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## RepRisk Preps ESG Country-Sector Risk Matrixes

Author: [Faye Kilburn](#)

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Alessandra Oglino, RepRisk

**Swiss environmental, social and governmental (ESG) risk data provider RepRisk is preparing to add country-sector matrixes to its company database of ESG information, enabling banks, asset managers and pension funds to view the ESG risks relating to specific sectors in each country.**

The matrixes combine the vendor's proprietary Country Index, which quantifies a company or project's exposure to controversial ESG issues by country, with the Worldwide Governance Indicators (WGI) from The World Bank, which cover six areas of a country's governance—voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption.

The WGI indicators are compiled from enterprise, citizen and expert survey respondents in industrial and developing countries from 31 individual data sources, including think tanks, non-governmental and international organizations, and private sector firms. RepRisk launched its Country Index towards the end of last year as part of a project with Zurich University of Applied Sciences with funding from the Swiss Government Commission on Technology and Innovation.

The scores are calculated based on the amount of criticism, controversies and negative incidents in the news, aggregated by RepRisk on companies from a given country with a focus on issues such as environmental impact, employee relations—for example, whether a company employs child or forced labor—and corporate governance issues, such as tax evasion or fraud. Each country is assigned a score out of 100 for ESG risk; where 100 is the most risky and a score of zero represents the least risky.

"When we add a negative story relating to a company to the database, we ascribe it to the country where it occurred. We assign different weights to different issues, so child and forced labor have a higher impact on the index than other violations of national legislations," says Alessandra Oglino, senior project manager at RepRisk.

The matrixes combine the WGI indicators with seven years of RepRisk data on negative news about companies, sectors and projects from more than 180 countries, to produce an overall risk score for each sector in every country, which can be accessed from the country pages in the RepRisk database. For example, users can search for "Bangladesh and retail," "mining in Congo," or "forestry in Indonesia" to see a resulting risk profile.

"There have been a lot of issues recently in many emerging countries and markets, so country risk is definitely an issue.... Clients want to better understand what is happening on the ground in terms of ESG," Oglino says. "Many companies are not in our databases as they have not been criticized in the press, so it's important for our clients to at least know what risks are occurring in the country that a company is in."

The matrixes are part of a larger project at RepRisk to provide more granular indicators around ESG risk—starting with the Country Index launch in December—which are due to launch in the next two months.

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