny, especially by human rights advocates, for its recent dealings with state-controlled companies in Myanmar, a country under United States trade sanctions due to its repressive military regime. Transocean was further criticized for alleged links to Iran and Syria, both accused of sponsoring terrorism. In other issues, it is the subject of a criminal investigation into tax fraud in Norway and further inquiries in Brazil and the US. The company has most recently been implicated in the Panalpina Group bribery probe in the US and may face penalties for breaches of the Foreign Corrupt Practices Act.



●—● Transocean Ltd    ○---○ Average of sector(s)

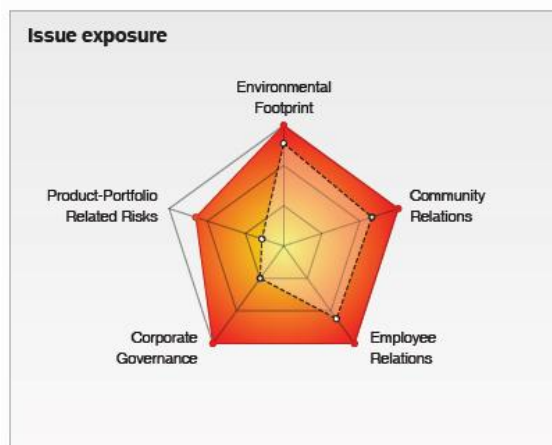


## Rank 2: BP PLC [United Kingdom of Great Britain and Northern Ireland]

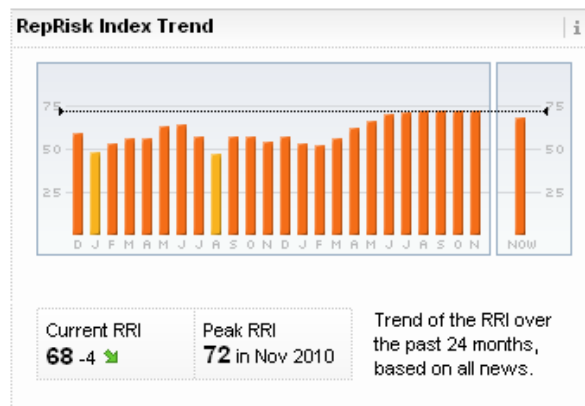
Arguably the most talked about company of this year, BP's number 2 ranking is not surprising. Its RepRisk Index has been consistently high over the past two years, indicating its serious risk exposure in terms of social and environmental concerns, and it already appeared at number 9 on our Most Controversial Companies list in 2009. The risks materialized in April this year with the deadly explosion and subsequent catastrophic oil spill at its Deepwater Horizon project, which resulted in the release of an estimated 41 million barrels of crude into the Gulf of Mexico. BP now faces fines of up to USD 4,300 per barrel if it is deemed grossly negligent, in addition to civil lawsuits brought by oil-rig workers and fishermen among others. BP was condemned for not being adequately prepared for such an event and for the widely banned toxic dispersants it used in the clean-up process, which have allegedly resulted in incidents of chemical-exposure related illnesses in the surrounding population. It has also been accused of harboring a culture in which whistleblowers fear reprisal and intimidation.

This occurred while the company was still battling to restore its image after receiving a record USD 50.6 million fine this year following the 2005 refinery explosion in Texas, which killed 15 workers and injured a further 180. In continued health and safety breaches at its Texas City Refinery, tens of thousands of pounds of hazardous chemicals were released following equipment failure in April and May of this year. It now faces a related class-action lawsuit.

Additionally, BP has come under fire for numerous issues outside of the US, including its tar sand operations in Canada, considered up to 5 times more carbon-intensive to exploit than normal crude. The company was implicated in human rights abuses in Angola, a country named as one of its six new profit centers. It has been criticized for ongoing violent persecution of unionized workers at its operations in Colombia and linked to two alleged assassinations. Also in Colombia, it has been accused of illegally forcing local communities off their land. BP's use of the controversial process of hydraulic fracturing of shale, where underground rock is blasted with high-pressure sand and chemicals potentially polluting groundwater supplies, also attracted unwanted attention for the company this year.



●—● BP PLC    ○- - -○ Average of sector(s)



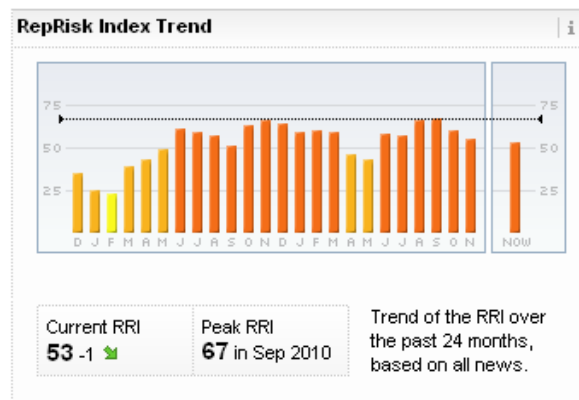
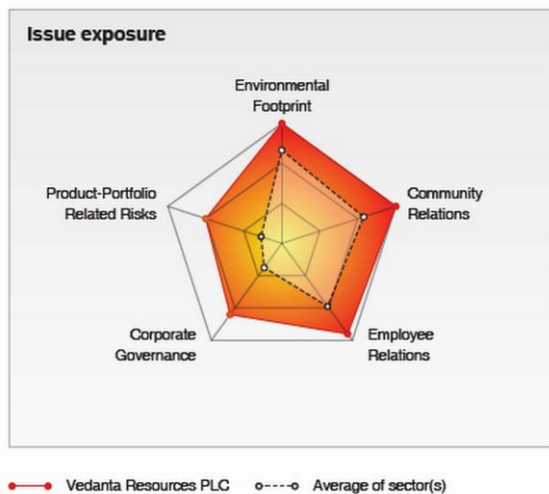
## Rank 3: Vedanta Resources [United Kingdom of Great Britain and Northern Ireland]

Concerns about indigenous rights abuses and environmental damage in Orissa, India, have kept Vedanta in the spotlight for the past few years and have led to several high-profile divestments. Earlier in 2010, a series of protests with up to 8,000 tribal members and anti-Vedanta activists were staged. The controversy surrounding Vedanta's proposed projects in the region came to a head in August this year, when the Indian government withdrew its permission to mine at the Niyamgiri Bauxite Mine in Orissa and issued a notice for violation of forestry laws. The committee reviewing the proposed project concluded that it would severely impact the hunting and farming lifestyle of the Dongria Kondh and Kutia Kondh tribes through pollution and diversion of rivers, and destruction of flora, including fruit-providing and medicinal plants they depend on. Additionally, it would have destroyed an area they consider sacred. Vedanta was also accused of illegally occupying forest land and collaborating with local officials to falsify documents.

There have also been calls for the closure of a Vedanta subsidiary's Orissa Alumina Refinery amidst claims that work on its expansion project, in an ecologically sensitive area, began without the necessary permits. Another subsidiary, Sterlite Industries' Tuticorin Copper Smelter, was ordered to shut due to repeated violations of air, water and hazardous waste pollution.

Vedanta also experienced further ramifications of the chimney collapse at its BALCO subsidiary's Korba Thermal Power Plant in 2009, which resulted in the deaths of 41 construction workers. Three BALCO executives were charged with manslaughter this year.

Outside of India, Vedanta's Konkola Copper Mine allegedly polluted the Kafue Gorge River in Zambia with mine effluent, depriving thousands of households of safe access to water.



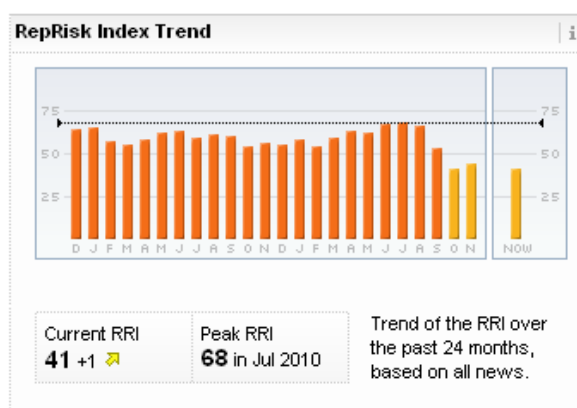
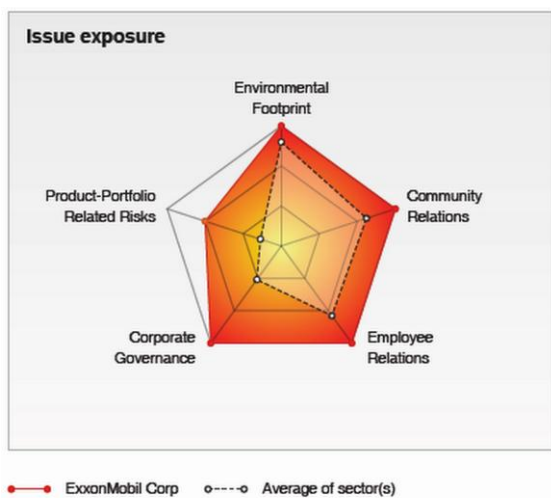
## Rank 4: ExxonMobil Corp [United States of America]

In light of the Gulf of Mexico oil spill this year, the Exxon Valdez spill of 1989 returned to haunt ExxonMobil. Countless news articles raised the 20-year old disaster again, using it as an example to show long-term impacts of oil spills on wildlife and affected communities, and referring to the fines and compensation payments that reached almost USD 5 billion. Several protests against deep-sea drilling took place, and Exxon was among the targets for its operations in areas with sensitive ecosystems such as the Arctic region.

Additionally, Exxon was criticized for its operations in Nigeria: its subsidiary allegedly tried to avoid paying compensation for an oil spill that occurred in May 2010, and, along with other multinational oil firms, Exxon failed to end the harmful practice of gas flaring on the grounds that doing so would be 'economically unviable'. In Kazakhstan, the company was fined for causing ground pollution and for burning natural gas without authorization in the Tengiz oilfields, where it was also accused of illegally producing oil by digging wells deeper than permitted by its license.

The company came under fire for its tar sand operations, which environmentalists claim to be some of the dirtiest oil on earth and a great contributor to climate change. In the US, Exxon faced a lawsuit over illegal air emissions at its Baytown refinery and chemical plant complex in Texas. It also agreed to pay USD 150 million to dispose of hazardous materials at its former fertilizer plant in Texas.

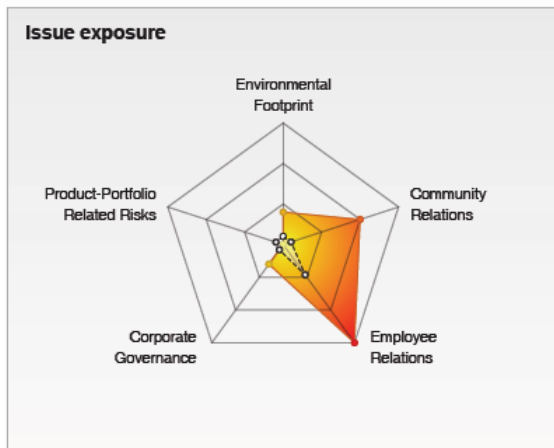
Exxon subsidiaries in Guam and Saipan were fined for illegally discharging volatile organic compounds over a period of several years, and human rights activists condemned the company for its operations in Indonesia and in Chad.



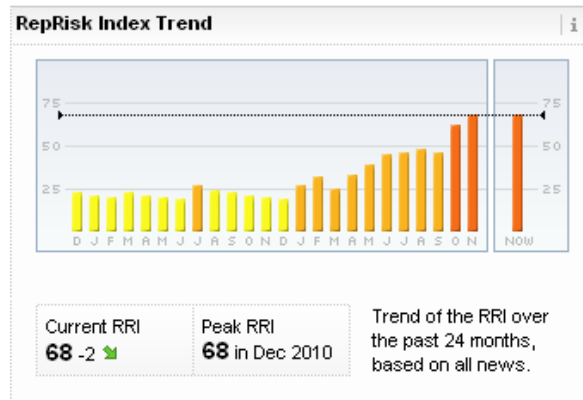
## Rank 5: Foxconn Electronics Inc [Taiwan]

RepRisk detected criticism of poor working conditions at Foxconn factories back in 2007 and 2008, and in 2009, the first articles about worker fatalities began appearing. It was not until earlier this year, however, that reports of a series of worker suicides focused international media attention on Foxconn and the electronics manufacturers it supplies. Foxconn was denounced for harsh labor conditions at its facilities in China, where 14 employees jumped to their deaths, and accused of attempting to cover up facts surrounding the suicides. Company security guards were allegedly seen beating and kicking workers. It also came under fire in India, where it reportedly subjected workers to intimidation, mass dismissals and criminal charges for seeking wage increases and recognition of their union.

Despite reported attempts to shift operations from Shenzhen, where its factory attracted a great deal of negative publicity, to Sichuan and Henan in order to improve quality of life for factory workers, a recent university report concluded that the company maintains a 'militaristic' work culture and continues to pay low wages. Surveys conducted at factories in mainland China found that Foxconn tended to force workers to do more than 80 hours of overtime per month, while skimping on overtime payments and failing to provide adequate medical checks for workers exposed to poisonous substances. In one incident this year, 250 employees were overcome by an unknown substance, with several requiring hospitalization. NGOs claimed a gas leak occurred and accused the company of issuing misleading statements that the cause was routine pesticide spraying in the area.



● Foxconn Electronics Inc (Foxconn Technology Group)  
○ Average of sector(s)



## Rank 6: Chevron Corporation [United States of America]

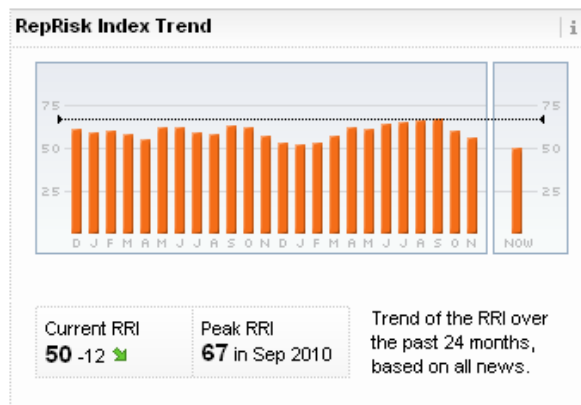
The ongoing lawsuit in Ecuador, among other issues, has kept Chevron prominently in the press this year. The 30,000 plaintiffs in the ongoing court case who claim Chevron poisoned their land, rivers and livestock, which had severe repercussions for their health and traditional way of life, have raised their compensation claims four-fold to USD 113 billion. Lawyers submitted new assessments, broadening the scope of the damages to include impacts on drinking water and the resulting elevated cancer risks and birth defects. Chevron's image has also been tainted by reports of its attempted manipulation of legal processes and stalling tactics, as well as the intimidation of journalists and attempts to distract shareholders from its liability. Its defense has been harmed by former employees confirming that Texaco, acquired by Chevron in 2001, had ordered the systematic dumping of toxic waste into Amazonian waterways and the rainforest from 1964 to 1990.

Chevron has been accused of complicity in human rights violations in countries including Myanmar and Nigeria. In particular, the company has come under constant fire for its alleged cooperation with the repressive Myanmar military regime, especially related to the Yadana Gas Pipeline. Its Nigerian subsidiary was allegedly told to take full responsibility and compensate locals for the devastation of fish farms at Ekpan connected to massive and continuous spillage. It was further criticized for oil spills that occurred in areas where it operates, including crude that washed onto Angola's Cabinda shore.

In 2010, Chevron was denounced for its involvement in tar sands operations and fined for its joint venture in Kazakhstan due to excessive gas flaring and pollution. Another joint venture, the Browse Basin Gas Field in Australia, also faced harsh criticism. The project, which will be the world's largest liquefied natural gas plant, will potentially harm a pristine wildlife refuge on the Kimberley coast, an area claimed by aboriginal people. Furthermore, since the BP oil spill, the company's offshore exploratory and drilling operations have been besieged by protesters.



—●— Chevron Corp    - - - - - Average of sector(s)





## Rank 7: BG Group PLC [United Kingdom of Great Britain and Northern Ireland]

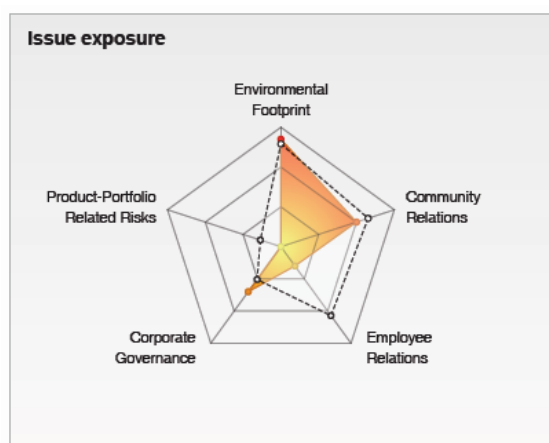
Environmental and governance issues dating back several years first came to light in 2010, meaning that BG Group received a great deal of negative media attention throughout the year. In February, the onshore Karachaganak Oil and Gas Fields project, operated by the KPO consortium that includes BG, was reportedly fined USD 21 million for environmental violations. These included excessive waste dumping and emissions in 2008. The consortium further faced several investigations by Kazakhstan’s authorities into tax evasion and fraud. The cases relate to a USD 1.3 billion cost overstatement and allegations of hundreds of millions in illegal earnings. BG was also recently accused of violating the country’s immigration and labor laws.

Following the Gulf of Mexico disaster and renewed interest in moratoriums on underwater drilling, BG Group was among companies targeted by activists and politicians mobilizing against deep-sea drilling plans in the Sicilian Strait. This has been identified as a priority conservation area.

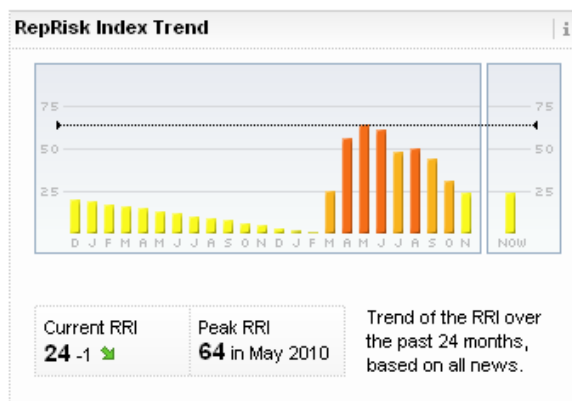
BG subsidiary Queensland Gas Company has been at the center of a controversy in Australia surrounding its multi-billion dollar Queensland Curtis LNG Project. Landowners and environmentalists reportedly blocked the company from continuing seismic testing in the gas-rich Surat Basin amid fears about current relations with local communities and pollution issues. Concerns were also expressed about the effect that the coal seam gas extraction process and its use of large amounts of underground water will have. The project will allegedly generate about 5.75 million tons of greenhouse gases per year and large amounts of salty water as a by-product, and there is a push for the company to develop and implement greenhouse gas reduction and coal seam gas water treatment strategies.

In Bolivia, indigenous leaders attempted to block exploitation of the Tarija natural gas reserves where another BG subsidiary operates. They claim that companies severely impact on communities by diverting the flow of groundwater, affecting wildlife, and creating large-scale deforestation and pollution.

Additionally, the company came under fire in the UK for its excessive remuneration policies following revelations that its chief executive had received GBP 28 million in cash, shares and pension contributions the previous year.



●—● BG Group PLC    ○- - -○ Average of sector(s)





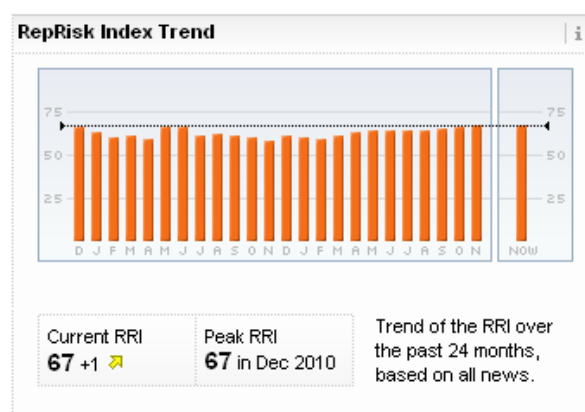
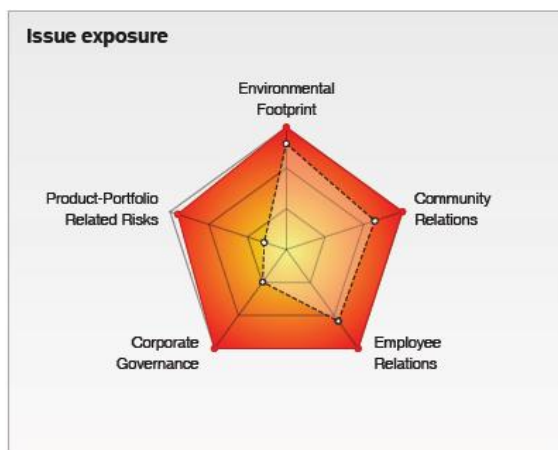
## Rank 8: Royal Dutch Shell [United Kingdom of Great Britain and Northern Ireland]

In 2010, Royal Dutch Shell's reputation was marred by bribery and tax evasion allegations. In the US, Shell and five oil-services companies recently agreed to pay USD 236.5 million to resolve a US probe of overseas bribery. Furthermore, Shell committed to pay a USD 48.2 million fine to avoid legal proceedings in the US over accusations that the company bribed Nigerian civil servants to be given access to the Bonga Oil Field. In the Philippines, its subsidiary Pilipinas Shell Petroleum Corporation stands accused of tax evasion and oil product smuggling worth USD 567 million.

Royal Dutch Shell has also come under fire for mistreating communities in countries like Brazil, Nicaragua, Nigeria and Ireland. In Brazil, the company has been criticized for its plans to plant sugarcane for ethanol production on land that legally belongs to the Guarani indigenous tribe, which has reportedly been the victim of repeated violent, sometimes deadly, attacks. In Nicaragua, a recent session of the Central American Court of Climate Justice has found Shell guilty of gravely affecting the environment, making the region more vulnerable to climate change. Furthermore, Shell came under fire in Nigeria, where it paid for a report written by the United Nations Environment Programme (UNEP), which exonerated the company for 40 years of massive oil pollution and what some call a "human rights tragedy" in the Niger Delta. In Ireland, the Corrib Gas Project has been facing opposition from the Pobal Chill Chomain community, citing human rights and environmental concerns.

Royal Dutch Shell's environmental record has also been widely criticized in 2010. In the US, Shell paid USD 6 million to settle a 2008 lawsuit for releasing millions of pounds of toxic chemicals into the air from its Deer Park refinery in Texas. In Brazil, Royal Dutch Shell has been ordered to compensate workers who were harmed by air and groundwater contamination around an agricultural chemicals plant in Paulinia, Sao Paulo. In Chile, Shell settled a 2005 lawsuit brought by fishermen in Antofagasta, where the company had been accused of polluting beaches and ponds located on company-owned coastal lands. In Australia, Shell's joint venture Gorgon Project has come under fire for potential impacts on indigenous island species, and Shell's Prelude LNG project has raised eyebrows among conservationists for reportedly emitting an expected 55 million tons of greenhouse gases over the next 24 years. The company has also been criticized for its commitment to tar sands development, and the high amount of controversial palm and soybean oil contained in its biodiesel products. These controversial ingredients have been blamed for the destruction of virgin forests and ecosystems in Indonesia and Argentina.

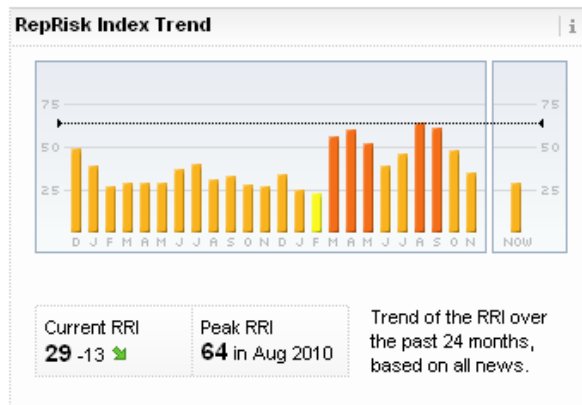
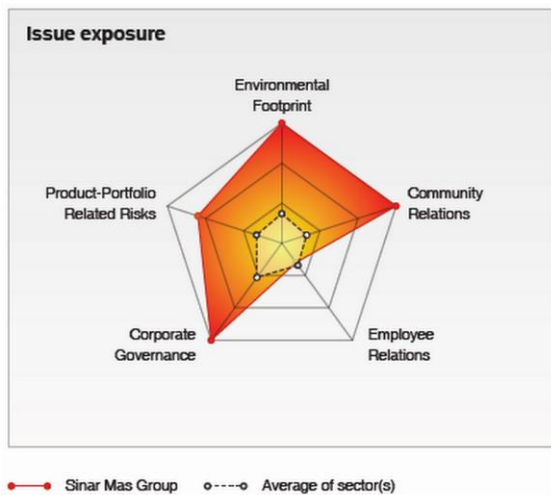
The company also came under fire for purchasing USD 1.5 billion worth of crude oil from the National Iranian Oil Company in summer 2010, after the US had sanctioned Iran due to its ongoing nuclear program.



## Rank 9: Sinar Mas Group [Indonesia]

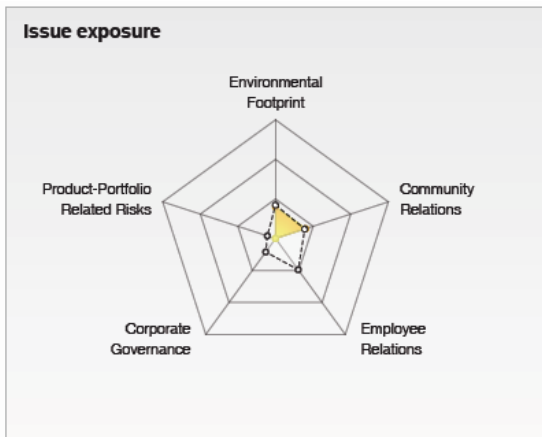
The Sinar Mas Group was staunchly criticized in 2010 for excessive deforestation to make way for palm oil production in Indonesia. The company, along with its subsidiaries including Asia Pulp & Paper (APP), Golden Agri-Resources, PT SMART and Sinar Mas Forestry, came under fire for destroying Sumatran rainforests in Indonesia, contributing to climate change through greenhouse gas emissions, destroying the habitats of endangered orangutans and Sumatran tigers, illegally burning forests, damaging rivers and fish stocks, destroying indigenous ways of life, creating social conflict through land rights and resources disputes, and playing a part in high profile political scandals over the illegal issuance of permits in protected forests. Sinar Mas has also been accused of purposely misrepresenting the findings of the company's audit in an effort to prove the allegations were false - an act which has recently been interpreted as fraud. These allegations, along with a 2010 Greenpeace campaign, prompted companies like HSBC, Nestle, Unilever, Kraft, Tesco and Burger King to terminate contracts with the Sinar Mas Group and its affiliates.

Environmentalists have also been concerned over plans by Sinar Mas to buy the Mackenzie Pulp Mill in British Columbia, fearing that the company would follow the highly criticized practices it uses in Indonesia.

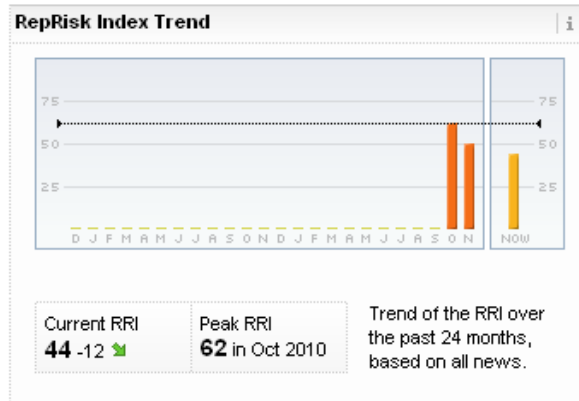


## Rank 10: Magyar Aluminium Termelő és Kereskedelmi Rt (MAL Hungarian Aluminium Production and Trade Company) [Hungary]

Previously unknown at an international level, MAL was thrust into the spotlight in October this year when a reservoir burst at its Ajkai Timfoldgyar Alumina Plant, leaking almost 200 million gallons of toxic sludge into the surrounding area. The accident reportedly killed nine people by drowning and injured well over one hundred. It flooded the villages of Devecser and Kolontar in western Hungary with chemical waste, forcing hundreds of residents off their contaminated properties, and also polluted the Danube River and several tributaries. The highly corrosive red mud allegedly contained heavy metals and low-level radioactive matter. In the aftermath, Hungarian police arrested the company's managing director and it was claimed that the company may face a fine of up to EUR 73 million.



- Magyar Aluminium Termelő és Kereskedelmi Rt (MAL Hungarian Aluminium Production and Trade Company)
- Average of sector(s)



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## Methodology

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

The "Most Environmentally and Socially Controversial Companies 2010" report was compiled using information from the RepRisk database, which consists of negative news on companies' environmental and social performance. The RepRisk database currently contains criticism on more than 16,000 companies and holds news from thousands of sources, ranging from commercial newspapers and online media to NGO websites, blogs and newsletters. Once the negative news has been identified with advanced search algorithms and analyzed for its novelty, relevance and severity, risk analysts enter it into the database and link it to the companies in question. No news is entered twice unless it has been escalated to a more influential source, contains additional information, or has not appeared for the past 6 weeks. This helps to ensure the balanced and objective rating and weighting of the negative news, and thus the company's RRI. The RRI measures the risk to a company's reputation, not its actual reputation in general.

For more information about the "Most Environmentally and Socially Controversial Companies" reports, please contact Karen Reiner at [reiner@reprisk.com](mailto:reiner@reprisk.com), ph: +41 43 300 54 43, or visit our website: [www.reprisk.com](http://www.reprisk.com).

## RepRisk

RepRisk is the leading provider of dynamic data on environmental and social risks for an unlimited universe of companies and projects. The company's web-based tool, RepRisk, allows you to identify and assess the environmental and social issues which may present financial, reputational, and ethical risks. It is used by investment professionals, financial institutions, supply chain managers, multinational corporations, and compliance managers, and includes a variety of features enabling clients to monitor risk trends over time, create customized watch lists, tailor alert services, and more. The tool plays an integral role in increasing transparency and ensuring compliance with internal and international standards, thereby helping reduce risk exposure.

RepRisk's comprehensive and relevant database enables you to meet the risk management and compliance challenges in an increasingly complex world. On a daily basis, RepRisk tracks a company's or project's environmental and social risk exposure by monitoring independent third-party sources such as all major print media, over 700 NGOs, newsletters, news sites, governmental agencies and blogs. Controversial issues covered include environmental footprint and climate change, human rights and community relations, labor conditions and employee relations as well as corruption and money-laundering. In particular, all principles of the UN Global Compact are addressed. RepRisk covers all major business languages (English, Chinese, Japanese, Korean, French, German, Spanish, Portuguese, and Russian) and its database currently includes over 15,000 companies and 3,000 projects, and is updated and growing daily.

## Disclaimer

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