

The Very Human Reality Of ESG Risk Laid Bare

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Talking about corporate risk around environmental, social and governance (ESG) issues still remains a step ahead of talking about [sustainability](#) – at least it does not immediately get relegated to the ‘worthy but dull’ sections of media coverage. A recent report should serve to take it to the front pages. Because when human beings die as a result of corporate policies wherever in the world they are, now at least social media ensures it becomes news everywhere- and that also represents [ESG risks for investors](#). [RepRisk](#), a Swiss provider of dynamic business intelligence on ESG risks, recently released the third edition of its [Most Controversial Projects Report \(MCP 2015\)](#), which focuses on the projects – including factories, mines, and leisure complexes – that were most exposed to ESG risks in 2015. Out of the projects ranked in the MCP 2015, six were related to major workplace accidents that led to deaths and injuries – five of which were linked to negligence on the part of management, according to the report.

These projects included in the report are located in countries around the world. They include Myanmar, Pakistan, Peru, the Philippines, Russia, and Saudi Arabia. They also span a variety of sectors - including construction, mining, oil and gas, and utilities.

“Six of the projects included in the report faced an unexpected incident in 2015, which led to reputational, compliance, and financial risks for the companies concerned” said Dr Philipp Aeby, CEO RepRiskAG.

The report has been compiled using RepRisk’s dynamic ESG risk analytics and metrics and which it says 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.”

Overview and ranking

MCP 2015 ranking	Project name	Peak RRI in 2015	Sector	Country of headquarters
#1	Rajput Polyester Factory	69	Personal and Household Goods	Pakistan
#2	Valenzuela Slipper Factory	68	Personal and Household Goods	Philippines
#3	Vostochnyi Spaceport (Vostochny Kosmodrom)	61	Construction and Materials	Russia
#4	Tia Mia Gold Mining Project	60	Mining	Peru
#5	Angra 3 Nuclear Reactor	59	Utilities	Brazil
#6	Hpakant Gyi Jade Mine	58	Mining	Myanmar
#6	Carmichael Coal Mine and Rail Project (Galilee Basin Project)	58	Mining	Australia
#7	Ilha Pura Olympic Village	57	Construction and Materials	Brazil
#8	Long Lake Oil Sands Project	56	Oil and Gas	Canada
#9	Formosa Fun Coast Water Park	55	Travel and Leisure	Taiwan
#10	Grand Mosque Expansion Project	53	Construction and Materials	Saudi Arabia

Excluded Projects: Tianjin Chemical Storage Facility, China, RRI: 91; Germano Mine, Brazil, RRI: 88; FIFA World Cup (South Africa, Qatar, Russia), RRI: 71; Brenham Plant (Blue Bell Creameries), RRI: 63.

Most Controversial Projects 2015 – Ranking Source: RepRisk 2016

Here is a shocking fact from the report: the International Labor Organization (ILO) estimates that every 15 seconds, a worker dies from a work-related accident or disease,

and that poor occupational safety and health practices amount to an annual cost of around 4% of global GDP.

Out of the 10 projects ranked in the MCP 2015 report, six were related to major workplace accidents that led to deaths and injuries.

“It is interesting to note that negligence on the part of management was blamed for five out of six of these fatal accidents. The collapse of a manufacturing plant in Pakistan, a factory fire in the Philippines, a landslide of mining debris in Myanmar, an explosion at a music event in Taiwan, and a construction site accident in Saudi Arabia were all attributed to a severe disregard of safety regulations by the companies concerned” says the report.

[Institutional investors are increasingly taking the lead](#) in asking questions about ESG risk. The UN-affiliated Principles for Responsible Investment has asked for investors across its global network of signatories to support a call for credit rating agencies to incorporate ESG into their credit analysis in a more systematic and transparent way. “Credit rating agencies are an integral part of the world’s \$100 trillion debt capital markets. With over 400 PRI signatories invested in corporate or sovereign debt, it is vital that investors and rating agencies are aligned on the implications of ESG to issuer creditworthiness. Integrating ESG into credit analysis provides more granular insight into issuer creditworthiness” says [PRI on its website](#).

Next week, in New York City, [PRI celebrates](#) 10 years of shaping the face of responsible investment. Discussing the blueprint for the next decade, this event will hear from [Michael R. Bloomberg](#) and [Mary Schapiro](#), as well as a panel of leading investors.

ESG has come a long way in the last decade in terms of being taken seriously by publicly listed companies and investors. But it is, surely, the recent addition of the great geographical leveler of ‘climate risk’ that has now made it easier to give equal weight to all ESG risk. Whether it is catalogued in Myanmar or Saudi Arabia, it can increasingly - and inevitably - be linked back to a boardroom.