

REPRISK CASE STUDY

# Boeing

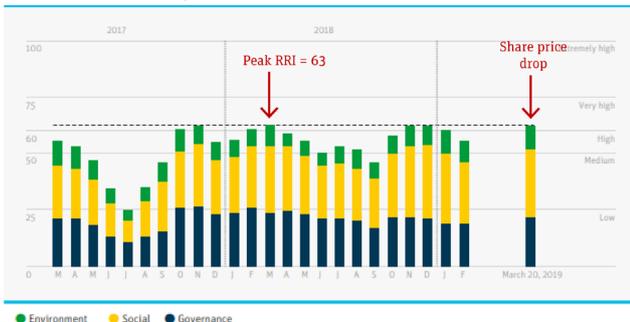
## What happened?

In the past six months, two Boeing 737 MAX 8 aircraft have been involved in fatal accidents. On October 29, 2018, a Boeing 737 MAX 8 operated by the Indonesian airline Lion Mentari Airlines (Lion Air) crashed into the sea shortly after taking off from Jakarta airport, killing all 189 passengers and crew. On March 10, 2019, another Boeing 737 MAX 8, operated by Ethiopian Airlines, crashed shortly after leaving Addis Ababa, killing all 157 people on board.

Boeing's market value dropped by nearly USD 25 billion in the wake of the Ethiopian Airlines crash.

RepRisk's unique research approach and methodology picked up early warning signals around the high environmental, social, and governance (ESG) risk exposure of Boeing **before** these two tragedies occurred. The company's high Peak RRI\* score in March 2018 had been triggered by a series of allegations and risk incidents that already raised serious concerns about the business conduct of the company.

RepRisk Index Boeing



\* Please refer to methodology section on page 3

## Case Study Timeline

### 2017

#### September 9, 2017

Boeing criticized for using poorly paid US prison laborers to produce aircraft parts.

#### October 10, 2017

Boeing's supplier Kobe Steel admits to falsifying data on the quality of its metal products.

#### November 23, 2017

Boeing's supplier Mitsubishi Materials admits to falsifying data on products sold to airline companies.

### 2018

#### February 5, 2018

Two pilots are killed when a Boeing AH-64 D helicopter, owned by Japan's Ground Self-Defense Force, crashes in Saga Prefecture. Investigators subsequently find 6mm crack in bolt of main rotor head.

#### March 14, 2018

Two US Navy pilots killed after Boeing's F/A-18F Super Hornet jet experiences engine failure and crashes in Florida.

#### April 17, 2018

Boeing 737-700 operated by Southwest Airlines makes emergency landing after one of its engines fails shortly after leaving La Guardia Airport, New York. Accident kills one passenger and injures seven others.

#### May 1, 2018

Boeing accused of discharging storm water containing polychlorinated biphenyls into Duwamish River in the US.

#### May 7, 2018

Russian district court begins review of 30 lawsuits filed by relatives of the victims of March 19, 2016 crash of a Boeing 737-800 airplane operated by Fly Dubai at airport in Rostov-on-Don, in which all 55 passengers and seven crew members died.

#### May 18, 2018

Boeing's Peak RRI reaches 63

RepRisk has published a series of Case Studies that demonstrate the materiality of environmental, social, and governance (ESG) issues – and how RepRisk can serve as an early warning system before these issues translate into reputational, compliance, and financial risks. For more Cases, please visit [www.reprisk.com/publications](http://www.reprisk.com/publications) or contact us at [media@reprisk.com](mailto:media@reprisk.com).

Boeing had a Peak RRI of 63 in March 2018 and high ESG risk exposure throughout the year. In March 2019, the company's share price fell by almost USD 25 billion.

Boeing has a commendable mission statement and policies:

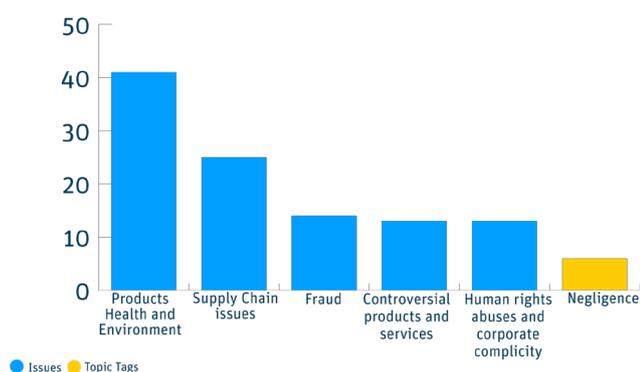
- “Connect, Protect, Explore and Inspire the World through Aerospace Innovation”
- “The company values human life and well-being above all else and believes that all incidents, injuries and workplace illnesses are preventable.”

The company has also put in place admirable policies:

- A Compliance Risk Management Board chaired by the senior vice president of the Office of Internal Governance and Administration
- A Boeing Code of Conduct, which outlines the expected behavior of the company's 1,700 employees

But there had been reports of poor ESG performance:

Between October 2016 and October 29, 2018 (date of Lion Air Crash), Boeing was linked 178 times to RepRisk ESG Issues and 19 times to ESG Topic Tags\*\* including:



\*\* RepRisk's core research scope is comprised of [28 ESG Issues](#) that drive the entire research process. RepRisk further covers [57 Topic Tags](#), ESG “hot topics” and themes.

## Case Study Timeline

### May 18, 2018

A Boeing 737-200, leased by Cubana de Aviacion and operated by Global Air, crashes shortly after taking off from Havana, Cuba, killing 112 people.

### July 18, 2018

Survivor of 2008 crash of Spanair flight 5002 accuses Boeing of refusing to inform investigators about technical defects detected in the aircraft's warning system.

### October 29, 2018

**Boeing 737 MAX 8 operated by Lion Air crashes into sea off Jakarta killing 189 people on board including both pilots and six cabin crew members. Aviation consultant tells the BBC that MAX 8 had been having problems in “keeping a level flight” since Boeing introduced the model in 2016.**

### November 7, 2018

US Federal Aviation Administration warns that erroneous data processed by Boeing MAX 8 could cause aircraft to nosedive.

### November 9, 2018

Six passengers on board a Fly Jamaica flight from Guyana to Canada injured when Boeing 757 crash-lands due to problems with the aircraft's hydraulic system.

### November 17, 2018

Boeing sued by parents of a victim of the 2018 Lion Air crash who claim that new safety feature on 737 MAX 8 can trigger an ‘auto-dive’ that may have caused fatal accident.

## 2019

### January 14, 2019

Fifteen people killed when Boeing 707 cargo plane operated by Saha Airlines crashes while trying to make an emergency landing at Fath Air Base in the Alborz Province of the Islamic Republic of Iran.

### March 10, 2019

**Boeing 737 MAX aircraft operated by Ethiopian Airlines crashes shortly after takeoff from Addis Ababa, killing all 157 people onboard.**

### March 13, 2019

US Federal Aviation Administration orders temporary grounding of Boeing 737 MAX Aircraft operated by all US airlines. As other countries join ban, Boeing grounds whole 737 MAX fleet.

### March 14, 2019

**By March 14, Boeing's stock value had fallen by USD 25 billion.**

### March 15, 2019

Boeing 737-800 aircraft makes emergency landing in the Russian city of Syktyvkar after reportedly suffering engine failure. There are no casualties.

## Methodology

RepRisk Case Studies 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 public and private 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: 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 20 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 [57 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](mailto: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 50 – 74 denotes very high risk exposure, a value between 75 and 100 denotes extremely high risk exposure.

### There are three RRI values:

The **Peak RRI** (highest RRI in the last two years) is to be used for risk assessment as it refers to the **overall ESG risk exposure of a company**.

The **Current RRI** refers to the current level of media and stakeholder coverage of a company related to ESG risks. This value should be used to evaluate the **current media and stakeholder attention that a company receives** but not as a proxy for overall ESG risk exposure, since the attention of the media can be short-lived, and it takes time to address risks.

The **RRI Change or Trend** shows the increase or decrease of the RRI within the past 30 days.

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](mailto:contact@reprisk.com).