

Corporate Ethics Overview

Summer 2009

Welcome to the Summer 2009 issue of Corporate Ethics Overview.

This issue summarises key ethical news issues as they affect companies in the last month.

As part of our comprehensive news research EIRIS monitors over 100 press sources from around the world every month, including many in emerging markets, in addition to over 60 NGO websites.

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Environment

ExxonMobil continuing to fund climate change denial groups

Issue: Climate change

Exxon Mobil (USA)

ExxonMobil has come under renewed criticism for continuing to fund organisations that deny that climate change is caused by human activity.

Despite a pledge to cut monetary support for groups that publicly question climate change, the company has continued to donate hundreds of thousands of pounds to such lobbyist organisations.

In its 2008 corporate citizenship report, ExxonMobil promised to cut funds to groups that 'divert attention' from the necessity of discovering new sources of clean energy. However, the company's 2008 accounts show that it contributed USD 75,000 (EUR 52,540, GBP 45,272) to the National Center for Policy Analysis (NCPA) in Dallas, Texas and USD 50,000 to the Heritage Foundation in Washington DC in addition to several other donations to similar groups.

According to Bob Ward, policy and communications director at the Grantham Research Institute on Climate Change and the Environment at the London School of Economics, the NCPA and the Heritage Foundation have both communicated 'misleading and inaccurate information about climate change.'

Nick Thomas, director of corporate affairs at ExxonMobil responded to the accusation by saying, 'Like many other

companies, we seek to promote discussion on issues that are relevant to us and contribute to a wide range of academic and policy organisations. These have a diverse group of supporters and obviously we cannot, nor do we try to, control what they say on any particular issue.' He maintained that ExxonMobil is 'addressing the risks of climate change by reducing our own greenhouse gas emissions, helping consumers reduce theirs, supporting research into technology breakthroughs, and participating in policy dialogue.'

Mr Thomas noted that ExxonMobil also makes fiscal contributions to organizations such as Massachusetts Institute of Technology, Stanford University, the Brookings Institution, Princeton University and the Hadley Centre for Climate Prediction and that company scientists serve on the Intergovernmental Panel on Climate Change (IPCC), which concluded that the risks to society and ecosystems from increases in greenhouse gas emissions are significant.

Guardian Website 10/07/09

Grist Website 21/07/09

Exxon Mobil Website 13/08/09

Kimberly-Clark pledges to conserve forests

Issue: Environment

Kimberly-Clark (USA)

In an announcement on 5 August, 2009 Kimberly-Clark has pledged to stop buying wood fibre from Canada's Boreal forest unless it is certified by the Forest Stewardship Council (FSC).

The company claims that by the end of 2010, it will reduce its use of non-FSC certified Canadian Boreal fibre by 50% or more, as compared to its 2007 level of use. By the end of 2011, Kimberly-Clark has said it will stop purchasing non-FSC certified wood fibre from the North American Boreal region altogether.

Kimberly-Clark's decision was influenced by a five year campaign by Greenpeace against the company's procurement practices. Greenpeace used tactics such as setting-up a national forest 'crime scene' in front of Kimberly-Clark's headquarters and running an advertisement in the New York Times which accused readers of destroying the Boreal forest every time they reached for a Kleenex tissue.

'There's a cultural difference between a group like Greenpeace and a group like Kimberly-Clark,' said Scott Paul, director of Greenpeace USA's Forest Campaign. 'But we were able to find ... a path forward that truly pushed Kimberly-Clark down a road of greater and greater sustainability but allowed them to pursue a business model that allowed the quality products people expect.'

EIRIS notes

Forests lock up over 20% of all human-generated carbon dioxide, so forest conservation is considered one of the most useful strategies in countering climate change.

According to Greenpeace Canada the Boreal forest is the largest terrestrial carbon storehouse on the planet, storing some 186bn tonnes of carbon, equivalent to 27 years of global greenhouse gas emissions.

Reuters 05/08/09

Greenpeace Website 10/08/09

Kimberly-Clark Website 10/08/09

Human Rights

Total faces new forced labour allegations over Burmese pipeline

Issue: Human rights

Total (France)

Total is facing renewed allegations that Burmese villagers are being used as forced labour to help maintain the Yadana gas pipeline operated by the company.

Burmese soldiers provide security for the Yadana pipeline as part of the arrangement that Total has with the Burmese government.

Interviews with villagers and former soldiers carried out by the human rights organisation Earthrights International (ERI) suggest that the Burmese military have forced villagers in the Yadana vicinity to do work portering, carrying wood and repairing roads in 2009. There are also allegations that villagers have been forced to build police stations and barracks.

Total insists that forced labour is not used around the pipeline. On its website, the company states: 'The local inhabitants around the Yadana pipeline say that they are happy to have us there. They are, above all, grateful that there is no forced labour in the area around our pipeline.'

Steve Marshall, an International Labour Organisation spokesman, said: 'It would be unfair and inaccurate to say that the pipeline area is forced-labour free. Total does not control the area, it operates it. In terms of the pipeline area, there are big areas that are

outside its control. As we understand it, forced labour is still being used there by other entities, though to a much lesser extent [than in some areas].'

Matthew Smith, of the ERI, said that Total was misleading the public, shareholders and investors about its impact in Burma and said the company was responsible for the abuses committed by troops guarding its project. 'The evidence is unassailable that the Yadana project ushered in the Burmese army and that the Burmese army continues to provide security for the companies and the project,' he said. 'The company has been complicit in abuses.'

A spokeswoman for Total said: 'We are reviewing [ERI's allegations] and intend to adjust our website in the coming weeks so that it can publicly address the issues, whenever possible. It should also be noted that people in the villages around the pipeline are grateful for the fact that systematic recourse to forced labour in the area where Total operates has stopped. Such acknowledgements have been consistently repeated in front of independent experts commissioned to periodically evaluate the impact of our activities.'

EIRIS notes

Burma's junta, the State Peace and Development Council, officially outlawed the use of forced labour in 1999. However, campaigners say troops routinely force civilians to work for them and those who refuse are often beaten, tortured or sometimes killed.

Shwe Gas Movement 22/08/09
Independent 14/08/09
Global Insight 14/08/09

Chinese authorities investigate iPhone worker's death

Issue: Worker rights

Apple (USA) Foxconn (Hong Kong)

One of Apple's main manufacturers, Foxconn, has suspended its chief of security in relation to a case of apparent suicide by an employee under investigation after an Apple prototype phone went missing.

Chinese authorities report that Sun Danyong, 25, allegedly jumped off a 12-story building on 16 July after being interrogated by Foxconn security staff over the missing phone.

The employee reported the missing prototype to Foxconn, which proceeded to launch an investigation into the matter, questioning the employee and searching his home. Before his death, Danyong reportedly told former classmates that Foxconn security used violent methods in their investigation, calling the experience one of the most humiliating of his life.

Apple commented that it was 'saddened by the tragic loss of the young employee,' but opted not to make any further statements until additional investigations into Danyong's death have been concluded.

Foxconn will reportedly pay Danyong's parents a USD 52,000 (EUR 35,552; GBP 32,500) lump sum in addition to a USD 4,400 (EUR 3,093; GBP 2,665) payment each year for the rest of their lives. A Foxconn representative commented that it was not appropriate to refer to the payments as compensation. To date, Foxconn has

refused to make any further comments on the matter.

BBC News Website 28/07/09; 22/07/09
Inquirer Website 23/07/09
CNET Website 22/07/09

Bribery and corruption

Eni unit offices searched in Nigeria graft probe

Issue: Bribery and Corruption

Eni (Italy)

Italian authorities searched the offices of an Eni SpA subsidiary in Milan on 17 July 2009 as part of an international investigation into bribery allegations relating to the construction of natural gas facilities in Nigeria.

The probe is the most recent inquiry into a USD 182m (EUR 128m, GBP110m) probe into improper payments paid from 1994 to 2004 by the TSKJ consortium to secure EUR 6bn in Nigerian liquefied natural gas facilities construction contracts. The TSKJ consortium consists of Eni subsidiary Snamprogetti and subsidiaries of Halliburton/KBR, France's Technip and Japan's JGC.

KBR pleaded guilty in February 2009 to US charges that it paid USD 180m in bribes to Nigerian government officials involved with the scheme, agreeing to pay a USD 402m fine.

Two managers of the former Snamprogetti oilfield services unit had been named as being under investigation. Snamprogetti is now part of Saipem SpA, a subsidiary of oil company Eni.

An Eni spokeswoman said: 'On the facts relating to the TSKJ consortium arising from the period before 2004, there is an inquiry under way by Milan prosecutors, the SEC and the US Justice Department who will ascertain the facts and ultimately responsibility,' she also indicated that Eni and Saipem-Snamprogetti have fully cooperated with investigators.

Authorities report the search was aimed at determining whether grounds existed to designate Snamprogetti itself as being under investigation.

Eni Website 12/08/09
Upstream Website 20/07/09

IMI agrees to pay USD 18m to settle bribery case

Issue Bribery

IMI (UK)

IMI has agreed to pay a USD 18m penalty to settle a bribery case with the United States Department of Justice (DoJ).

Two former senior executives in IMI's Control Components Incorporated (CCI) division have already pleaded guilty in the US to making corrupt payments to foreign officials in China, India and the Middle East in order to win new business.

IMI announced on 2 August 2009 that CCI had agreed to pay the fine as part of a plea agreement.

IMI opened an internal probe into CCI in 2007 after it discovered that some of CCI's agents in developing countries were allegedly making 'commission payments' to secure contracts from companies.

IMI said 'certain former employees of CCI have been indicted by the DoJ for offences related to the investigation', but pointed out that none of its current employees have been prosecuted.

Daily Telegraph 03/08/09

Helmerich & Payne to pay USD 1m after bribery admission

Issue: Bribery

Helmerich & Payne (USA)

Helmerich & Payne (H&P) has entered into an agreement with the US Department of Justice (DoJ) to resolve alleged improper payments by the company to government officials in Argentina and Venezuela in violation of the US Foreign Corrupt Practices Act (FCPA).

As part of the agreement, H&P has acknowledged responsibility for the actions of its subsidiaries, employees and agents who made various improper payments to officials of the Argentine and Venezuelan customs services. These payments were allegedly made in order to import and export goods that were not within regulations, to import goods that could not lawfully be imported, and to evade higher duties and taxes on the goods.

The agreement requires that the company pay a USD 1m (EUR 698,000; GBP 617,000) penalty and implement new internal controls. The agreement recognizes H&P's voluntary disclosure and thorough self-investigation of the underlying conduct, the cooperation provided by the company to the DoJ, and the extensive remedial efforts undertaken by the company.

As a result of the mitigating factors, the DoJ has agreed not to prosecute H&P or its subsidiaries for the making of

improper payments, provided that H&P satisfies its obligations under the agreement for a period of two years. Those obligations include ongoing cooperation, payment of the penalty and further remedial steps.

In a related matter, H&P reached a settlement with the US Securities and Exchange Commission under which it agreed to pay more than USD 375,000 in disgorgement of profits.

US Fed News 31/07/08

Dow Jones 30/07/09

Health and safety

Nine killed in accident at Implats mine

Issue: Health & safety

Impala Platinum (South Africa)

Impala Platinum (Implats) has confirmed that nine of its mineworkers died in an underground accident at its Rustenburg operation on 20 July 2009.

The deaths were caused by a fall-of-ground incident in one of the mechanised panels at Rustenburg's No 14 shaft. An initial investigation has indicated that the accident was due to geological factors.

National Union of Mineworkers (NUM) spokesman Lesiba Seshoka stated that the union was shocked and saddened, that the accident may be linked to a lack of underground support where the company was using mechanised mining methods.

The Department of Mineral Resources ordered an immediate suspension of operations in Rustenburg mine sections

which used the board-and-pillar system to further investigate. The suspension was lifted 10 August 2009.

'South African mining is a safety nightmare, with accidents just waiting to happen. Although accidents repeatedly take place due to reasons beyond the control of mining companies, as in the case of seismic activities, poor safety decisions play a significant part in mining deaths,' remarked Solidarity deputy general-secretary Dirk Hermann.

In response to the accident, Implats CEO David Brown released the following statement, 'We are devastated at this major tragedy. Our thoughts are with the families and friends of our employees at this time.'

More than 34,000 mineworkers put down their tools on 24 July 2009 as part of a day of mourning for those killed in the accident.

Mining Weekly Website 21/07/09

All Africa 23/07/09

IOL News Website 23/07/09

Mining Weekly Website 07/08/09

BHP's poor safety record labelled 'abysmal'

BHP Billiton (Australia)

BHP Billiton's poor safety record at its Australian operations has been labelled as 'abysmal' by the company's iron ore president, Ian Ashby.

During the last twelve months six people have been killed at BHP Billiton operations in Australia. Five fatalities occurred at its Pilbara iron ore operations in Western Australia and one

worker was killed at a coal mining operation in Queensland.

The company's Pilbara operations fell 9% short of the 137 million tonne production target due to a series of shutdowns caused by the safety incidents.

Speaking about the company's newly implemented risk management plan, Mr Ashby said: 'If these risks are not properly controlled, they will kill – we've had that experience, unfortunately.'

'What we all need to do is pay a lot more attention to the critical controls that mitigate these risks.'

Since April 2009, Western Australian mining inspectors have had the right to issue stop working notices to a company for any breach of workplace conditions that may constitute a hazard to workers. 'We've put in place a process where they get a prohibition notice when anything goes wrong, so they've got to fix everything up before that particular part of the operation can resume,' the Western Australian Minister for Mines and Petroleum, Norman Moore, said.

The company underwent an independent safety review at all its Western Australia iron ore operations following the series of incidents. BHP Billiton agreed to improvements of its safety systems including suspending all non-essential night shift work, enhancing its fatigue management plan, implementing contractor safety workshops, an improved traffic management system, and behavioural safety programs.

Kalgoorlie Miner 06/08/09

Australian Financial Review 23/07/2009

General

Cadbury announces first mass market chocolate with Fairtrade certification**Issue: Fairtrade****Cadbury (UK)**

Cadbury has announced that its most popular brand, Dairy Milk, will be made with Fairtrade certificated cocoa from now on.

Cadbury's decision to become the first mass market chocolate bar with Fairtrade certification will triple Fairtrade cocoa production in Ghana from 6% to 18%, totaling 15,000 tonnes. The Fairtrade Foundation welcomed Cadbury's move, releasing a statement that Cadbury's commitment will ensure 'economic, social and environmental sustainability of cocoa farming communities in Ghana.'

The shift to Fairtrade certificated cocoa builds upon Cadbury's Cocoa Partnership launched in January 2008, aiming to spend GBP 45m (EUR 52m, USD 74m) over the next ten years to improve socio-economic conditions for cocoa bean farmers in Ghana, India, Indonesia and the Caribbean.

The Fairtrade Foundation has said that it hopes that the massive exposure of Cadbury chocolate in the UK will actively promote other Fairtrade items in the marketplace.

EIRIS notes

Established in 1992, the Fairtrade Foundation seeks to renovate trading systems and customs in favour of the disadvantaged. The Foundation claims that 'by facilitating trading partnerships based on equity and transparency,

Fairtrade contributes to sustainable development for marginalised producers and workers.'

Cadbury Website 10/08/09

Fairtrade Foundation Website 10/08/09

Maplecroft Website 22/07/09

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