Why Risk Managers Should Get Involved in CSR Programs

Corporate risk managers should get involved in their company’s corporate responsibility and sustainability programs, says Bahar Gidwani, CSRHub CEO. Gidwani says this recommendation is based on the findings of a joint research report by RepRisk and CSRHub on the link between perceived CSR performance and environmental, social and governance (ESG)-related reputational risk exposure.

The findings show that correlations do exist between perceived CSR performance and reputational risk. It appears that companies with the most sources of sustainability ratings also have the highest risk exposure, regardless of company revenue or market capitalization, and that sustainability rating sources can play a role in discovering and communicating corporate risk events.

In addition, the data indicates that companies that have strong CSR programs as measured by CSRHub, in the areas of human rights and supply chain, leadership ethics, and resource management, seem to have lower risk exposure, whereas those companies who have strong programs in community development and philanthropy, environment policy and reporting, or compensation and benefits seem to have higher risk exposure.

CSRHub, the world’s largest CSR and sustainability ratings and information database, and RepRisk, a data provider of ESG risk analysis and metrics, combined several years of data on over 4,000 companies from the around the world to conduct the study.

Earlier research by CSRHub found companies’ environmental policies and reporting practices are among the sustainability factors most linked to brand strength.