

Most 



 Controversial



 Companies 



RepRisk Special Report

Most Controversial Companies (MCC) 2018

About RepRisk

RepRisk is a global leader and pioneer in data science, specializing in premium ESG and business conduct risk research and quantitative solutions.

Since 2006, RepRisk has been leveraging artificial intelligence and curated human analysis to translate big data into actionable business intelligence and risk metrics. With daily-updated data synthesized in 20 languages using a rules-based methodology, RepRisk systematically flags and monitors material ESG risks and violations of international standards that can have reputational, compliance, and financial impacts on a company.

Our flagship product, the RepRisk Platform, is the world's largest database of its kind, consisting of 100k+ public and private companies and 25k+ projects of all sizes, in every sector and market. Leading organizations around the world rely on RepRisk as their key due diligence solution to prevent and mitigate ESG and business conduct risks related to their operations, business relationships, and investments.

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Foreword CEO



I am delighted to announce the release of the ninth edition of our annual Most Controversial Companies (MCC) Report, which highlights ten companies that were most exposed to environmental, social, and governance (ESG) and business conduct risks in 2018.

The report, compiled using RepRisk's proprietary methodology, is based on information that is screened, analyzed, and quantified on a daily basis from a wide range of publicly available stakeholder and media sources.

The MCC 2018 Report shows how major corporations from different sectors, including airlines, utilities, and banks, had to mitigate reputational and financial impacts resulting from inadequate management of ESG risks. The wide spectrum of ESG issues faced by these companies, and the ripple effects of these issues on the sector as a whole, stresses the global dynamics of ESG incidents.

By providing an insight into the ESG-related risk incidents that affected the companies ranked in the MCC 2018 Report, we hope to raise awareness of how important it is to integrate ESG factors into corporate decision-making and investment processes.

A handwritten signature in black ink, consisting of the initials 'PL.' followed by a stylized 'M'.

Dr. Philipp Aeby, CEO, RepRisk



Produced by RepRisk AG

Authors: Stella Kenway, Natalie Kwan, Claudia Piechocki (RepRisk)

Editors: Gina Walser (RepRisk), Robin Scott (Robin Scott Translations)

Production: Lou Abigail Ecijan (RepRisk)

Contact information

For more information about the RepRisk ESG Risk Platform or this Special Report, please contact media@reprisk.com or visit www.reprisk.com.

RepRisk AG, Stampfenbachstrasse 42, 8006 Zurich, Switzerland.

Tel. +41 43 300 54 40

www.reprisk.com

Table of Contents

About RepRisk	2
Foreword CEO	3
Overview and Ranking	6
#1 Lion Mentari Airlines (Lion Air)	8
#2 Xe-Pian Xe-Namnoy Power Co Ltd (PNPC)	9
#3 Punjab National Bank Ltd (PNB)	11
#4 Changsheng Bio-technology Co Ltd	13
#5 JBS Tolleson Inc	15
#6 Danske Bank AS Estonia	16
#7 Cambridge Analytica Ltd	18
#8 Autostrade per l'Italia SpA	20
#9 Greenyard NV	22
#10 Keppel Offshore and Marine Ltd	23
Methodology	25
Disclaimer	26

Overview and Ranking

MCC 2018 ranking ¹	Company name	Peak RRI in 2018 ²	Sector	Country of headquarters
#1	Lion Mentari Airlines (Lion Air)	95	Airlines	Indonesia
#2	Xe-Pian Xe-Namnoy Power Co Ltd (PNPC)	91	Utilities	Lao People's Democratic Republic
#3	Punjab National Bank Ltd (PNB)	87	Banks	India
#4	Changsheng Bio-technology Co Ltd	83	Pharmaceuticals and Biotechnology	China
#5	JBS Tolleson Inc	81	Food and Beverage	United States of America
#6	Danske Bank AS Estonia	80	Banks	Estonia
#7	Cambridge Analytica Ltd	80	Software and Computer Services; Support Services (Industrial Goods and Services)	United Kingdom
#8	Autostrade per l'Italia SpA (Autostrade)	77	Industrial Transportation	Italy
#9	Greenyard NV	77	Food and Beverage	Belgium
#10	Keppel Offshore & Marine Ltd	73	Industrial Engineering; Industrial Transportation	Singapore

- 1 The most controversial companies are primarily selected based on their Peak RRI. Should companies have the same Peak RRI, the companies will be ranked based on the number of severe and very severe risk incidents in the given year. RepRisk may have chosen to exclude companies if they were extensively covered in previous reports and no new developments have been reported in the past two years.
- 2 As some of the companies ranked had completely untarnished reputations prior to the issues they experienced during 2018, the impact on their RepRisk Index (RRI) was greater due to the novelty of such incidents (the RRI emphasizes companies that are newly exposed, while companies 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 Companies (MCC) 2018 Report examines publicly documented environmental, social, and governance (ESG) risk incidents, criticism, and controversies faced by ten companies that had the highest RepRisk Index (RRI) scores in 2018.

Lion Mentari Airlines ranks as the most controversial company of 2018 due to a fatal plane crash in Indonesia, while Xe-Pian Xe-Namnoy Power ranks second for the cross-border impacts of a dam failure that killed hundreds of people and left thousands homeless in the Lao People's Democratic Republic, as well as in neighboring Cambodia.

The fraud scam perpetrated by two jewelry companies against India's Punjab National Bank (PNB) has shown how the actions of a single branch of a bank can have significant consequences on the credibility of the financial institution as a whole. The fraud scam led to greater scrutiny from regulators and reverberated across the whole of India's jewelry sector.

Similarly, Danske Bank AS Estonia found itself embroiled in a widespread scandal due to alleged money laundering operations. It triggered national and international investigations into the financial institution.

The improper use of Facebook data by the consulting firm Cambridge Analytica exposed the practice of manipulating personal data to influence politics and society. The company's executives are facing investigations in both the US and the EU, even though the company filed for bankruptcy in May 2018.

In Italy, the fatal collapse of the Morandi Bridge, which was managed by Autostrade per l'Italia, caused authorities and communities across the whole of Italy, as well as in the EU, to question the quality of highway and bridge maintenance services.

Revelations that Keppel Offshore and Marine, a subsidiary of Singaporean-based Keppel Corporation, had been involved in a corruption scandal in Brazil over a period of 13 years, came to light as part of continued investigations into the Brazilian company Odebrecht, a case study covered in [RepRisk's MCC 2017 Report](#).

It is interesting to note that three companies are ranked in the MCC 2018 Report due to product recalls. One of the companies, Changsheng Bio-technology, was found liable for the distribution of faulty vaccines in China and India. US-based JBS Tolleson was linked to a *Salmonella* outbreak across multiple US states, and a *Listeria* outbreak that spanned five EU countries was traced to the Belgian food company Greenyard.

#1 Lion Mentari Airlines (Lion Air)

Sector: Airlines; **Headquarters:** Indonesia; **Peak RRI:** 95

Lion Mentari Airlines (Lion Air) is ranked first in RepRisk's MCC 2018 Report due to an airplane crash on October 29, 2018 that killed 181 passengers, six cabin crew members, and two pilots. Flight JT 610 had reportedly taken off 13 minutes earlier from Jakarta on its way to Pangkal Pinang in the Bangka Belitung Islands, an Indonesian province off the east coast of Sumatra.

The aircraft, which had been leased from CMIG Leasing Holdings, a subsidiary of the China Minsheng Investment Group (CMIG), was a Boeing 737 MAX 8, apparently a new model that had been operated by Lion Air only since mid-August 2018. The South China Morning Post speculated that the accident had been caused by inaccurate readings from a sensor on the aircraft, which could allegedly “pitch the nose of the airplane downward.” Indonesia's National Transportation Safety Committee confirmed that the angle of the sensor had been changed the day before the crash.

There were also claims that a new safety feature on the 737 MAX 8 aircraft had caused the aircraft to “auto-dive,” and in November the parents of one of the passengers sued Boeing in a US Circuit Court in Illinois for the alleged “unsafe design” of the new feature. Boeing responded by blaming Lion Air for poor maintenance of the aircraft.

Most related companies: Lion Mentari Airlines

- The Boeing Co
- AirAsia BHD

Top ESG Issues: Lion Mentari Airlines

- Products (health and environmental issues)
- Occupational health and safety issues
- Supply chain issues

Top ESG Topic Tags: Lion Mentari Airlines

- Negligence

Lion Air had a history of safety issues: Between July 2007 and June 2016 the airline was among dozens of Indonesian carriers that were banned from operating within the airspace of the EU and the US due to safety concerns. An online survey in 2015 ranked the airline first in an assessment of the most dangerous airlines in the world.

Investigators are still probing the cause of the crash. Meanwhile, Lion Air and Boeing continue to dispute which company was ultimately responsible.

#2 Xe-Pian Xe-Namnoy Power

Sector: Utilities; **Headquarters:** Lao People's Democratic Republic; **Peak RRI:** 91

Xe-Pian Xe-Namnoy Power (PNPC) ranks second in the MCC 2018 Report due to the collapse of part of its Xe-Pian Xe-Namnoy Power Hydropower Project being built on a tributary of the Mekong River in the Attapeu province of the Lao People's Democratic Republic (Laos). PNPC, a joint venture between Korea Western Power, Ratchaburi Electricity Generating Holding, Lao Holding State Enterprise, and SK Engineering and Construction, a subsidiary of the South Korean conglomerate SK Holdings, has been constructing the hydropower plant since 2013.

On July 23, 2018, an auxiliary dam, part of the USD 1.2 billion hydropower project, collapsed – allegedly releasing five billion cubic meters of water that flooded entire communities downstream. While the official death toll stands at 43, environmentalists suspect that the flash flood killed more than 800 people. The incident inundated 19 villages and has left approximately 7,000 people homeless. Neighboring Cambodia reported that 25,000 people had been evacuated. The dam failure resulted in what has been described as Laos' worst flood in decades.

A few days prior to the incident, on July 20, 2018, the companies involved in the dam's construction allegedly failed to take preventive measures when they noticed a four-inch “depression” in the center of the

Most related companies: Xe-Pian Xe-Namnoy Power Co Ltd

- Korea Western Power Co Ltd (KOWEPO)
 - SK Engineering & Construction Co Ltd (SK E&C)
 - SK Holdings Co Ltd
 - Ratchaburi Electricity Generating Holding Public Co Ltd (RATCH)
 - Lao Holding State Enterprise (LHSE)
-

auxiliary dam. The depression increased over the course of 48 hours, until, on July 23, Korea Western Power reported a three-foot-deep depression in the top of the dam and reportedly sent a written alert to provincial officials. The dam collapsed at 8 p.m. that night.

The NGO International Rivers, which has opposed the dam since 2013, criticized the Laotian authorities for inadequate oversight and lack of communication.

In August 2018, the International Federation of Red Cross and Red Crescent Societies warned that unexploded bombs and land mines from the Vietnam War era might have been swept up by the mass of water, supposedly adding more challenges to the rescue work. The NGO claimed that

#2 Xe-Pian Xe-Namnoy Power

over 16,000 people had been directly affected by the disaster.

The Laotian government has said the accident was caused by substandard construction and inadequate risk assessment. Engineers who have analyzed the dam failure have claimed that the complex was being built “on a sinkhole,” and have questioned whether this type of tropical geography is adequate for the aggressive “dam building rush,” being pursued by the Government of Laos.

As the investigations into the disaster continue, the various partners of Xe-Pian Xe-Namnoy Power are facing criticism for failing to give advance warning of the danger.

Top ESG Issues:

Xe-Pian Xe-Namnoy Power Co Ltd

- Impacts on communities
- Corruption, bribery, extortion and money laundering
- Impacts on landscapes, ecosystems and biodiversity

Top ESG Topic Tags:

Xe-Pian Xe-Namnoy Power Co Ltd

- Hydropower (dams)
 - Involuntary resettlement
 - Negligence
-

#3 Punjab National Bank

Sector: Banks; **Headquarters:** India; **Peak RRI:** 87

Punjab National Bank (PNB) is ranked in third place on the MCC 2018 Report as at the beginning of the year, the bank found itself at the center of India's biggest-ever bank scam. On January 29, 2018, the bank filed a police complaint against several jewelers, including Nirav Modi, the owner of Firestar Diamond International, and his uncle, Mehul Choksi, the head of Gitanjali Gems (Gitanjali Group), accusing them of colluding with two PNB employees to defraud the bank of USD 43.16 million.

On February 14, 2018, PNB disclosed that it had processed approximately USD 1.8 billion in fraudulent transactions at one of its branches in Mumbai. The transactions, made between 2011 and 2017, were allegedly based on fraudulent letters of undertaking and foreign letters of credit that allowed a small group of customers to obtain credit from the overseas branches of Indian banks. The fraud reportedly represented approximately 33 percent of PNB's market value, and by mid-February shares in PNB had fallen by 10 percent.

Allegations that other banks, including Axis Bank, the State Bank of India, and the Union Bank of India, had provided loans on the understanding that they were backed by PNB, triggered a large-scale probe by India's Enforcement Directorate (ED) into possible money laundering. India's Central Bureau of Investigation (CBI)

Most related companies: Punjab National Bank Ltd (PNB)

- Gitanjali Gems Ltd (Gitanjali Group)
 - Firestar Diamond International Pvt Ltd
 - Canara Bank
 - State Bank of India Ltd (SBI)
-

raided dozens of locations associated with Firestar Diamond International and 20 premises owned by the Gitanjali Group. The ED also seized diamonds, gold, and other jewelry worth USD 880 million from Mr. Modi's home and offices. The CBI accused Gitanjali Group of defrauding PNB of approximately USD 763 million.

As part of its investigation, the CBI arrested PNB's former Deputy Branch Manager, a PNB operator, and the authorized signatory of the Nirav Modi group on accusations of colluding with several PNB directors and companies, such as Gitanjali Gems, Gili India, and Nakshatra Brands, to defraud the PNB.

At the request of India's Ministry of Corporate Affairs, India's Serious Fraud Investigation Office initiated a probe into 110 companies linked to Nirav Modi and Mehul Choksi. The Reserve Bank of India was criticized for failures in its

#3 Punjab National Bank

internal control systems in relation to the scam. The PNB then admitted that the fraudulent transactions by Mr. Modi and Mr. Choksi could amount to USD 2 billion, a higher amount than the USD 1.77 billion it had estimated in early February 2018.

As the investigations widened, in May 2018, the ED seized jewelry stocks belonging to Gitanjali Group, claiming that the firm's owner had refused to cooperate in the investigations and had also been involved in money laundering.

In mid-May 2018, the CBI filed fraud charges against 25 parties, including the CEO of Allahabad Bank, who had been the former CEO of PNB, and several PNB executives, as well as Diamonds R Us, Solar Exports, and Stellar Diamonds, three firms belonging to Nirav Modi.

The CBI also leveled corruption charges against Mehul Choksi, as well as Gili India, Gitanjali Gems, and Nakshatra Brands, three companies owned by him, in relation to the scam. It was alleged that a PNB deputy manager had conspired with other PNB officials to issue 142 fraudulent letters of undertaking and 58 foreign letters of credit, enabling Gitanjali companies to obtain credit from the overseas branches of Indian banks between 2015 and 2017. Both Mr. Choksi and Mr. Modi reportedly fled India at the beginning of 2018, before the PNB filed the original complaint.

Top ESG Issues: Punjab National Bank Ltd (PNB)

- Fraud
- Corruption, bribery, extortion and money laundering
- Human rights abuses and corporate complicity

Top ESG Topic Tags: Punjab National Bank Ltd (PNB)

- Negligence
- Privacy violations

In July 2018, it was reported that Mr. Choksi was in Antigua, a country that had allegedly granted him citizenship in November 2017 after he registered in the country's Citizenship by Investment Program. The Indian authorities are currently seeking his extradition.

The whereabouts of Mr. Modi are still unknown, although he has been reportedly seen in Dubai, Hong Kong, London, and New York. On October 1, 2018, the Indian authorities seized jewelry, bank accounts, and real estate belonging to Mr. Modi worth roughly USD 87 million.

#4 Changsheng Bio-technology

Sector: Pharmaceuticals and Biotechnology; **Headquarters:** China; **Peak RRI:** 83

The Chinese company Changsheng Bio-technology (CBT) is ranked in fourth place in the MCC 2018 Report due to allegations that the company had been producing substandard vaccines. On July 17, 2018, following an unannounced inspection, China's State Drug Administration (SDA) suspended rabies vaccine production by CBT's subsidiary, Changchun Changsheng Life Sciences (CCLS), after accusing the company of violating protocol for the manufacture of its Vero-cell rabies vaccines in Changchun, in the province of Jilin.

The scandal broke out less than a year after the SDA had accused CCLS of producing a substandard vaccine known as DPT, which prevents diphtheria, whooping cough, and tetanus, and of selling approximately 250,000 of these vaccines to a disease control and prevention center in Shandong province. CCLS was fined USD 495,000 by the authorities in Jilin province when the scandal came to light.

A week after the SDA's 2018 spot inspection, it was revealed that representatives of CBT's subsidiaries had offered kickbacks to procurement officials in hospitals and anti-epidemic stations in the provinces of Anhui, Fujian, Guangdong, and Henan. In one instance, one of the company's salesmen allegedly paid USD 23,500 in kickbacks to a former head of the anti-epidemic station in the county of Ningling, in Henan province, in exchange for his procurement of CBT's

Most related companies: Changsheng Bio-technology Co Ltd

- Changchun Changsheng Life Sciences Ltd
 - Wuhan Institute of Biological Products Co Ltd
-

rabies and chickenpox vaccines between 2010 and 2015.

On July 23, 2018, following the claims that CCLS' substandard DPT vaccines had been used on millions of babies, and that the company had bribed officials and forged data related to its rabies vaccines, the Chinese Premier Li Keqiang called for an investigation, claiming that Changsheng Bio-technology had crossed a "moral bottom line." President Xi Jinping also publicly criticized the company, and the police questioned CBT's chairwoman and four executives.

On July 24, the Commission for Discipline Inspection of Jilin province began investigating CBT and CCLS on suspicion that the companies had been involved in at least 12 bribery cases over the past decades. Five days later, the Public Security Bureau of Changchun called for the arrest of the chairperson of CCLS and 17 other individuals on charges of producing and selling substandard drugs. By the end of July, the company had lost half its share value since the beginning of the scandal.

#4 Changsheng Bio-technology

On August 1, India suspended imports of substandard rabies vaccines made by CCLS. A week later, an investigation team set up by the State Council of China disclosed that CCLS had engaged in multiple illegal rabies vaccine production practices since 2014.

Just over two months later, on October 16, 2018, the National Medical Products Administration and the Food and Drug Administration of Jilin province announced that they would fine CBT USD 1.32 billion, as they had found at least eight violations in the company's production process for rabies vaccines, including blending different batches of vaccine fluids, falsifying production records and expiry dates, and using expired ingredients. Due to the alleged breaches, the authorities revoked the company's license for drug production and banned 14 company executives from operating in the pharmaceutical sector. The Securities Regulatory Commission also fined CBT USD 84,000 for failing to disclose information about its substandard vaccines, recalls, suspension, and investigation. The company was also accused of publishing fraudulent information in its annual reports between 2015 and 2017.

In November 2018, it was reported that CBT could be the first company in China to be delisted in line with revised rules that enable stock exchanges to expel companies for violations that endanger national security,

Top ESG Issues: Changsheng Bio-technology Co Ltd

- Fraud
 - Products (health and environmental issues)
 - Corruption, bribery, extortion and money laundering
-

public health, the environment, and work and public safety.

On December 11, 2018, the Securities Regulator Commission announced fines ranging from CNY 300,000 (USD 43,000) to CNY 600,000 (USD 87,000) against CBT and company officials. The Shenzhen Stock Exchange also announced that CBT would be delisted in 2019.

#5 JBS Tolleson Inc

Sector: Food and Beverage; **Headquarters:** United States of America; **Peak RRI:** 81

On October 4, 2018, the US Department of Agriculture announced that JBS USA, a subsidiary of the Brazilian company JBS SA, was recalling 6.5 million pounds of minced beef products from its Tolleson plant in Arizona, following concerns of salmonella contamination. It was reported that between August 5 and September 6, 2018, a total of 57 people in 16 states who had consumed the meat had become ill. Reportedly, the minced meat products were sold in multiple stores, including Food Maxx, Save Mart, Sprouts Farmers Market, and Winn-Dixie, under several brand names, including Grass Run Farms, JBS Generic, Kroger, Laura's Lean, and a brand owned by Walmart.

The 45-year-old Tolleson facility had already been criticized by the US Department of Agriculture in July 2017, when inspectors claimed that the plant subjected livestock to “egregious” and “inhumane” practices.

Following the announcement, JBS Tolleson faced lawsuits filed by consumers in Arizona, Kentucky, and Nevada who had reportedly contracted *Salmonella* after consuming the company’s meat products.

By mid-November, the salmonella outbreak had expanded to 25 states, including Connecticut, Massachusetts, and Missouri. Approximately 250 consumers claimed that JBS Tolleson’s meat had made them ill, and 59 of them were hospitalized.

Most related companies: JBS Tolleson Inc

- JBS SA (JBS Group)
- The Kroger Co
- Walmart Inc
- JBS USA Holdings Inc
- Sam's Club (Sam's West Inc)

Top ESG Issues: JBS Tolleson Inc

- Products (health and environmental issues)
- Animal mistreatment
- Impacts on communities

On December 4, 2018, the US Department of Agriculture's Food Safety and Inspection Service announced that JBS Tolleson was expanding the recall of raw beef products produced and packaged between July 26 and September 7, 2018. This brought the total amount of recalled products to more than 12 million pounds.

On December 12, 2018, the US Centers for Disease Control and Prevention reported that at least 333 people had contracted *Salmonella* from JBS Tolleson’s beef products, and that 91 people had been hospitalized since August 5, 2018.

#6 Danske Bank AS Estonia

Sector: Banks; **Headquarters:** Estonia; **Peak RRI:** 80

Danske Bank AS Estonia (Danske Bank Estonia), a subsidiary of the Danish financial institution Danske Bank, ranks sixth in RepRisk's MCC 2018 Report due to allegations that it had been involved in money laundering operations directed by officials from both Russia and Azerbaijan.

The allegations had already surfaced in 2017, when Danske Bank Estonia was linked to a USD 2.8 billion slush fund reportedly operated by the ruling elite of Azerbaijan between 2012 and 2014. There were also claims that the bank had laundered EUR 15 million (USD 17 million) from Russia between January 2008 and July 2011. This second allegation had been first exposed in 2008 by a Russian lawyer named Sergei Magnitsky and his employer Hermitage Capital, who had claimed that the money had originated from a USD 230 million tax fraud and corruption scheme operated by high-ranking Russian officials. Mr. Magnitsky was arrested and died in prison in 2009 under mysterious circumstances.

In February 2018, it was claimed that up to USD 3.3 billion had been laundered through Danske Bank Estonia between 2012 and 2013 by British companies linked to the family of President Vladimir Putin and the Federal Security Service of the Russian Federation.

At the end of February, the Financial Supervisory Authority of Estonia launched an investigation following reports by

Most related companies: Danske Bank AS Estonia

- Danske Bank AS
 - Deutsche Bank AG
-

several international media outlets that Danske Bank had been alerted to money laundering activities at its Estonian branch in December 2013.

In March 2018, the President of the Bank of Latvia and a member of the council of the European Central Bank were arrested following allegations that a Russian senator representing Russia's Dagestan Republic had laundered massive amounts of money from Russia to Western Europe. Danske Bank Estonia closed the accounts of Russian clients after it was linked to the scheme.

In May 2018, Denmark's Financial Supervisory Authority handed down eight orders and eight reprimands to Danske Bank for serious weaknesses in its anti-money laundering policies in Estonia and ordered the financial institution to increase its regulatory capital by USD 760 million.

In July 2018, the Head of Compliance of Danske Bank resigned over the scandal.

On September 19, the CEO of Danske Bank also resigned after an internal report

#6 Danske Bank AS Estonia

revealed that approximately USD 230 billion, involving 6,200 customers, had been laundered through its subsidiary in Estonia between 2007 and 2015. The amount was roughly ten times the value of Estonia's economic output at that time.

At the end of September, the European Commission asked the European Banking Authority to investigate both Danske Bank and the Danish Financial Supervisory Authority in connection with the money laundering scandal at the bank's Estonian branch.

In October 2018, the US Department of Justice, the US Securities and Exchange Commission, and the US Treasury also began investigating the Estonian money laundering scandal.

Three deaths have been linked to the Estonian money laundering scandal: the 2006 death of Andrei Kozlov, a Russian Central Bank official, who had warned the Estonian authorities about a money laundering scheme being operated in the country; the 2009 death of the Russian lawyer, Sergei Magnitsky, and lastly, the 2012 death of Alexander Perepilichnyy, the owner of IC Financial Bridge, a company linked to Danske Bank's Estonian branch, who allegedly died in suspicious circumstances shortly before he was due to testify in Switzerland about corruption in Russia.

Top ESG Issues: Danske Bank AS Estonia

- Corruption, bribery, extortion and money laundering
- Tax evasion

Top ESG Topic Tags: Danske Bank AS Estonia

- Negligence

In October, a British investor, Bill Browder, linked Nordea Bank and Nokia to the scandal, although both companies have strongly denied the allegations. In December, the Dutch investigative television program Zembla reported that Mr. Browder had also filed charges against several Dutch companies, including ING Group, ABN AMRO Group, and the Cooperatieve Rabobank, alleging that they were also involved in the money laundering case revealed by Mr. Magnitsky. The Dutch Public Prosecutor is currently investigating Mr. Browder's allegations that Dutch companies were involved in laundering money from Russia.

Danske Bank is currently recruiting a new CEO and is strengthening its operational risk management team in order to enhance its due diligence processes.

#7 Cambridge Analytica Ltd

Sector: Software and Computer Services; Support Services (Industrial Goods and Services); **Headquarters:** United Kingdom; **Peak RRI:** 80

The Cambridge Analytica scandal erupted in March 2018 when the British newspaper The Observer published a report from a former employee of the company, claiming that the data analytics firm had harvested data from 50 million Facebook profiles without authorization in 2014. The revelation was shortly followed by Facebook's announcement that it was suspending Cambridge Analytica's access to its platform.

According to the whistleblower, the data was collected through a mobile application developed by Dr. Aleksandr Kogan, an academic who worked at Cambridge University and who owned a company known as Global Science Research. In 2014, the application was reportedly downloaded by 270,000 Facebook account holders, who gave their consent for the developer to access their own information as well as that of their friends on the understanding that they were taking a personality test whose results would be used for academic purposes. However, the data, which ultimately included private information from over 50 million Facebook users, was reportedly sold to Cambridge Analytica and its parent company, SCL Group, a company which in turn is owned by SCL Elections. A Democratic member of the US Senate Judiciary Committee claimed that Cambridge Analytica had used the Facebook data to develop techniques that would allow them to "target political advertising and manipulate voters."

Most related companies: Cambridge Analytica

- Facebook Inc
 - SCL Group Ltd (Strategic Communication Laboratories)
 - AggregateIQ Data Services Ltd
 - Twitter Inc
-

Later in March 2018, an undercover investigation by a British news channel revealed that Cambridge Analytica had worked closely with the Kenyan President in two presidential campaigns in 2013 and 2017. It was alleged that Cambridge Analytica had attempted to disrupt an election in Kenya by intimidating voters through a shell company known as AggregateIQ Data Services. The whistleblower also claimed that an unsuccessful deal in Kenya had resulted in the poisoning of a former Cambridge Analytica employee in his hotel room, and that the Kenyan police had been bribed not to investigate.

At the end of March, the Indian government took down the local website of Cambridge Analytica as two major political parties were accused of using services of SCL India, a joint venture between the SCL Group and Ovlono Business Intelligence.

Federal Prosecutors in Brazil also launched an investigation into whether Cambridge Analytica had acted illegally by harvesting data through

#7 Cambridge Analytica Ltd

a partnership with a Brazilian consulting group, Ponte Estrategia Planejamento e Pesquisa, and then using it to create personal profiles for millions of Brazilians.

On March 23, the London offices of Cambridge Analytica were raided by the UK Information Commissioner's Office. On the same day, the company was also hit by a lawsuit filed by Cook County in the US state of Illinois alleging that the company had violated the state's Consumer Fraud and Deceptive Business Practices Act.

By the end of March, it was claimed that Cambridge Analytica had harvested data from countries such as Argentina, Brazil, Colombia, France, Germany, Peru, and the UK, and had used it to influence elections and other political decisions. Cambridge Analytica admitted that it had provided advisory services in more than 200 elections around the world.

On March 27, the whistleblower at the center of the scandal revealed to a British parliamentary committee that Cambridge Analytica and SCL Group had used hacked material, illegal data, and intimidation techniques to help its clients win elections so they could influence laws and regulations that would benefit other companies. The whistleblower also alleged that the firm was involved in the election campaign of US President Donald Trump and in the "Vote Leave" campaign during the UK's referendum on EU membership.

Top ESG Issues: Cambridge Analytica

- Human rights abuses and corporate complicity
- Fraud
- Corruption, bribery, extortion and money laundering

Top ESG Topic Tags: Cambridge Analytica

- Privacy violations
- Cyberattack
- Negligence

On April 4, Facebook put the number of users that might have been affected by Cambridge Analytica's data harvesting at 87 million.

In May, Cambridge Analytica began insolvency proceedings. In the same month, the US Justice Department, the FBI, and the UK's National Crimes Agency began investigating the company.

Although Cambridge Analytica and SCL Elections filed for bankruptcy in 2018, there are reports that the company has just rebranded itself under the name of Emerdata and is currently owned and operated by the same team.

#8 Autostrade per l'Italia

Sector: Industrial Transportation; **Headquarters:** Italy; **Peak RRI:** 77

Autostrade per l'Italia (Autostrade), a company engaged in the construction and management of toll highways in Italy, ranks eighth on the MCC 2018 Report due to the partial collapse of the Morandi Bridge on the A10 Highway in the Italian city of Genoa. Autostrade per l'Italia is controlled by the Benetton Group through the holding company Atlantia.

On August 14, 2018, the Morandi Bridge partially collapsed, killing 43 people, and injuring 16 others. Approximately 440 people had to be evacuated. The bridge, which had opened in 1967 and had been managed by Autostrade, was apparently undergoing maintenance work when it was struck by lightning and collapsed. The Public Prosecutor's Office in Genoa investigated 20 people for alleged manslaughter in the immediate aftermath of the incident. It was reported that concerns over the deterioration of the Morandi Bridge had been raised as early as 2016, but that the previous government had failed to take action. The day after the incident, the Transport Minister of Italy called for the resignation of the top management of Autostrade and launched proceedings for the potential withdrawal of the company's highway concessions in Italy.

Within a month of the incident, the Public Prosecutor's Office in Genoa had filed charges against 20 people, including officials of the

Most related companies: Autostrade per l'Italia

- Atlantia SpA
 - Spea Engineering SpA (Spea)
 - Benetton Group SpA
-

Ministry of Infrastructure and Transport, along with executives of Autostrade and Spea Engineering, the company responsible for maintenance of a pillar that collapsed. The charges include culpable disaster, aggravated manslaughter, and work safety violations.

Since November, Autostrade and nine of its employees have been under judicial investigation for culpable homicide. Reportedly, Atlantia has set aside USD 400 million to rebuild the Morandi Bridge and compensate families of the victims.

Autostrade has also faced scrutiny for possible mismanagement of other bridges in Italy. In Ancona, the company, along with other affiliated companies, is under probe for negligent homicide, work safety violations, and culpable disaster in relation to the collapse of the Camerano A14 Overpass on March 9, 2017, which killed two civilians and injured three workers. A report approved by the Italian Commission of Inquiry on Workplace Accidents reportedly showed that Autostrade,

#8 Autostrade per l'Italia

which owns the overpass, and its subsidiary Pavimental had failed to monitor the quality of the work carried out by their contractor.

In October 2018, a trial against 13 representatives of Autostrade resumed in Italy's city of Avellino. The trial, related to a bus accident on the Acqualonga Viaduct of the A16 Highway on July 28, 2013 that left 40 people dead, was blamed on poor maintenance of the highway barriers. Twelve managers of Autostrade are being sentenced in January 2019 for their role in the accident.

There are also fears that Autostrade's four bridges on the A16 Highway in the province of Avellino, an area of high seismic risk, are inadequate to withstand earthquakes.

On November 21, Autostrade was one of 120 companies targeted in an investigation by the Italian Financial Police into an alleged EUR 1 billion (USD 1.14 billion) bid-rigging scheme related to public construction contracts in 14 Italian regions.

One week later, on November 28, Public Prosecutors in Italy began questioning the Managing Director of Autostrade following suspicions that the failure to replace the tie rods on the Morandi Bridge was one of the main causes contributing to the collapse of the bridge. Investigations are still ongoing, but experts have allegedly found that the covering of the tie rods was corroded.

Top ESG Issues: Autostrade per l'Italia

- Products (health and environmental issues)
- Impacts on communities
- Anti-competitive practices
- Occupational health and safety issues
- Supply chain issues

Top ESG Topic Tags: Autostrade per l'Italia

- Negligence
-

#9 Greenyard NV

Sector: Food and Beverage; **Headquarters:** Belgium; **Peak RRI:** 77

At the beginning of July 2018, supermarkets in Austria, Denmark, Finland, Germany, Sweden, and the UK, including Aldi, Lidl, K-Group, Sainsbury's, SOK, Tesco, and Waitrose, recalled frozen vegetables allegedly contaminated with *Listeria monocytogenes*, a bacterium that can cause the potentially fatal illness listeria. The products had reportedly been produced by the Belgian company Greenyard at its Baja Factory in Hungary.

On July 3, 2018, the European Center for Disease Prevention published a risk assessment claiming that the outbreak had caused a total of 47 illnesses and nine deaths in five different countries. About half of the cases had reportedly occurred in Finland, where two deaths and 23 infected people were linked to the outbreak. Cases were also reported in Austria, Denmark, Sweden, and the UK.

The Hungarian Food Safety Authority banned the sale of frozen vegetables produced by the Baja Factory from 2016 to 2018 and ordered shops to withdraw the products. According to the European Food Safety Authority, strains of *Listeria* in products produced by the Baja Factory had been detected as far back as 2015.

Following the reported infections, Hungary's National Food Chain Safety Office ordered the closure of the factory as part of its probe into the case.

Most related companies: Greenyard NV

- Lidl Dienstleistung GmbH & Co KG (Lidl)
- Greenyard Frozen Hungary Kft

Top ESG Issues: Greenyard NV

- Products (health and environmental issues)

By mid-July 2018, the recall of Greenyard-produced frozen vegetable products had expanded to France, the Netherlands, Italy, and South Africa.

In September 2018, Greenyard confirmed that the listeria outbreak had cost it EUR 22.6 million (USD 5.7 million) and estimated that the total costs would reach EUR 30 million (USD 34 million).

#10 Keppel Offshore and Marine

Sector: Industrial Engineering; Industrial Transportation;

Headquarters: Singapore; **Peak RRI:** 73

Keppel Offshore and Marine (Keppel O&M), the rig-building unit of Singaporean-based Keppel Corporation, has been included in the MCC 2018 Report due to ongoing investigations related to a bribery and corruption scandal in Brazil that allegedly continued over a period of 13 years.

On December 22, 2017, the US Department of Justice (DoJ) announced that Keppel O&M had agreed to pay a combined penalty totaling USD 422 million to resolve allegations in Brazil, the US, and Singapore that it had paid bribes to Petroleos Brasileiros (Petrobras) and its subsidiary, Sete Brazil, to secure contracts in Brazil. Documents published by the DoJ revealed that Keppel O&M had paid a total of USD 55 million in bribes between 2001 and 2014 to win 13 contracts in Brazil with the two companies.

The Singaporean state investment firm Temasek Holdings, which holds shares in Keppel Corporation, was criticized for potential oversights.

In the US, Keppel O&M entered into a deferred prosecution agreement, while its wholly owned US subsidiary, Keppel O&M USA (KOMU), pleaded guilty to conspiring to violate the US Foreign Corrupt Practices Act. The US Attorney of the Eastern District of New York revealed that KOMU had paid more than USD 50 million in bribes to Brazilian officials between 2001 and 2014 to secure

Top related companies: Keppel Offshore and Marine

- Keppel Corp Ltd
 - Petroleo Brasileiro SA (Petrobras)
-

projects worth over USD 350 million and had disguised the payments by transferring the money to several shell companies. As part of the deferred prosecution agreement, Keppel O&M agreed to take disciplinary actions against 17 current and former staff members involved in the case and to impose sanctions of approximately USD 8.9 million on 12 of the 17 employees. Keppel admitted that its executives knew of and approved the payments.

The scandal led to an investigation by Singapore's Attorney General and the country's Corrupt Practices Investigation Bureau (CPIB), which issued a conditional warning to Keppel O&M in lieu of prosecution. In February 2018, the CPIB arrested several former key executives of Keppel, including the former President and CEO of the company's Brazilian subsidiary, Keppel Fels Brasil.

In Brazil, investigations by the Federal Public Ministry revealed that part of the bribe money had been used to pay off the campaign debts of Brazil's Workers' Party

#10 Keppel Offshore and Marine

in the 2012 municipal elections. Keppel Fels Brasil reached a leniency agreement with the Brazilian Public Prosecutors Office.

In February 2018, the US-based consultancy EIG Management filed a lawsuit in New York under the Racketeer Influenced and Corrupt Organizations Act against Keppel O&M seeking at least USD 663 million in an attempt to recover its investments in Sete Brasil, which had filed for bankruptcy as a result of the corruption investigations.

EIG had already filed a lawsuit against Keppel Corporation, Keppel O&M, Sembcorp Marine, and others in 2016 over USD 9.5 million in bribes allegedly paid to Petrobras, Sete Brasil, and the Workers' Party. EIG claimed that Keppel O&M had planned to continue paying bribes until 2019. At a Brazilian Congress hearing, it was revealed that the bribery scheme used bank accounts in the US and Switzerland set up in the names of shell companies.

Top ESG Issues: Keppel Offshore and Marine

- Corruption, bribery, extortion and money laundering
-

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 public and private companies as well as projects of all sizes, from all sectors and countries, including emerging and frontier markets.

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