

Ethical screening of: Kentz Corporation Ltd

For:

Date: 19th March 2014

Company overview:

The company can trace its origins back to 1919 when it started life as a local electrical contractor based in Clonmel, Co. Tipperary, Ireland.

The company provides mechanical, electrical, controls, and instrumentation engineering and construction services worldwide. Kentz has worked on projects ranging from a refinery in Thailand and offshore oil production facilities in the North Sea to a hospital in Qatar and a train system in Trinidad. The company specialises in oil and gas projects, with clients that include BP, Chevron, Exxon Mobil, Abu Dhabi National Oil, and Saudi Aramco. Kentz also provides services to the petrochemicals, mining and minerals, power, and telecommunications industries.

Kentz has offices in 30 countries in the Americas, the Middle East, Africa, Australasia, Asia, and Europe.

In 2012 Chevron accounted for 15% of the company's revenues and Exxon Mobil 13%.

The company is organized into three major complementary businesses:

- EPC (engineering and construction services providing clients with turnkey solutions);
- Construction (multi-disciplinary construction contracts including structural, mechanical, electrical, instrumentation, and piping work); and
- Technical Support Services (from front-end and detailed engineering, project and construction management, to completions and commissioning of major power plants).

Ownership:

Significant shareholders at 16 December 2013:

Kerbet Limited 13.29%

Standard Life Investments 6.76%

Artemis Investment Management 5.27%

BlackRock 3.79%

Majedie Asset Management 3.76%

NFU Mutual 3.33%

Ethical Consumer rating (including what EC identifies as the main ethical issues with this company):

Kentz Corporation scores **9 out of a possible 15** on Ethical Consumer's Corporate Critic database. It loses marks in the categories of environmental reporting, climate change, human rights, supply chain management, and anti-social finance. It fails to gain a positive mark for the provision of solely ethical products.

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Telephone:

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Corporate Critic database records:

Environment

Environmental Reporting

Worst ECRA rating for environmental reporting (2012)

Kentz's Corporate Responsibility Report 2012 was viewed in March 2014.

A small proportion of the report was devoted to its environmental performance and included:

"Kentz has Environmental Management Systems in place that meet the requirements of international standards ISO 14001. The SSH&E team rolled out the Green Office Programme across the Group in June 2012 to aid Kentz's offices in reducing their impact on the environment.

As part of the GOP, paper and electricity usage for offices are recorded, with a goal of reducing usage wherever possible. The GOP is the first step for Kentz in reporting and reducing carbon emissions, working towards our goal to achieve carbon neutrality in our offices. There were over 270,000 environmental observations performed on Kentz sites during the year, resulting in zero occurrences of non-compliance.

Kentz will be commencing reporting of scope one and two GHG emissions on our major sites as of January 2014, which will be communicated in the 2014 Annual Report (to be published the second quarter of 2015).

Through its work with First Climate, Kentz supported two carbon offsetting projects in India and Malaysia during 2012, neutralising a total of 3,100 tonnes worth of carbon emissions."

However, there were no dated and quantified targets for environmental improvement in the report, nor was there any evaluation of its past performance against environmental targets. As a supplier to the oil and gas industry, there was no mention of the environmental impacts of this side of its business. The report was not independently verified. Kentz therefore received our worst rating in this category. (ref: 1)

Climate Change

Iraq oil field contract (March 2014)

It was reported in March 2014 that a joint venture between engineering firms Kentz and Foster Wheeler had secured a two-year deal to support the super-giant Majnoon oil field in Iraq. The field, which is thought to

contain more than 12 billion barrels of is being operated by Shell.

The deal will see the firms provide a framework for a number of packages of work, covering both new facilities and upgrading existing installations.

Shell, and Petronas, will operate the field, around 70 km north of Basra, for 20 years after agreeing a deal with the Iraqi government in 2009.

"We established this joint venture in Dubai to bring together the technical expertise, Iraq experience and project execution capability and resources of Foster Wheeler and Kentz to support the international oil companies in realizing their strategically important Iraqi investment plans," said Steve Spicer, general manager of Foster Wheeler Kentz Energy Services. (ref: 2)

Involvement in fossil fuel industry (March 2014)

According to the Hoover's online business database viewed in March 2014, the company provides mechanical, electrical, controls, and instrumentation engineering and construction services worldwide. Kentz has worked on projects ranging from a refinery in Thailand and offshore oil production facilities in the North Sea.

The company specializes in oil and gas projects, with clients that include BP, Chevron, Exxon Mobil, Abu Dhabi National Oil, and Saudi Aramco.

In 2012 Chevron accounted for 15% of the company's revenues; Exxon Mobil, 13%.

The company therefore received a rating for involvement in a high climate change impact sector - fossil fuels. (ref: 3)

People

Human Rights

Operations in oppressive regimes (March 2014)

The Kentz website was viewed on 19th March 2014. It listed the company's locations as being in the following oppressive regimes:

Colombia, India, Iraq, Kazakhstan, Saudi Arabia, Venezuela, Thailand and Russia. (ref: 4)

(See also 'Iraq oil field contract' in Climate Change above.)

Supply Chain Management

Worst ECRA rating for supply chain management (March 2014)

There was a small section in Kentz's undated Code of Business Conduct viewed in March 2014 which was devoted to 'Diversity and Human Rights':

"All employees and job-applicants deserve and are given fair and non-discriminatory treatment for both employment and in developing their careers with Kentz, irrespective of ethnic or national origin, gender, religion, age, sexual orientation, disability or any other factor other than their ability, aptitude, qualifications, skills and performance. Kentz offers equal opportunities for all.

Kentz will not permit harassment of its employees in any form, including that of a sexual nature.

Kentz will not use forced, compulsory or underage labour. Kentz recognises the right of all its employees to join trade unions where such rights are recognised by law."

There was no mention of a living wage or the working week and the clause on child labour was not specific enough. Kentz therefore received a poor rating for its supply chain policy.

There was no mention of stakeholders, auditing and reporting and 'difficult issues' (freedom of association in countries where trade unions are illegal). Kentz received a poor rating of each of these three categories.

Overall, Kentz received a worst rating for its supply chain management. (ref: 5)

Politics

Anti-Social Finance

Worst ECRA ranking for likely use of tax avoidance strategies (March 2014)

According to the Family Tree listing on Hoover's business database, Kentz Corporation, the ultimate holding company, was headquartered in St Helier, Jersey, as was its subsidiary holding company, Leonora Ltd.

The Kentz 2012 Annual Report also listed two other holding companies - Kentz International and Kentz (TSS) Global Ltd - as being registered in the Channel Islands.

With the UHC and several holding companies registered in a country rated by Ethical Consumer as a tax haven, Kentz received our worst rating for likely use of tax avoidance strategies. (ref: 3)

Excessive director's remuneration (2012)

According to the Kentz 2012 Annual Report, Executive Director Christian Brown's remuneration for 2012 was \$2,533,000.

Ethical Consumer considered remuneration in excess of £1 million to be excessive. (ref: 6)

References

- 1 - Kentz Corporation Ltd Corporate Communications: Kentz Corporate Responsibility Report 2012 (19 March 2014) (1339536)
- 2 - Energy Voice - <http://www.energyvoice.com>: Foster Wheeler and Kentz land support deal for giant Iraq field (18 March 2014) (1339614)
- 3 - Hoover's online business database: Generic Hoovers 2014 ref (2014) (1337076)
- 4 - Kentz Corporation Ltd Corporate Communications: Kentz Corp website - www.kentz.com (19 March 2014) (1339488)
- 5 - Kentz Corporation Ltd Corporate Communications: Kentz Code of Business Conduct (19 March 2014) (1339589)
- 6 - Kentz Corporation Ltd Corporate Communications: Kentz Annual report 2012 (19 March 2014) (1339531)