

Bad apples?

Barclays, Citi, Socgen get top marks for bad environmental, social practices

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Barclays PLC, Citigroup Inc. and Societe Generale garnered more criticisms for their environmental, social and governance record than any other financial institutions in 2008, according to a report published earlier this month by ECOFACT AG.

ECOFACT, Zurich, provides environmental and other ESG data to money managers, pension funds and investment banks around the world, among others, to use as part of their investment screening process or broader company engagement platform.

In 2008, London-based Barclays led the 'Most Controversial Companies' list in the financial institutions category. The bank "was under fire for its investments in the weapons industry, including cluster ammunition, and the coal industry," according to the report. Second-place Citigroup, New York, drew ire for the "payout of high bonuses to its executives in the midst of the financial crisis." In third place, Paris-based Societe Generale was linked to some infrastructure and utility projects criticized for their impact on the ecosystem and local populations.

The report is not a scientific-based ranking of how well companies abide by general ESG principles. It is a way of gauging public sentiment using information gathered from print media databases, television news broadcasts, websites, newsletters and non-government organizations, said Philipp Aeby, managing partner at ECOFACT. "We do not rate a company (on the ESG data) nor do we assess whether the criticism is true," Mr. Aeby added.

Jeffrey French, spokesman at Citigroup, and Jazz Singh, spokesman for SocGen, declined to comment. David Smith, spokesman at Barclays, could not be reached immediately.

In addition to the financial institutions category, the report comprised four others – emerging markets, North America, utilities and "Most Environmentally and Socially Controversial Companies Overall 2008." Wal-Mart Stores Inc., Bentonville, Ark., topped the North America list because of allegations of labor violations and an anti-union stance, among other factors, according to the report.

The company topping the list as the most environmentally and socially controversial overall in 2008 was Shijiazhuang Sanlu Group Holding Co., Ltd., Shijiazhuang, China, also known as Sinopec. The company was embroiled in a milk contamination scandal. Six infants died and hundreds of thousands of other children fell ill after having consumed milk powder allegedly tainted with melamine, according to the report.

“The question is how do you begin to monitor a big investment universe with thousands of companies? How do you know all the stories about these companies?” Mr. Aeby said. “Our job is to capture whenever a company is being criticized and use that information to give an indicator of the reputational risk involved.”

Officials for Wal-Mart and Sinopec could not be reached for comment.