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## FINANCIAL TIMES

### Brics: risky businesses

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What price a reputation? Earning a good one takes time. Losing it can take a moment. So some of the biggest companies based in Brazil, Russia, India and China may not be pleased to read a report issued this week by RepRisk, a consultancy that calls itself “the leading provider of business intelligence on environmental, social and governance (ESG) risks”.

RepRisk generates a RepRisk Index by compiling “facts, criticism and controversies” gathered from NGOs, academics, media, politicians, regulators and communities. In BRIC Report – The Most Controversial Companies in Brazil, Russia, India and China, it identifies three companies in each Bric country with the highest Peak RepRisk Index (Peak RRI), an indicator of the highest level of criticism a company has faced over the past two years. Scored between 0 and 100, any company rated above 50 is considered high risk.

The three Russian companies mentioned are all in the oil and gas sector, with environmental disputes responsible for much of the risk. Gazprom scored 60 on the back of its majority stake in the contentious Nord Stream Pipeline and an EU antitrust case. Femco Group, which specialises in transporting vessels for the development of offshore oil and gas fields, scored 50 after reports that one of its ships carried military equipment destined for the Assad regime.

The three worst ranking Brazilian companies are also in natural resources. Petrobras, which has faced criticism for a series of oil spills and tax issues, scores 55. Mining giant Vale, which has faced protests against its operations in Brazil, Canada, Colombia, Guinea, Indonesia and Mozambique in the past year, has a Peak RRI score of 66. The company has teamed up with Norte Energia – also in Brazil’s top three with a Peak RRI of 43 – to work on the Belo Monte dam on Brazil’s Xingu River, the most controversial project on the RepRisk database.

India’s top three all score less than 50. Maruti Suzuki has a Peak RRI of 49 after riots at its Manesar plant earlier this year. Vizag Steel’s Visakhapatnam Steel

Plant attracted controversy after a fatal blast this June, bringing the company's Peak RRI to 40. And Coastal Gujarat's problematic Tata Mundra plant drags its Peak RRI score to 46.

In China, HEG Electronics, China National Petroleum Corporation and Riteng Computer Accessory Co, a supplier to Apple, had the three highest scores. Anna Tuson, senior analyst at RepRisk, told beyondbrics that in China, "there is a larger group of companies considered high risk according to the RRI, so while the top three showed significant risk, this appears to be more of a norm in this region, with a number of companies on the ESG risk radar".

Says Tuson: "Countries such as Indonesia and Mexico also attract a lot of criticism – the former in relation to rainforest destruction, palm oil production and illegal logging, while the latter tends to be linked to controversies involving corruption and impacts on indigenous people as well as environmental issues. Turkey and South Korea, on the other hand, are ranked considerably low in terms of public criticism."

RepRisk's clients are mostly banks and institutional investors, with a smattering of multinational companies – though a glance at its website suggests they do not include any companies mentioned in this report. Maybe this is a sales pitch.

*Correction: This post has been changed to remove an erroneous description of RepRisk as "an NGO turned consultancy". In fact RepRisk started life in 1998 as a social and environmental consultancy firm called ECOFACT. Our apologies.*

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