

RepRisk Special Report

The Most Controversial Companies of 2014

Foreword from the CEO

I am pleased to announce the release of the fifth edition of our annual Most Controversial Companies Report, which focuses on the companies that were most exposed to environmental, social and governance (ESG) risks in 2014.

The report is compiled from RepRisk's dynamic ESG risk analytics and metrics and is based on information that is screened, analyzed, and quantified daily from a wide range of publicly-available, third-party sources.

By publishing this report, it is not our intention to "name and shame" the companies that are listed. Instead, our intention is to highlight the incidents and chain of events that can lead to loss of reputation, to compliance risks and financial risks and, in some cases, even call into question a company's license to operate.

We hope that insight into the challenges these companies faced in 2014 will raise awareness of potential ESG risks faced by globally-active businesses, and encourage corporations to systematically take into account such issues in their risk management strategies and processes.

Philipp Aeby
CEO, RepRisk AG

About RepRisk

RepRisk is a leading business intelligence provider specializing in dynamic environmental, social and governance (ESG) risk analytics and metrics.

On a daily basis, RepRisk systematically screens big data from a broad range of open intelligence sources in 14 languages in order to identify, filter, analyze and quantify ESG risks (such as environmental degradation, human rights abuses and corruption) related to companies, projects, sectors and countries. This external perspective provides valuable insight on whether a company's policies, processes and commitments are consistently translating into performance.

Since 2006, RepRisk has built and continues to grow the most comprehensive ESG risk database that serves as a due diligence tool and early warning system in risk management, compliance, investment management, corporate benchmarking and supplier risk. The database currently includes risk profiles for over 49,000 public and private companies and 12,000 projects as well as for every sector and country in the world.

Headquartered in Zurich, Switzerland, RepRisk serves clients worldwide including global banks, insurance companies, investment managers, and corporates, helping them to manage and mitigate ESG and reputational risks in day-to-day business.

RepRisk provides the transparency needed to enable better, more informed decisions. To learn more, visit www.reprisk.com.

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Produced by RepRisk AG

Authors: Stella Kenway, Alessandra Oglino

Editors: Alexandra Mihailescu Cichon, Helios Strategy Group, Viktoria Redey

Graphic Design: Bounford.com

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RepRisk AG, Stampfenbachstrasse 42, 8006 Zurich, Switzerland. Tel. +41 43 300 54 40 www.reprisk.com

Overview and Ranking

Throughout 2014, RepRisk systematically screened big data from a broad range of public sources in 14 languages in order to identify, filter, analyze and quantify environmental, social and governance (ESG) risks (such as environmental degradation, human rights abuses and corruption) related to companies, projects, sectors and countries.

Our Most Controversial Companies (MCC) Report outlines the ten companies that had the highest Reputational Risk Index (RRI) ¹ in 2014 – and therefore, the highest exposure to ESG risks.

Six out of the ten most controversial companies of 2014 are located in Asia and three are based in the United States. The Fédération Internationale de Football Association (FIFA), headquartered in Switzerland, is included once again in our annual MCC Report due to ongoing corruption allegations, as well as occupational safety issues at FIFA World Cup venues (the organization was ranked first in RepRisk's MCC 2013 Report).

It is interesting to note that the incidents faced by the ten companies listed in the report fall primarily into the social and governance categories, with

accusations focusing on corruption, fraud, defective products, occupational health and safety, and supply chain issues.

It is also interesting to note the speed with which these ESG incidents affected the companies' reputation ² and that in one case, an incident nearly forced the firm into liquidation.

Most Controversial Companies of 2014

#1	Chonghaejin Marine Company	#6	FIFA
#2	Takata Corp	#7	Dongguan Shinyang Electronics
#3	Chang Guann Company	#8	General Motors
#4	Zhongrong Metal Products	#9	KT ENS Corp
#5	Uber Technologies	#10	Neiman Marcus Group

¹ The RRI is RepRisk's proprietary risk metric that quantifies a company's exposure to ESG risks. See methodology on page 16 for more information.

² As some of the ten companies listed had completely untarnished reputations prior to the issues they experienced during 2014, the impact on their RRI was greater due to the novelty of such incidents (the RRI emphasizes companies that are newly criticized, while companies with a history of risk exposure are less affected by new criticism and negative incidents).

#1 Chonghaejin Marine Company

Sector: Travel and Leisure; **Headquarters:** Republic of South Korea; **Peak RRI:** 93

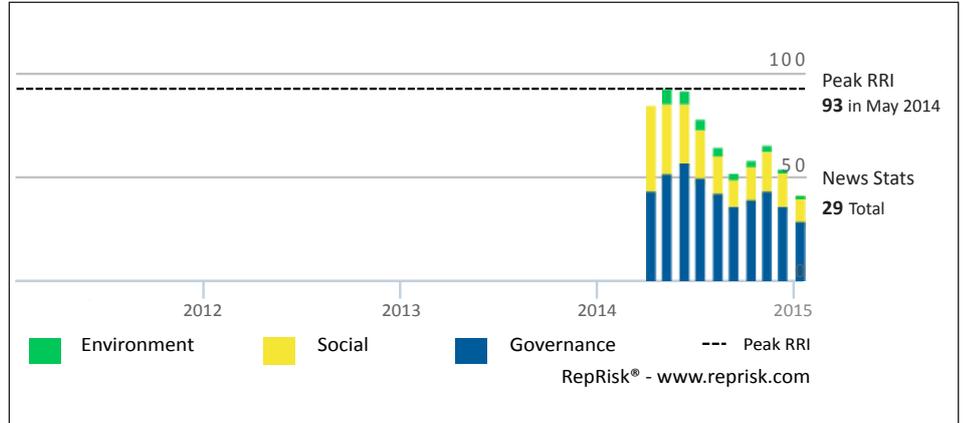
On April 16, 2014, the Republic of South Korea was hit by one of its worst marine tragedies in recent history, when the Ferry Sewol sank off the island of Jindo. The ferry, owned by Chonghaejin Marine, was carrying 476 people, mostly secondary school students. By November, the death toll had risen to over 300 people.

A few days after the accident, the captain and the crew of Sewol were accused of deserting the ferry and failing to give passengers evacuation instructions. The captain of the ferry was arrested on charges of abandoning ship, violating maritime law, and various other infringements.

Following the disaster, South Korean prosecutors launched an investigation into alleged overseas tax evasion and illegal foreign exchange transactions by Mr. Yoo, the former Chairman of Semo Group that controlled Chonghaejin Marine through a series of affiliates. Prosecutors also probed Mr. Yoo's family. Mr. Yoo was investigated over allegations of corruption concerning safety tests carried out on Ferry Sewol, amid suspicions that the vessel had been sailing without legal permits. As a consequence of the investigations, a travel ban was imposed on 30 officials of Chonghaejin Marine and its affiliates. [RepRisk Analysis Note: Chonghaejin Marine filed for bankruptcy on May 19, 2014.]

Prosecutors announced that they wanted to question Mr. Yoo over allegations that he had embezzled KRW 128 billion (USD 118 million) from the subsidiaries of Semo Group and had evaded KRW 15.9 billion (USD 14 million) in taxes. However, the authorities could not locate him after the accident, and in July 2014, his dead body was found in a field.

RepRisk Index (RRI) Trend of Chonghaejin Marine Company



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During the trial concerning the Ferry Sewol accident, Chonghaejin Marine was accused of having repeatedly overloaded Sewol and its sister ferry, Ohamana, since 2004. In 2008, a former captain of Ferry Ohamana allegedly asked the company to stop overloading ferries, as the practice was putting passengers at risk. However, the company reportedly ignored the warning.

Allegedly, the day before the accident, Ferry Sewol had been loaded with almost double its legal cargo limit and this had caused the vessel to be unstable. Prosecutors also held the CEO of Chonghaejin Marine responsible for the disaster and claimed he had contributed to

the capsizing of the ferry by permitting the excess cargo. He was also accused of misappropriating KRW billions of the company's assets.

In November 2014, Ferry Sewol's captain was found guilty of negligence and sentenced to 36 years in prison. Thirteen other crew members were given jail sentences of up to 20 years, while the ferry's Chief Engineer was found guilty of murder and sentenced to 30 years. The CEO of Chonghaejin Marine was sentenced to ten years in prison for involuntary homicide and embezzlement.

Top 5 ESG issues linked to Chonghaejin Marine Company

1. Products (health and environmental issues)
2. Violation of national legislation
3. Fraud
4. Tax evasion
5. Impacts on communities

#2 Takata Corp

Sector: Automobiles and parts; Headquarters: Japan; Peak RRI: 86

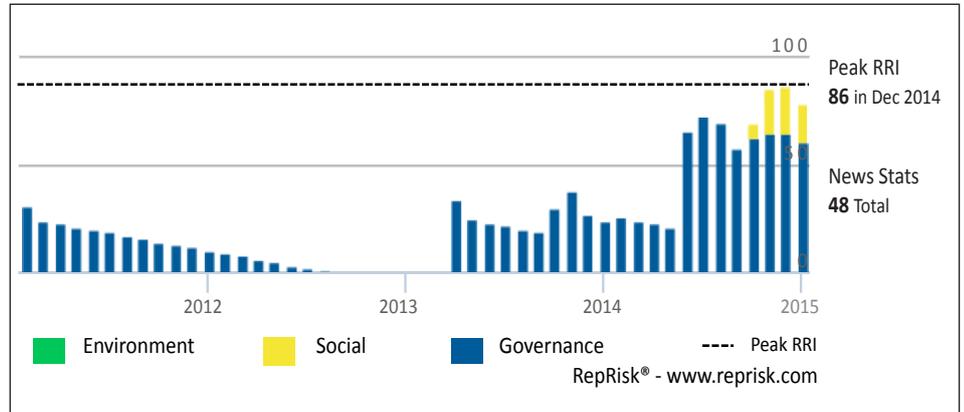
Japanese automobile parts manufacturer, Takata, was ranked the second most controversial company in 2014 due to the production of defective automobile safety airbags and the consequent recalls of millions of vehicles. Several major car producers were affected by this scandal.

In early June 2014, Toyota issued a worldwide recall of around 2.3 million vehicles due to safety risks posed by a potentially faulty air bag component made by Takata. A few days later, Honda, Mazda Motor, and Nissan announced they were also recalling a total of approximately 3 million cars that were equipped with the same faulty air bags.

At the end of June, the US National Highway Traffic Safety Administration (NHTSA) announced a nation-wide recall of millions of additional vehicles sold by companies including Toyota, BMW, Fiat Chrysler and Ford as they were fitted with the same faulty device. It was alleged that the faulty airbags could explode during an accident and cause serious injuries. In October, NHTSA ordered Takata to provide documents and detailed answers under oath to 36 questions, as part of an investigation into the defective airbags.

The investigations revealed that Takata had allegedly known about defects in its airbags but had decided not to disclose the problem. Following a fatal car accident in Alabama in 2004, Takata reportedly conducted secret tests in Michigan that revealed deficiencies in its airbag inflators. However, instead of reporting the danger to regulators, the company allegedly destroyed the testing data and waited another four years before conducting official tests in 2008, which resulted in the first airbag-related recall.

RepRisk Index (RRI) Trend of Takata Corp



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At least five deaths and dozens of injuries have been linked to the problem. In 2009, a class action lawsuit was filed in California against Takata and Honda in relation to the defective airbags.

Takata's Monclova plant in Mexico was confirmed as the manufacturer of defective airbags manufactured in 2001, 2002 and 2012. It was claimed that workers at the plant had faced unrelenting pressure to achieve production quotas, and that the mistakes had been partly due to stress.

At the time of publication, Toyota, Honda, Nissan, Fiat Chrysler and Ford were reportedly continuing to recall vehicles in countries including US, China,

Japan, and Mexico, as well as across Europe and Southeast Asia, over concerns about the faulty airbags.

On December 24, Takata announced the resignation of its President and Chief Operating Officer, supposedly to speed-up decision-making while the company is dealing with the consequences of the recalls.

Top 5 ESG issues linked to Takata Corp

1. Products (health and environmental issues)
2. Violation of national legislation
3. Anti-competitive practices
4. Fraud
5. Impacts on communities

#3 Chang Guann Company

Sector: Food and beverage; **Headquarters:** Taiwan; **Peak RRI:** 85

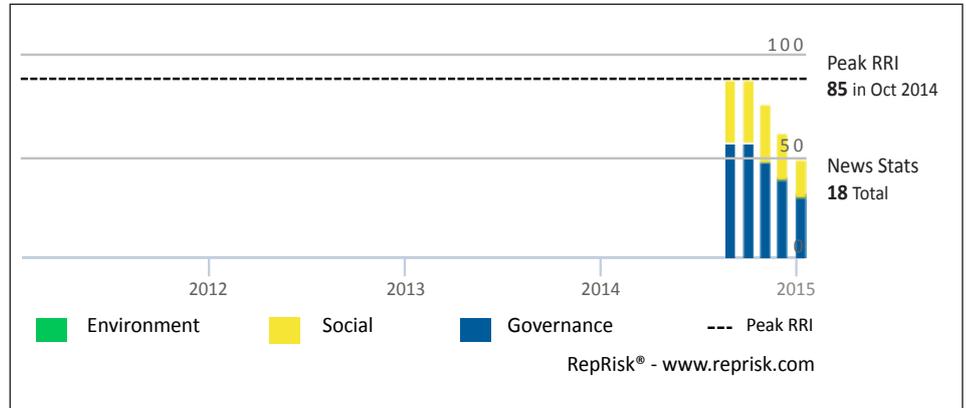
Taiwanese food oil producer Chang Guann is listed as the third most controversial company in the MCC 2014 report following a scandal over contaminated food oil.

In September 2014, Taiwan's Food and Drug Administration identified more than 900 restaurants and food plants that were using "gutter" oil supplied by Chang Guann. The company was accused of supplying firms with cheap recycled oil from kitchen-waste, and by-products from leather plants and slaughterhouses, and mixing it with lard before reselling it from an unlicensed factory.

The Taipei City Health Department imposed a maximum fine of TWD 3 million (USD 95,000) each against two food supply companies, For Chorn and Kong Yen, for initially refusing to disclose the downstream purchasers of their cooking oil, which had allegedly been produced by Chang Guann. Later, Kong Yen finally disclosed that the contaminated oil had been supplied to nearly 400 restaurants and that it had successfully recalled 298 units of the 15-kilogram barrels.

The scandal rapidly widened to include bigger food-service chains in Hong Kong such as 7-Eleven, Starbucks, and Café Express. These outlets had reportedly been using pineapple buns supplied by Maxim's Group, which confirmed that its oil supplies, imported through Urban Food, had originated from Chang Guann. Ting Hsin International was also linked to the scandal after its subsidiary, Wei-Chuan, admitted that its meat paste had been made with oil purchased from Chang Guann. In September, retailers in Macau, Taiwan and Hong Kong removed hundred of tons of products from their shelves over fears that they were contaminated with the oil.

RepRisk Index (RRI) Trend of Chang Guann Company



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Subsequent investigations showed that a total of 235 manufacturers had purchased the sub-standard oil, and 213 food products contained the contaminated lard. Over 1,000 retail businesses were asked to recall the tainted products and Taiwan's Premier created a special task force to deal with the problem.

The directors of Chang Guann were indicted on charges of violating food safety regulations and fraudulently selling substandard products, and the company was fined TWD 52.9 million (USD 1.7 million). Reportedly, this was the highest possible fine under local safety food laws in Taiwan.

Following the scandal, Chang Guann was fined a further TWD 160,000 (USD 5,000) by the Bureau of Kaohsiung City Labor Affairs for allegedly dismissing 103 employees without giving them the legally required 60 days' advance notice. The Bureau's investigations also found that employees had been illegally asked to work overtime.

In September, the CEO of Chang Guann was arrested in relation to the scandal and the assets of company's owner were frozen.

Top 5 ESG issues linked to Chang Guann Company

1. Products (health and environmental issues)
2. Violation of national legislation
3. Fraud
4. Supply chain (E, S, G issues)
5. Poor employment conditions

#4 Zhongrong Metal Products

Sector: Automobiles and parts; Headquarters: China; Peak RRI: 83

On August 2, 2014, a massive explosion at the Zhongrong Metal Productions (Zhongrong) plant in Kunshan, China, killed over 70 workers and injured more than 180 others. Investigators suspected that an accumulation of combustible metal dust particles at the facility had led to the blast, which tore two large holes in the plant's walls. Zhongrong, wholly owned by Formosa International Enterprises, is a subcontractor of Citic Dicastal Wheel Manufacturing, which supplies wheels to companies including General Motors, Volkswagen and Mitsubishi Motors.

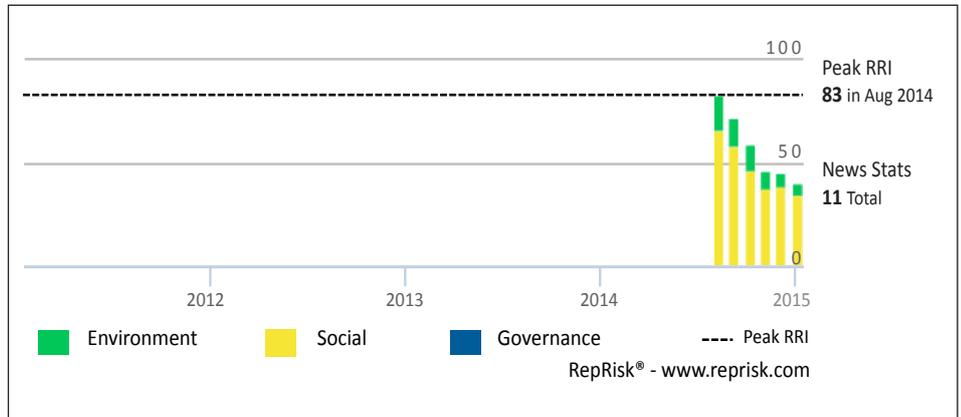
Following the accident, five Zhongrong executives were taken into custody for questioning.

Zhongrong was accused of failing to properly implement safety measures to prevent the build-up of aluminum dust in the workspace, which in previous years had caused several factory accidents in China. Allegedly, another dust-related fire at Zhongrong had occurred two months before the August 2014 explosion.

According to local work safety authorities, the company had been repeatedly warned about dust-related explosion hazards, but had ignored advice about collecting and disposing of the dust. The company had also been reprimanded for environmental and safety issues related to its waste gas and water discharges.

A staff member also complained about heavy workloads, and one worker claimed that employees had to work a minimum of 12 hours a day. The insurance company expressed surprise that Zhongrong had apparently not purchased "work accident insurance" and "high-risk industry insurance" for its employees.

RepRisk Index (RRI) Trend of Zhongrong Metal Products



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The NGO, China Labor Watch, criticized General Motors and its subsidiary General Motors China over the accident, as Zhongrong was one of their second-tier suppliers. According to the NGO, the plant was in a visibly dilapidated state and did not meet the necessary safety standards. China Labor Watch claimed that General Motors shared responsibility for the accident because it had failed to ensure safe working conditions at the supplier's premises.

At the end of August, the Chairman, General Manager, and Production Manager of Zhongrong Metal Products were arrested for their roles in the accident.

On December 30, an official report by the Chinese State Administration of Work Safety, confirmed that the final death toll from the accident had reached 146.

At the time of writing, 15 officials of the Kunshan city government were facing prosecution in relation to the accident, together with three of the Zhongrong Metal Products executives arrested in August.

Top 5 ESG issues linked to Zhongrong Metal Products

1. Occupational health and safety issues
2. Violation of national legislation
3. Poor employment conditions
4. Waste issues
5. Impacts on communities

#5 Uber Technologies

Sector: Software and computer services; **Headquarters:** United States of America; **Peak RRI:** 80

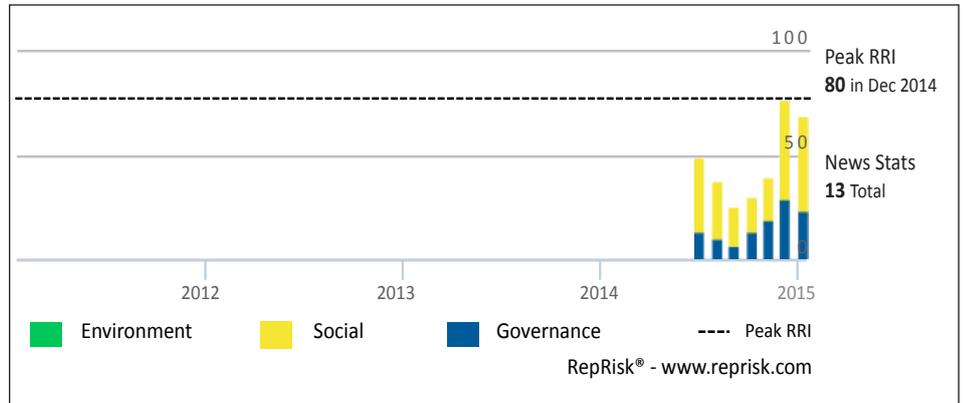
Uber Technologies, a US company that connects passengers with private hire vehicles via a smart-phone app, suddenly found itself at the center of controversy in December 2014, when a number of its drivers were accused of assault. Since launching its services in San Francisco in 2009, the company has expanded its operations to over 200 cities around the world.

In India, an Uber driver was accused of raping a 26-year old female passenger on December 5, 2014 in New Delhi, prompting the Indian Transport Department to ban the company. Uber, which had promoted itself as being safe, as “GPS systems were installed in all taxi cabs,” was accused of misleading customers and failing to conduct background checks on its drivers. The taxi driver was arrested and appeared in court on December 8.

US prosecutors in the state of Massachusetts also charged an Uber driver with rape, assault to rape, kidnapping and two counts of assault. According to the indictment, the driver picked up a young woman in Boston on December 6 and took her to a secluded area where he stopped the car and attacked her. It has been alleged that several drivers working for the company in San Francisco, Florida and Chicago also assaulted passengers in 2014. The company has also faced charges over claims that they operate at US airports without the necessary authorization, and in Portland, Oregon, the city government sued Uber for operating an “illegal, unregulated transportation service.”

At the beginning of December, District Attorneys in the counties of San Francisco and Los Angeles also launched a civil lawsuit against Uber over allegations that the company misled consumers about the extent of background checks

RepRisk Index (RRI) Trend of Uber Technologies



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that it carried out on its drivers. The lawsuit claimed that the company violated Californian law by stating that its driver screening method was “industry-leading,” when, in fact, drivers were not even asked to submit fingerprints.

Later in December, a former Uber driver was charged with vehicular manslaughter over the death of a six-year old girl in a December 2013 traffic accident in San Francisco.

Uber also faced difficulties in Asia. In December, the Central District Prosecutors Office in Seoul, South Korea, formally charged the CEO of Uber and Uber’s car-rental partner, MK Korea,

with violating local transportation law, which prohibits the use of rental cars as taxis. The men could face up to KRW 20 million (USD 18,500) in penalties or up to two years in prison. The case comes after the Seoul city government petitioned the South Korean authorities to shut down Uber because it was damaging the taxi industry in the country. In mid-December, police in China raided a site that trained Uber drivers on suspicions that the company did not have the required permits to offer transportation services.

In Europe, Uber has been accused several times of unfair competition. In November, the Swedish Taxi Association

Top 5 ESG issues linked to Uber Technologies

1. Violation of national legislation
2. Human rights abuses and corporate complicity
3. Impacts on communities
4. Anti-competitive practices
5. Discrimination in employment

claimed that the company was restricting competition by not using taximeters. Uber faced further opposition in November when it launched operations in Denmark, as the Danish Transit Authority filed a police complaint against the company soon after it began operating, on the grounds that it was violating passenger legislation because the company lacked the required certificates.

Taxi drivers in Barcelona also complained about unfair competition from unlicensed taxi drivers and asked the local government to shut down Uber after it began operating in Spain in April 2014. In the same month, a Belgian court ruled that Uber's service was illegal.

In July 2014, taxi drivers in Berlin, Paris, London, and Madrid likewise claimed

that Uber's app was a threat to their livelihoods, and in December 2014, Spain joined Thailand in banning the service.



#6 Fédération Internationale de Football Association (FIFA)

Sector: Travel and Leisure; Headquarters: Switzerland; Peak RRI: 78

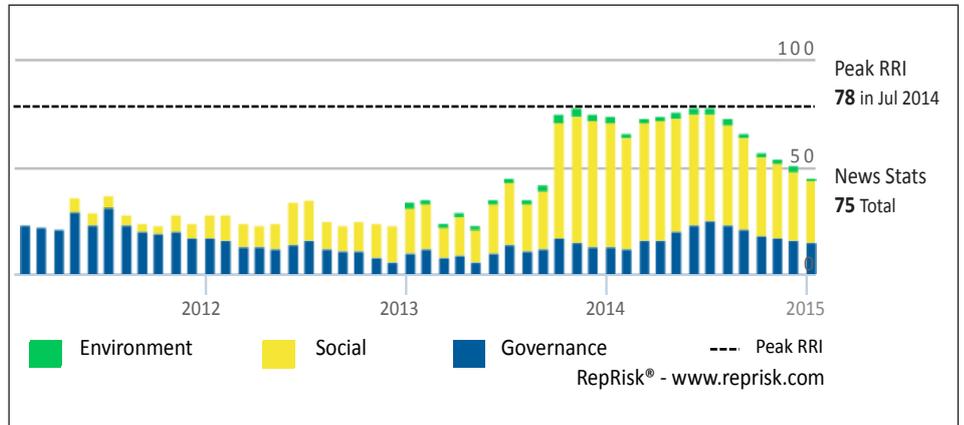
FIFA, which ranked number one in RepRisk’s Most Controversial Companies Report 2013, is included again in this year’s report due to repeated allegations of corruption. A book by journalist, Andrew Jennings, accused FIFA executives of running the association like a “crime syndicate” and claimed that widespread corruption had “ruined the atmosphere of the tournament.”

In Brazil, the police launched an investigation into a scheme to sell illegal 2014 World Cup tickets, which was allegedly supported by high-ranking FIFA officials. Hundreds of thousands of protestors also expressed anger at the amount of money spent on infrastructure for the 2014 FIFA World Cup. The USD 900 million Mane Garrincha Stadium was particularly criticized amid allegations that fraudulent billing had caused construction costs to triple.

There was also widespread criticism about the working conditions of laborers preparing the facilities for the 2014 World Cup event. Reports surfaced of unsafe working conditions at the construction sites of Brazil’s World Cup venues, as well as allegations that thousands of refugees from Haiti were being employed in “slave-like” conditions to build Brazil’s Arena Amazonia Stadium. Three workers died during the construction of the stadium and in September, the construction company Andrade Gutierrez was fined BRL 5 million (USD 1.9 million) over irregularities at the site.

In June 2014, an investigation by the UK’s Sunday People newspaper linked the Brazil World Cup to child prostitution by reporting that gangs were forcing children as young as 10 years of age to sell themselves for sex to foreign fans during the event.

RepRisk Index (RRI) Trend of FIFA



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The 2022 World Cup in Qatar also faced widespread condemnation during 2014 for reportedly subjecting migrant workers to inhumane working conditions. There were continuous reports of workplace accidents, heart attacks, and suicides, as workers allegedly were laboring in temperatures that reached 50 degrees centigrade. A Human Rights Watch report claimed that Qatari employers had confiscated the passports of migrant workers, and the Qatar Foundation admitted that the country’s labor practices were violating ILO Conventions.

It is estimated that around 1,200 construction workers have died since work began on Qatar’s World Cup facilities,

and experts have claimed that the final death toll could reach over 4,000.

The 2022 Qatar World Cup was also linked to forced labor with claims that 90 percent of the salaries of North Korean workers working on the country’s World Cup facilities was expropriated by North Korean authorities.

The 2022 event faced repeated allegations of corruption in 2014. There were even calls for a re-run of the vote for the host country, following claims that the Qatari former president of the Asian Football Confederation had channeled up to USD 5 million to FIFA officials to help Qatar win the bid.

Top 5 ESG issues linked to FIFA

1. Human rights abuses and corporate complicity
2. Occupational health and safety issues
3. Poor employment conditions
4. Corruption, bribery, extortion and money laundering
5. Forced labor

The US Treasury Department also linked the event to terrorism by claiming that the former President of the Qatar Football Association had facilitated transfers worth USD hundreds of thousands to Al Qaeda and its affiliates.

World Cup sponsors and suppliers were also linked to the criticism, with NGOs such as Transparency International criticizing companies including Adidas, Coca-Cola, Hyundai, Sony, and Visa International, for continuing their sponsorship despite the corruption scandals surrounding FIFA. AB Inbev, a global beverage company, was also denounced for pressuring the Brazilian government into allowing beer sales at 2014 World Cup stadiums, even though Brazil had banned alcohol at sport venues for safety reasons in 2003.

Munich Re, who provided insurance coverage for the 2014 World Cup, was accused of indirectly supporting the eviction of tens of thousands of people in preparation for the Brazil event. In November, Emirates Airlines dropped its sponsorship of FIFA over corruption allegations.

In May 2014, Greenpeace Germany claimed it had found hazardous chemicals in merchandise produced by Adidas, Nike, and Puma for the 2014 World Cup in Brazil. The “Brazuca,” the official soccer ball of the Brazilian World Cup which was manufactured by Forward Sports, was also linked to toxic chemicals that could allegedly harm the environment and the health of workers who manufactured them in Pakistan.

Other World Cup events were also criticized in 2014. Five fatal accidents were reported at facilities being prepared for the 2018 World Cup in Russia, and the event faced repeated allegations of corruption involving Russian officials. In November, FIFA was criticized again when it exonerated both Russia and Qatar of any misconduct regarding their bids to host the 2018 and 2022 World Cups.

Australia’s bid to host the World Cup in 2022 also did not escape criticism. In March, a whistleblower claimed that in September 2010, Australia’s bid team had offered former FIFA vice-president AUD 500,000 (USD 410,000) to win the bid to host the event.



#7 Dongguan Shinyang Electronics

Sector: Electronic and electrical equipment; **Headquarters:** China; **Peak RRI:** 77

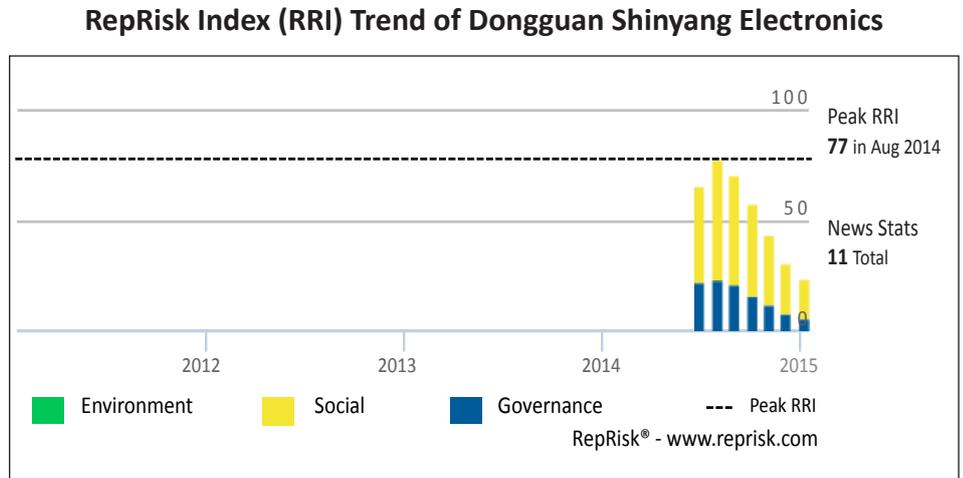
The Chinese company, Dongguan Shinyang Electronics, a subsidiary of Shinyung Engineering Company Limited, appears in RepRisk’s Most Controversial Companies Report 2014 due to allegations of child labor that surfaced in June 2014. Dongguan Shinyang Electronics produces cell phone components for Samsung Electronics.

China Labor Watch claimed that an undercover investigation had found at least five workers, aged 14-15 years, working at Dongguan Shinyang’s factory. The undercover reporter had been employed as a normal production line worker and had carried out over 30 worker interviews during the investigation.

The reporter claimed that Dongguan Shinyang employed underage students during busy periods, and that the young people had been hired by presenting identity cards belonging to other people. China Labor Watch reported that the adolescents were made to work 11-hour night shifts for one-third less pay than an adult worker.

The NGO’s report listed a series of other infringements by Dongguan Shinyang, including the failure to provide employees with pre-job safety training, although they were allegedly exposed to harmful chemicals, failure to provide protective clothing and equipment, and only giving the workers a completed contract after one month’s employment.

Samsung said that it had audited the Dongguan Shinyang plant three times and had found no evidence of child labor. A journalist working for the New York Times then claimed he had met three workers, aged 14-15 years, who had allegedly been hired a few weeks after Samsung had conducted the last



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audit on June 25, 2014.

Dongguan Shinyang Electronics put the blame on Feihong Labor Dispatch, an agency that supplied workers to the factory. However, in July, Samsung Electronics temporarily halted work with Dongguan Shinyang after the company’s own internal investigations confirmed evidence of child labor. In August, Samsung announced that it would reduce its business with Dongguan Shinyang by 30 percent to “hold the company responsible for failing to monitor its subcontractors, in accordance with Samsung’s zero tolerance policy on child labor.”

In addition, adult workers at the Dong-

guan Shinyang factory complained of overtime shifts that could reach 120 hours a month, which is more than three times the legal limit of 36 hours allowed by Chinese labor laws.

In August, another report by the NGO, Business and Human Rights Resource Center, documented human rights and the environmental performance of Chinese companies at home and abroad. The report, which also cited Dongguan Shinyang Electronics for allegedly employing underage workers, denounced the failure of companies to implement the UN Guiding Principles on Human Rights.

Top 5 ESG issues linked to Dongguan Shinyang Electronics

1. Child labor
2. Human rights abuses and corporate complicity
3. Poor employment conditions
4. Fraud
5. Discrimination in employment

#8 General Motors

Sector: Automobiles and parts; **Headquarters:** United States of America; **Peak RRI:** 75

General Motors (GM) is in eighth position on the Most Controversial Companies 2014 ranking due to persistent problems in its supply chain that reportedly forced the company to recall over 30 million vehicles.

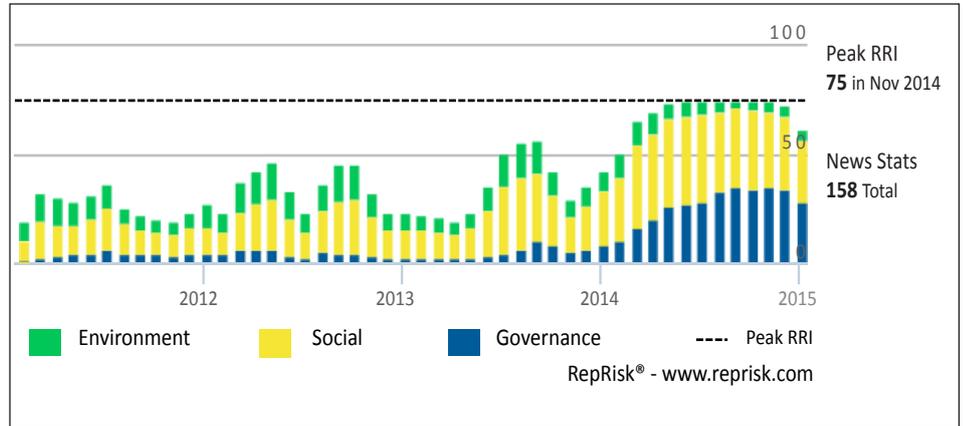
In February 2014, the company allegedly recalled over 2.4 million cars due to a faulty ignition switch, which had been linked to over 36 deaths. The National Highway Traffic Safety Administration (NHTSA) began investigating why GM had only begun recalling vehicles with the faulty ignition switch in February 2014, nearly 10 years after the defect had first been discovered. In May 2014, NHTSA fined GM USD 35 million for failing to properly deal with the problem.

In October 2014, General Motors do Brasil announced a recall of 1,795 Chevrolet Sonic 2014 models due to defective gas tanks and potential fuel leakages that allegedly posed a fire risk.

Also in October, GM announced plans to recall approximately 7,600 Chevrolet Caprice police cars manufactured between 2011 and 2013 over transmission issues, and halted the sales of two newly unveiled pickup trucks due to various safety risks. The company also faced investigations for a stalling problem in its vehicles, which had been linked to 23 fatal accidents.

In the United States, 48 state attorneys are pursuing a multi-state investigation into GM for its handling of the defective ignition-switch issue. In Arizona, the state's Attorney General sued GM in a District Court after accusing the company of defrauding the state's consumers of approximately USD 3 billion. The lawsuit accused GM and its officials of intentionally misleading consumers about the safety of its cars and of hiding and failing to remedy serious defects

RepRisk Index (RRI) Trend of General Motors



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in millions of its older vehicles, which included issues with seatbelts, brake lights, airbags, transmission cables, and headlights.

The company and its officials are also facing multiple investigations from other US agencies including the Securities and Exchange Commission, the Justice Department, NHTSA, and House and Senate Committees. In September, there were queries as to why GM had awarded massive pay increases to its top executives while the company was still under a federal bailout through the Trouble Asset Relief Program.

In Colombia, labor relations at the company's Colmotores Plant in Bogota were also strained. In November, Labor activists at the plant charged GM with violating the Foreign Corrupt Practices Act and claimed that corrupt activities between the company and the Colombian Labor Ministry had allowed continuous violations of labor laws. The workers complained of debilitating muscle disorders and spinal injuries, allegedly due to poor health and safety conditions at the plant. Meanwhile, video footage was broadcast showing US Embassy officials allegedly beating injured GM workers who were protesting in front of the embassy.

Top 5 ESG issues linked to General Motors

1. Products (health and environmental issues)
2. Violation of national legislation
3. Fraud
4. Supply chain (E, S, G issues)
5. Occupational health and safety issues

In China, GM faced considerable criticism for a massive explosion at Zhongrong Metal Products (Zhongrong is ranked 4 in this report, please see page 6), a second-tier supplier of the company. China's State Administration of Work Safety put the death toll at 146 and stated that the explosion was caused by the sudden combustion of excessive levels of dust at the factory.

In October, the International Labor Rights Forum also criticized KB Autosys, a supplier of GM in Uzbekistan, for illegally dumping more than 500 tons of metallic waste over a period of five years on farmland near the company's Miyan plant.

In India, General Motors was accused of price fixing, and the company was fined,

together with other car manufacturers, by the country's Competition Commission for failing to allow fair competition in the spare parts market. In Argentina, GM and other companies were also sanctioned for price fixing. The company is facing similar investigations in China.



Sector: Software and computer services; Headquarters: Republic of South Korea; Peak RRI: 74

The software company KT ENS, a subsidiary of the Korean-based telecommunications company, KT Corporation, found itself at the center of controversy at the beginning of 2014, when the Korean Financial Supervisory Service (FSS) uncovered a KRW 300 billion (USD 278 million) loan fraud. Allegedly, between May 2008 and January 2014, Mr. Kim, a manager of KT ENS, obtained loans worth KRW 1.8 trillion (USD 1.6 billion) from 16 banks in Korea by using fraudulent documents. Suspicions were raised when he failed to repay KRW 49 billion (USD 45 million) that was due to the banks.

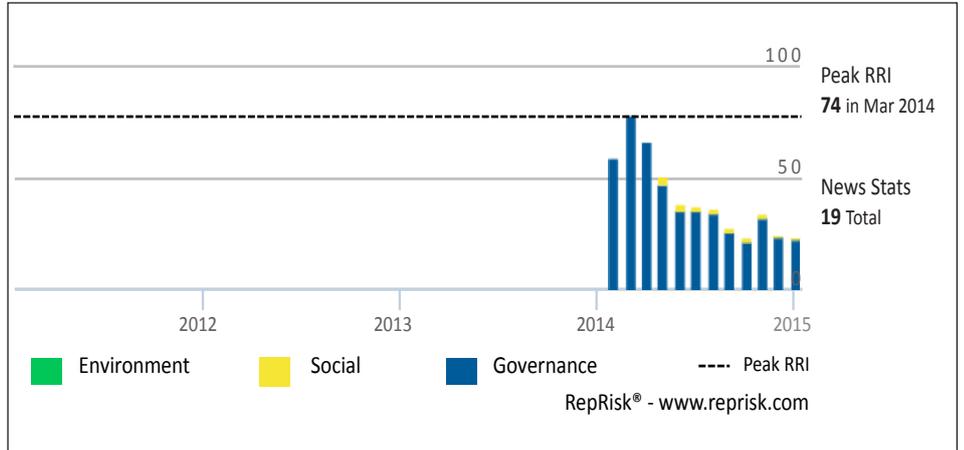
Investigators accused the CEOs of two of KT ENS' affiliates, NS Soul and Joongang Technology and Communication (Joon-gang T&C) of complicity in the scam. Mr. Kim was also accused of receiving KRW 185 million (USD 170,000) in bribes from NS Soul between 2007 and 2014.

Mr. Kim and the CEO of Joongang T&C were both sentenced by the Seoul Central District Court to 17 and 20 years in prison respectively for the fraud. They were accused of fraudulently obtaining a total of KRW 1.8 trillion (USD 1.6 billion) in loans taken from 16 banks on 463 separate occasions, and of failing to pay back nearly KRW 289 billion (USD 266 million). Seven other directors of KT ENS affiliates were charged with involvement in the scheme and were also given prison sentences.

In March, a former official of the FSS was linked to the fraud and accused of taking kickbacks worth KRW hundreds of millions from the NS Soul and Joongang T&C. The official reportedly warned NS Soul's CEO of pending fraud investigations, which prompted a CEO of one of KT ENS affiliates to flee to New Zealand.

In the same month, the Seoul Central

RepRisk Index (RRI) Trend of KT ENS



The Peak RRI for this Special Report refers to the highest RRI in 2014.

The News Stats refer to the number of risk incidents captured by RepRisk in 2014 for the company. Each risk incident for a company is added only once to the database, unless the risk profile of the incident changes.

District Court launched a receivership process for KT ENS. The company warned that it was facing financial difficulties after its credit rating had been downgraded following the involvement of its employees and affiliates in the loan scam.

In July, the FSS announced plans to investigate senior-level employees at Hana Ban, Kookmin Bank, Nonghyup Bank and BS Savings bank for failing to conduct proper appraisals before giving out loans to KT ENS. The banks claimed that KT ENS was obliged to pay back the loans as its employee had committed the fraud.

In November, KT ENS staff faced further

investigations by Seoul's Central District Prosecutors over suspicions that they had contributed to a large-scale fraud scheme at the technology company, Moneual. Allegedly, Moneual issued large amounts of fraudulent corporate bonds in an effort to hide its financial difficulties. As KT ENS had issued export bonds worth KRW 200 billion (USD 185.5 million) for the company, prosecutors decided to investigate whether the company had contributed to the fraud.

Top 5 ESG issues linked to KT ENS

1. Violation of national legislation
2. Fraud
3. Corruption, bribery, extortion and money laundering
4. Human rights abuses and corporate complicity
5. Misleading communication

#10 Neiman Marcus Group

Sector: Retail; Headquarters: United States of America; Peak: 73

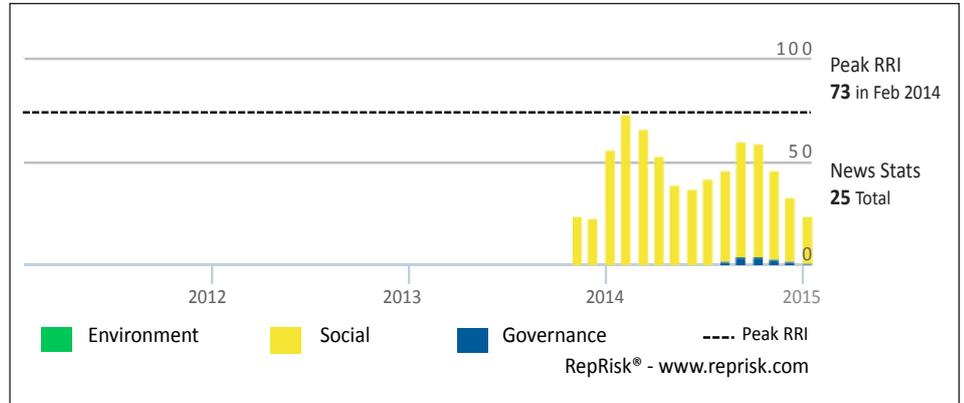
The US luxury retailer is ranked in tenth place on the list of Most Controversial Companies of 2014 due to a major data privacy breach and allegations of child labor in its supply chain.

At the beginning of 2014, Neiman Marcus disclosed that it had been a victim of a cyber attack. According to the US Secret Service, the websites of over 1,000 US retailers were hacked by criminal gangs operating from Eastern Europe. There were fears that the attacks had compromised the companies' customer credit and debit card information, following suspicions that a malware had been installed in in-store payment systems.

Also at the beginning of 2014, Neiman Marcus was linked to child labor when the company was cited in a report by the FXB Center for Health and Human Rights at Harvard University entitled, "Tainted Carpets: Slavery and Child Labor in India's Hand Made Carpet Sector." The report documented cases of forced labor, child labor, human trafficking, and severe debt bondage in Muslim rural areas in Uttar Pradesh and Madhya Pradesh, and claimed that companies including Macy's, IKEA, Neiman Marcus, Bloomingdale's, Wal-Mart and others were sourcing carpets from the area.

The report claimed that some families had sold their children, who then were forced to work off an advance payment made by the factories. The report further suggested that of the two million people employed in the Indian carpet industry, approximately 900,000 are forced laborers and 400,000 are child laborers. Allegedly, children as young as eight are forced to work up to twelve hours a day in cramped and filthy factories, often for less than USD 2 a day. Workers apparently also suffer from physical and verbal abuse and long-term health issues.

RepRisk Index (RRI) Trend of Neiman Marcus Group



The Peak RRI for this Special Report refers to the highest RRI in 2014.

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The FXB Center investigation documented a total of 3,125 cases of forced labor under Indian law, around 1,406 cases of child labor, and 286 cases of human trafficking. The weavers also reportedly suffered from work-related ailments, such as spinal deformation, loss of vision, and pulmonary diseases. At about half the factories visited, workers were also chronically underpaid, further adding to the cycle of poverty and debt.

Although Neiman Marcus denied that it imported rugs for resale, the researchers at Harvard University stood by their findings and confirmed that the company had sold carpets that had been sourced from some of the importers and exporters documented and linked

them to "at least one of the five forms of exploitative labor practices described in the report."

In May 2014, the California-based Center for Environmental Health accused more than 140 companies, including Neiman Marcus, of selling products that contain a potential carcinogen called cocamide diethanolamine. The ingredient is used to produce bubbles in shampoos and soaps and as an emulsifier in cosmetics. According to the World Health Organization's International Agency on Research into Cancer, the ingredient could possibly cause cancer in humans. The NGO began pursuing lawsuits against the companies in an effort to stop them from marketing products that contain the ingredient.

Top 5 ESG issues linked to Neiman Marcus Group

1. Human rights abuses and corporate complicity
2. Violation of national legislation
3. Child labor
4. Supply chain (E, S, G issues)
5. Impacts on communities

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METHODOLOGY

RepRisk Special Reports are compiled using information from the RepRisk database, which monitors environmental, social and governance (ESG) risks for companies, projects, sectors and countries. The RepRisk database currently contains risk incidents on more than 49,000 private and publicly-listed companies. RepRisk analysts monitor the issues related to ESG risk across a broad shareholder and other stakeholder audience of NGOs, academics, media, politicians, regulators and communities.

Once the risk incident 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.

All data is collected and processed through a strictly rule-based methodology. This helps to ensure the balanced and objective rating and weighting of the risk incident, 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.

Contact Information

For more information about the RepRisk ESG Web-based Tool or this Special Report, please contact media@reprisk.com or visit www.reprisk.com.