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The 10 Worst Corporations of 2002

Bad Apples in a Rotten System

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By Russell Mokhiber and Robert Weissman

2002 will forever be remembered as the year of corporate crime, the year even President George Bush embraced the notion of "corporate responsibility."

As extraordinary as the financial misconduct has been, we didn't want to contribute to the perception that corporate wrongdoing in 2002 was limited to the financial misdeeds arena. For our 10 Worst Corporations of 2002 list, we included only Andersen from the ranks of the financial criminals and miscreants. Andersen's assembly line document destruction certainly merits a place on the list. (Citigroup appears on the list as well, but primarily for a subsidiary's involvement in predatory lending, as well as the company's funding of environmentally destructive projects around the world.)

As for the rest, we present a collection of polluters, dangerous pill peddlers, modern-day mercenaries, enablers of human rights abuses, merchants of death, and beneficiaries of rural destruction and misery.

The overarching picture that emerges from these profiles: Not only are Enron, WorldCom, Adelphia, Tyco and the rest indicative of a fundamentally corrupt financial system, they are representative of a rotten system of corporate dominance.

ARTHUR ANDERSEN
BRITISH AMERICAN TOBACCO
CATERPILLAR
CITIGROUP
DYNCORP
M&M/MARS
PROCTER & GAMBLE
SCHERING PLOUGH
SHELL OIL
WYETH

British American Tobacco

"Corporate Mendacity"

"Some say that tobacco and responsibility just don't go together ó that a business can't be responsible if its products can harm people."

So writes Martin Broughton, chair of British American Tobacco (BAT), the second largest tobacco multinational in the world, just behind Philip Morris.

Rejecting that view, Broughton writes in BAT's Social Report 2001/2002 that, "We have much to offer in helping address the problems that concern our stakeholders, including supporting soundly-based tobacco regulation and reducing the impact of tobacco consumption on public health."

Broughton raises an interesting philosophical question about how a tobacco company could be "responsible." Unfortunately, as far as BAT is concerned, the question is only theoretical. The company continues to engage in a series of egregious practices, made all the worse because they involve the pushing of an addictive and deadly product.

BAT's social report itself represented a major public relations ploy by the company, which along with the rest of Big Tobacco is eager to distance itself from what the companies acknowledge to be the bad old days ó when they denied any harms to their product and recklessly promoted them.

As they have throughout history, the companies, with BAT and Philip Morris at the helm, are positioning themselves to accept minimal marketing and product restrictions ó while their cutting-edge activities remain unhampered.

In advance of the release of the Social Report, Action on Smoking and Health UK (ASH UK) issued a counter report, "British American Tobacco ó The Other Report to Society." Anticipating Broughton's claim, the ASH UK report stated, "The problem with BAT is not only that it makes a deadly and addictive product. We judge BAT by how it behaves, its business practices, the directions it takes and its truthfulness. We find BAT to be irresponsible because of the way it conducts its business, not simply because of what it makes."

The ASH report notes that it took until 1998 before BAT acknowledged smoking caused any harm at all. "Up until then they had undertaken an elaborate public relations exercise to maintain a 'controversy' about data that had convinced most respectable

scientists some 40 years earlier that smoking was a cause of serious diseases like cancer. This is perhaps the greatest exercise in corporate mendacity the world has ever known and one of the most serious corporate crimes of the twentieth century. No admission has ever been made, no apology has been forthcoming and no one has lost their job."

But the report does not condemn the company only for past practices. Among many other indictments, it documents how:

- BAT's worldwide programs supposedly designed to prevent youth smoking actually make the practice more attractive to kids (by suggesting smoking is an adult activity), while diverting attention from the issue of getting adult smokers to quit. (BAT says it "does not want children to smoke" and hopes its programs "will have a positive effect on preventing youth smoking.")
- BAT continues to deny the harmful health effects of second-hand smoke. (BAT says "there is no convincing evidence that ETS [environmental tobacco smoke or second-hand smoke] is a cause of chronic diseases," and the company advocates indoor ventilation instead of smoke-free areas.)
- BAT has worked to oppose efforts at the World Health Organization to adopt a strong Framework Convention on Tobacco Control, including a recommended ban on tobacco advertising and promotion. (BAT says that, while it accepts that tobacco advertising should be subjected to special rules, existing regulations already go too far.)

Perhaps the most explosive news to emerge about BAT this year came from Australia, where a judge found the company to have engaged in an elaborate, carefully considered, company-wide document-destruction scheme.

In a case filed against BAT by a dying smoker named Rolah Ann McCabe, Judge Geoffrey Eames found that BAT systematically destroyed key documents including reports, memoranda and other materials specifying what the company knew about the addictiveness of nicotine and when it knew it, what it knew about health impacts of smoking and when it knew it, and matters relating to marketing cigarettes to children, among other topics.

"The predominant purpose of the document destruction," the judge found, "was the denial to plaintiffs of information which was likely to be of importance in proving their case, in particular, proving the state of knowledge of the defendant of the health risks of smoking, the addictive qualities of cigarettes and the response of the defendant to such knowledge."

BAT defended, and continues to defend, the shredding on the

grounds that the company was not obligated to hold on to documents that may be useful to an opposing party in some future litigation. But the judge stated that while corporations are not obligated to store documents indefinitely, they are not free to destroy them in anticipation of future litigation.

Finding the harm from the document to be unknowable and irreparable, the judge issued a verdict in favor of McCabe without allowing BAT to mount a defense. The jury awarded McCabe more than \$350,000. Because McCabe was dying, and in an effort to expedite the case, her attorneys agreed before the litigation that no punitive damages would be sought. BAT appealed the decision.

As Multinational Monitor was going to press, the appellate court handed down a decision reversing Judge Eames' holding. The Court of Appeal ruled that, although BAT did destroy vast troves of documents, it was not required to preserve them, or at least the obligation was not such that the judge was justified in denying BAT the ability to mount a defense. The appellate court said it did not offer judgment on whether BAT's conduct might be considered an effort to pervert justice. But it did effectively rule that BAT's actions were not wrongful in the way found by Judge Eames, and that some of BAT's internal documents were protected by attorney-client privilege, as the company had claimed.

The case will now be considered on the merits of McCabe's claim for damages. Rolah Ann McCabe died shortly before the appellate ruling. Her family intends to continue the case.