

# Top 10 Currently Most Controversial Projects

## TOP 10 CURRENTLY MOST CONTROVERSIAL PROJECTS

RepRisk's ESG database has been capturing negative news and stakeholder sentiment since January 2007, related not only to companies but also to specific projects of varying size and type across the globe. RepRisk adopts a broad definition of projects, and therefore collects and analyzes information on large infrastructure schemes such as pipelines, dams, and mines, as well as plantations, mills, factories, and processing facilities. Daily searches and analysis covers projects that are proposed, currently under construction, or already operational.

This RepRisk special report analyses documented controversies, both fact and allegation, related to the 10 most controversial projects in the RepRisk database at the time of writing and examines the criticism of these over the past 12 months. The rank is based on the Current RepRisk Index (RRI), an indicator of the potential reputational, financial and compliance risk. The rankings appear as measured at the start of June 2013.

The top 10 include projects from Asia, Africa and North America, and cover a range of project types: mines, nuclear power facilities, factories, and pipelines.

Interestingly, several of the projects have only recently started attracting criticism in the public sphere, either due to a specific incident or because community interest in their potential impacts was sparked. The exception to this is the Fukushima nuclear power plant in Japan, which remains highly controversial as the after-effects of its meltdown are continually revealed.

The list below, used in the compilation of this report, is a snapshot of the situation in the second quarter of 2013 with regard to controversial projects globally.

### The Top 10 Currently Most Controversial Projects (ranked according to Current RRI):

- |   |   |
|---|---|
| 1. Rana Plaza - Bangladesh (77)                       | 6. Foxconn Zhengzhou Technology Park - China (47)                   |
| 2. Pegasus Pipeline - United States of America (65)   | 7. Gyama Polymetallic Mine [equal rank] - Japan (46)                |
| 3. Big Gossan Mine - Indonesia (52)                   | 7. Mtwara Dar es Salaam Pipeline [equal rank] - Tanzania (46)       |
| 4. Four Rivers Refurbishment Project - Korea (49)     | 7. Rustenburg Chrome Mine [equal rank] - South Africa (46)          |
| 5. Fukushima Daiichi Nuclear Power Plant - Japan (48) | 7. San Jose del Progreso Gold and Silver [equal rank] - Mexico (46) |

RepRisk also offers a Peak RRI, which indicates the overall ESG risk of a company or project over the last 2 years. Based on news collected since mid-2011, the following list shows the most controversial projects over the past two years.

### Most Controversial Projects in Past Two Years (ranked according to Peak RRI):

- |   |   |
|---|---|
| 1. Rana Plaza - Bangladesh (77)                     | 6. Hanbit (Yeonggwang) Nuclear Power Plant - Korea (67) |
| 2. Marikana Platinum Mine - South Africa (77)       | 7. Fukushima Daiichi Nuclear Power Plant - Japan (66)   |
| 3. Minas Conga - Peru (73)                          | 8. Penglai 9-3 Oil Field - China (65)                   |
| 4. Frade Oil Platform - Brazil (71)                 | 9. Tintaya Gold and Copper Mine - Peru (61)             |
| 5. Pegasus Pipeline - United States of America (70) | 10. Monywa Copper Mine - Myanmar (60)                   |

## 1. Rana Plaza [Bangladesh] – Current RRI 77

Rana Plaza was a commercial building that housed garment factories in Bangladesh. It reportedly supplied well-known Western retailers such as Benetton, Primark, H&M, Loblaws, and Mango. On April 24, 2013, the building collapsed resulting in the deaths of more than 1,125 people.

The Bangladesh government laid blame on the owners and builders of Rana Plaza for allegedly using substandard building materials and failing to obtain necessary clearances. The building owner was arrested, while those in charge of the factories inside the complex were detained for forcing employees to return to work despite an earlier evacuation warning and obvious cracks in the walls. Phantom Apparel, Phantom Tac, Ether Tex, New Wave Style and New Wave Bottoms were named as companies using the complex for manufacturing purposes.

The horrific accident led to calls across the globe for retailers to increase scrutiny of suppliers and pledge to source responsibly, particularly within Bangladesh's USD 20 billion textile industry where risks related to poor safety and worker conditions are known. International brands have been urged to sign a legally binding agreement by UNI Global Union and IndustriALL to improve worker safety and building regulations in Bangladesh. This has resulted in ongoing debate and strong criticism of companies that state they are unwilling to sign.

One prominent example is Wal-Mart, which has been condemned by activist groups for its decision not to sign. This is in spite of its vow to inspect around 300 factories that it uses in Bangladesh and resolve any safety issues. Critics claim that such deals are not legally binding and would not offer financial support for fire and safety improvements, or blacklist non-compliant suppliers in future.

## 2. Pegasus Pipeline [US] – Current RRI 65

ExxonMobil's Pegasus Pipeline that transports crude oil from Canada to the United States Gulf Coast, reportedly spilled up to 500,000 gallons of tar sands oil in Arkansas in late March 2013. The company faces a class-action lawsuit filed by residents of Mayflower city who allege that the pipeline was in a defective and unsafe condition when it ruptured. They further claim that the spill negatively impacted the economic growth and property values within their community.

The suit also states that carcinogenic chemicals and other volatile compounds continued to be detected in the air near the spill site for several weeks, and that ExxonMobil was negligent in hiring the Center for Toxicology and Environmental Health to monitor air and water safety because the group was not really concerned with public health.

An independent study reportedly found evidence of tar sands contamination in Lake Conway and the Arkansas River, contrary to claims by the company. The US Pipeline and Hazardous Material Safety Administration initiated an investigation into the incident.

The spill caused the evacuation of 22 homes and reportedly killed a number of birds in the area. It has been used by opponents of TransCanada's Keystone XL pipeline as an argument against its approval, which they hope will slow oil-sands development in Canada.



### **3. Big Gossan Mine [Indonesia] – Current RRI 52**

Operated by Freeport Indonesia, Big Gossan Mine is one of the underground mines in the Grasberg Gold and Copper Mining Complex. Following a fatal collapse in May 2013, in which 28 people reportedly died, the Indonesian government ordered the suspension of production at the mine pending an investigation.

Critics claim that parent company Freeport-McMoRan and Rio Tinto, which owns 40 percent of the mine, should be held accountable for the accident.

Freeport-McMoRan has come under harsh criticism for allegedly failing to respond to workers' requests to improve safety conditions. According to the Freeport Workers' Union, many workers, concerned about the safety at the Grasberg underground site, constantly demanded the company move the facility above ground. The union claims that the fatal incident could have been avoided if the company had not ignored such complaints.

Freeport Indonesia has faced labor issues in recent years, such as worker strikes over wage disputes and safety concerns.

### **4. Four Rivers Refurbishment Project [South Korea] – Current RRI 49**

The USD 19.8 billion Four Rivers Refurbishment Project was the subject of a great deal of criticism related to corrupt practices and environmental concerns in 2013. The Seoul Prosecutor's Office conducted search and seizure operations against a number of companies allegedly involved in the formation of slush funds linked to the project. These include GS Engineering & Construction (E&C), Hyundai E&C, Daelim Industrial, Daewoo E&C, Samsung Construction & Trading, SK E&C, and POSCO E&C.

Six lawsuits and complaints were reportedly filed with prosecutors. It is alleged that the companies formed these slush funds by providing inflated invoices to subcontractors and then collecting the excess money.

Furthermore, the Daegu Prosecutor's Office is investigating bid rigging allegations related to the project. The companies reportedly colluded to help one another win 16 out of 95 contracts and thereby share the construction zones.

Kolon Watertech was another company linked to the scandal, with claims that it provided approximately KRW 1 billion in bribes to government officials in South Korea's Public Procurement Service, Fair Trade Commission, Ministry of Environment, as well as the Korea Environment Corporation.

Four Rivers also faced an outcry from environmentalists after South Korea's Ministry of Environment found that 16 beams erected had interrupted the river's flow and resulted in extensive damage to local ecosystems. Reportedly, endangered species including otters, fish, and migratory birds have been disappearing since 2011 as a result of the project. Authorities faced accusations of failing to take measures to prevent environmental damage and neglecting to adequately address problems including beam fractures and degradation of water quality.

Local farmers have also petitioned the government, claiming that new reservoirs built for the project have caused rising water levels that have flooded farmland and rendered the soil infertile.



## 5. Fukushima Daiichi Nuclear Power Plant [Japan] – Current RRI 48

Tokyo Electric Power Company's (TEPCO) nuclear power plant, located approximately 250 kilometers north of Tokyo, has been steeped in controversy since the catastrophic March 2011 tsunami caused it to meltdown. TEPCO has since worked to stabilize the reactors and control the spread of radioactivity. Nevertheless, countless articles have documented examinations of groundwater samples and claimed the existence of elevated quantities of carcinogenic substances. These are allegedly much higher than permissible levels and could flow into the sea.

Japan's Ministry of Environment is reportedly considering filing charges against TEPCO to recoup the costs of decontamination work. The company owes JPY 16.5 billion, which may eventually reach JPY 100 billion, of the total JPY 1.3 trillion in costs incurred since the disaster. Additionally, the company has faced employee shortages and waste storage issues: it has struggled to secure workers due to regulations limiting the cumulative amount of radiation an employee may be exposed to, and has been ordered to freeze the soil around its plant to prevent further groundwater contamination.

Furthermore, significant increases in leukemia and breast cancer have been reported beyond the 15-kilometer 'barrier' zone around the plant. Some fish allegedly have four times the tolerated limit of radioactivity levels and plankton is spreading the contamination to the Bay of Tokyo. There are also fears that another earthquake might further affect the structure of the plant and destroy its containment walls. Perhaps the greatest concern however, is that the amount of radioactive waste is growing daily and the company reportedly has no ultimate disposal plan. The clean up is estimated to take 4 decades to complete.

## 6. Foxconn Zhengzhou Technology Park [China] – Current RRI 47

Foxconn's Zhengzhou Technology Park in Henan, China, which reportedly supplies Apple and Sony, has faced criticism in relation to working conditions and employee health and safety issues. For the past few years, the company and the big name brands sourcing from it have been under scrutiny following a series of widely reported employee suicides that occurred at Foxconn's Shenzhen plant around 2010.

In 2013, the Zhengzhou factory was drawn into this scandal after three workers allegedly killed themselves in separate incidents on April 24, April 27, and May 14. Witnesses told the NGO China Labor Watch that two of the workers jumped from their dormitory buildings. Critics claim this is due to the monotonous assembly-line work, low wages, the policy of working in silence, and the harsh monitoring system adopted by Foxconn.

Allegedly, despite wage increases since 2010, workers are paid only CNY 1300 per month (approximately USD 210) after deductions for food and accommodation. Moreover, more than 50 percent of union complaints are ignored, and union members are allegedly subjected to retaliation measures after lodging grievances.

A probe by student activist group SACOM in September 2012, prior to these suicides, alleged the use of forced student labor, excessive overtime, and harsh living conditions at the Zhengzhou factory.

There have also been general concerns raised about fatality rates due to accidents related to the company's factories. Following the reported deaths of seven employees and injuries to a further 20 in a bus collision en route to the plant, critics expressed concerns that the sheer size of Foxconn's facilities are a factor in worker safety.



## **7. [Equal Ranking] Gyama Polymetallic Mine [China] – Current RRI 46**

Gyama Polymetallic Mine, operated by the China National Gold Group (CNGG) is located in the village of Gyama in the Tibet Autonomous Region. CNGG subsidiary, Tibet Huatailong Mining Development Company, started construction on the project in 2008. The mine, which attracted criticism following an outcry by local communities in 2010 when authorities allegedly placed the region under heavy military surveillance and restricted external communications, returned to the spotlight this year after an avalanche of rock and mud buried 83 workers, killing 66 of them. The mine's environmental degradation impacts have been condemned by Tibetans and the accident has further fuelled accusations that the Tibetan plateau is being over-mined. Other concerns include forced resettlements, the relocation of the area's nomads, and a strain on villagers' water supplies.

A report by the Central Tibetan Administration (CTA) entitled "Assessment Report of the Recent Landslide Event in the Gyama Valley" has found that the landslide was triggered by mining activities. The report claims that extraction activities at Gyama Mine by China National Gold and Tibet Huatailong Mining Development, proceeded aggressively in order to maximize profit. Exploration works reportedly resulted in large-scale environmental damage, including contamination of water sources, and had an impact on the health of local communities. The CTA has further questioned the mine's safety conditions given that the miners were reportedly buried while sleeping near the mining site. According to the report, the Chinese government and Ministry of Land and Resource tried to cover up the incident.

## **7. [Equal Ranking] Mtwara Dar es Salaam Pipeline [Tanzania] – Current RRI 46**

The Mtwara Dar es Salaam Pipeline is to run approximately 532 kilometers from Mnazi Bay in the Mtwara region and Songo Songo in the Kilwa District, to Dar es Salaam. The pipeline has been designed to transport natural gas to large-scale electricity producers, and other industrial users, as well as major population centers in Tanzania.

The proposed USD 1.22 billion project proved rather controversial after a government announcement about its intended route, with locals rioting in protest at the authorities' decision. In May 2013, the BBC reported that violent demonstrations had erupted in Mtwara with residents demanding the gas processing plant be built in Mtwara instead of Dar es Salaam. While conducting house-to-house searches to find the instigators of the rioting, Tanzanian police reportedly shot and killed a heavily pregnant woman in the stomach. It was reported that men had fled the town due to the crackdown, while many women and children took shelter in the grounds of a nearby hospital. Houses belonging to several politicians from the ruling party were reportedly burnt down in similar protests about the pipeline in January 2013 and, as a result, the Tanzanian Parliament was temporarily suspended.



## **7. [Equal Ranking] Rustenburg Chrome Mine [South Africa] - Current RRI 46**

Rustenburg Chrome Mine, operated by Lanxess and situated north of Johannesburg, shot to notoriety in May after security forces reportedly fired rubber bullets at a striking workers.

Ten miners were injured in the incident and were later hospitalized although police claimed that none of them were in a critical condition. Guards stated that they opened fire in self-defense after workers went on a wildcat strike during a dispute over bonuses on May 16, 2013. The incident is yet another reminder of the volatile situation in the country's mining sector, one of its key industries.

## **7. [Equal Ranking] San Jose del Progreso Gold and Silver [Mexico] - Current 46**

San Jose del Progreso Mine in Mexico's Oaxaca State is operated by Compania Minera Cuzcatlan S.A. de C.V., whose majority owner is Canada's Fortuna Silver Mines Inc. Opposition to the project in the municipality of Ocotlan has reportedly turned violent on several occasions.

In 2012, two mine opponents were killed along with two officials who supported the mine, and allegedly dozens of people have been beaten or threatened. The mine has apparently displaced around 6,000 indigenous Zapotecs from their traditional croplands. Residents say that it has caused water wells to dry out and could further contaminate groundwater. Locals claim they were not consulted when authorities approved the mine.

Protests against the project began in 2009. The Members of the Popular Assembly of the Peoples of Oaxaca claimed that the mine pollutes local rivers and underground aquifers. In early 2011, they barricaded the mine in an attempt to force the government to suspend mining activities at the site.

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## METHODOLOGY

RepRisk special reports are compiled using information from the RepRisk database, which consists of criticism of companies’ Environmental, Social and Governance (ESG) performance. The RepRisk database currently contains criticism on more than 39,200 private and publicly listed companies. RepRisk analysts monitor the issues related to environmental, social and governance risk across a broad stakeholder audience of NGOs, academics, media, politicians, regulators and communities. Once the negative news has been identified with advanced search algorithms and analyzed for its novelty, relevance and severity, risk analysts enter an original summary into the database and link it to the companies and projects in question. No article is entered twice unless it has been escalated to a more influential source, contains a significant development, 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 quantitative measure of risk exposure, the RepRisk Index (RRI). The RRI measures the risk to a company’s reputation, not its actual reputation in general.

RepRisk objectively monitors the level of criticism to which a company is exposed. All data is collected and processed through a strictly rule-based methodology. Controversial issues covered include breaches of national or international legislation, controversial products and services, 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.

## ABOUT REPRISK

RepRisk is the leading provider of dynamic business intelligence on Environmental, Social and Governance risks (ESG). Our analysts monitor issues in accordance with established international standards, and identify published negative sentiment from a wide range of stakeholders on an unlimited universe of companies and projects.

RepRisk’s business intelligence allows companies and financial institutions to proactively assess ESG issues that may present financial, reputational and compliance risks.

The RepRisk application includes a variety of features enabling our clients to monitor risk trends over time, create customized watchlists, tailor alert services, and more.

The RepRisk tool plays an integral role in financial risk management, enterprise reputation risk management and compliance with internal and international standards.

RepRisk covers all major business languages and its database currently includes over 39,200 companies, 8,900 projects, 5,700 NGOs and 4,900 governmental bodies. It is updated continuously and the number of entities is growing daily.

### ■ Contact Information

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