Your Stakeholders Now Want to Understand Your Biggest Risks – and So Should You

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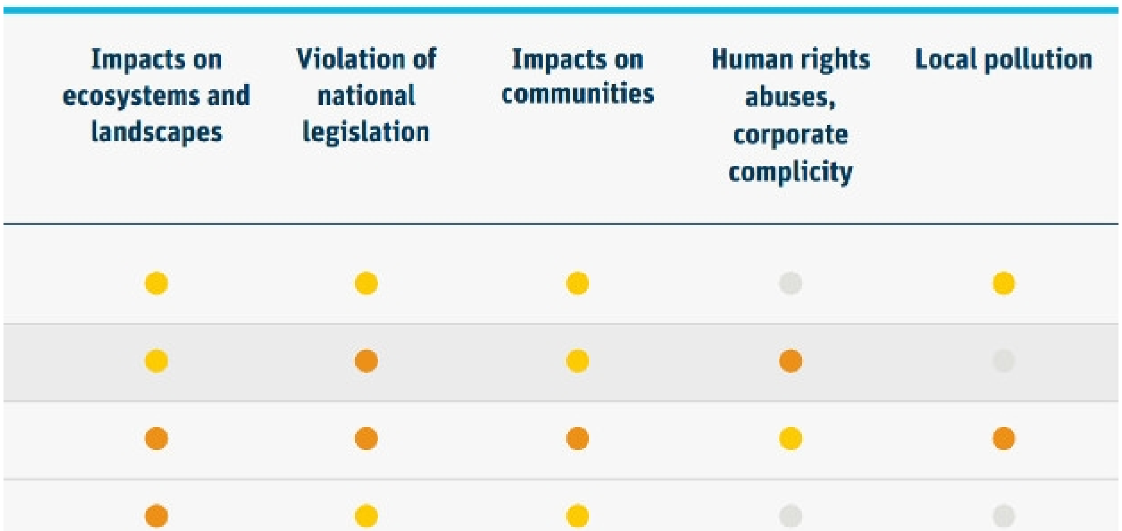
by Alexandra Mihailescu Cichon



Images credit: RepRisk

Transparency is the new normal, driving an unprecedented need for the integration of sustainability into all aspects of business.

It took activists only a few days to plaster the Internet with pictures of the collapsed Rana Plaza factory in Bangladesh in 2013 that buried hundreds of workers under rubbles of concrete. Through social media and the Internet, it was possible to inform the world before companies such as **Walmart** and **Mango**, which sourced from the factory, learned of the disaster.

We all live in a hyper-connected world where information travels at lightning speed and where transparency is the new normal. As such, ESG issues have evolved from tangential importance to material relevance.

With that, expectations of stakeholders have changed: Companies are expected to behave responsibly vis-a-vis the communities in which they operate, the environment around them, their employees, and more. Civil society organizations wield power by organizing multimedia campaigns against companies they deem to have not met their expectations, while shareholder resolutions about environmental and social issues reach record numbers. Today, initiatives such as the **UN Principles for Responsible Investment** include over 1,500 firms globally that represent over $60 trillion in assets under management.

Similarly, regulators have taken notice. While until now sustainability reporting has primarily been driven by “soft law” - voluntary initiatives such as the **UN Global Compact** and others - the topics under the sustainability umbrella are being addressed by legislation and regulators across the world such as the **UK Modern Slavery Act**, the **Dodd-Frank** conflict mineral disclosure provision, and the EU Directive for multinational enterprises. Consequently, ESG issues are now on the agendas of corporate executives, boards, and investors.

ESG risks can translate into compliance, reputational, and financial risks

How a company manages ESG issues is now seen as directly linked to its operational excellence and its social license to operate. Risks related to ESG - such as environmental degradation, human rights abuses, corruption and fraud - can lead not only to reputational risks for a company, but also to severe compliance risks, when a company possibly violates its own internal policies or international standards, as well as financial risks, such as credit or investment risks.

In fact, some of the major stories of the last decade were sustainability-related – think of **BP**’s Deepwater Horizon incident, **Nestlé**’s palm oil controversy, **IOI Group**’s exclusion from the **RSPO**, and **Volkswagen**’s emission scandal.

In order to mitigate such risks, leading corporates and financial institutions globally have implemented policies and processes that drive their relationships with the companies from which they supply, in which they invest, with which they partner, etc. They want to reduce their blind spots and go into relationships with clients or counter-parties or suppliers with their eyes fully open.

Addressing ESG risks is possible through big data

There are tools available to help companies manage ESG and reputational risks in day-to-day business. **RepRisk** is one such provider, which delivers risk analytics and metrics around ESG. For over ten years, RepRisk has worked to build a comprehensive database on ESG risks, which is now used by 150 corporates and financial institutions around the world.

In the landscape of ESG information available, RepRisk takes a unique approach to assessing risk: Instead of looking at company-provided information, it screens and analyzes big data from media, stakeholders, and other public sources. According to RepRisk, this type of information helps complement and substantiate the information coming directly from a company, helping to assess whether their policies and processes are translating on the ground - in short, whether that company is walking its talk.

RepRisk's client base is quite varied – from banks and insurances, to asset managers and owners, to corporates interested in supply chain and sustainability. Regardless of the individual organization, all clients all fundamentally use RepRisk in a similar way – to identify, assess, and monitor potential ESG and reputational risks related to their clients, business transactions, investments, or suppliers.

RepRisk is known for its work with various ranking and index providers who leverage data in their annual assessments, including the **Dow Jones Sustainability Index** (DJSI) managed by **RobecoSAM**, the **FTSE4Good Index Series**, and **CDP**'s **Carbon Performance** and **Water Performance Leaders**. RepRisk data is also used by the **Sustainability Accounting Standards Board** (SASB) as an input in its evidence-based research process and to support the development of its industry-specific sustainability accounting standards.

Corporate benchmarking is an important tool for proactive risk management and stakeholder engagement

RepRisk just launched a new product called the **Director's Brief** – a corporate benchmarking report that assesses a company's exposure to ESG risks, and benchmarks it with a customizable peer list. In essence, the brief helps identify the key ESG challenges and hot spots for a specific company and learn where the company stands vis-à-vis its peers. It was created to serve as a strategy and decision-making tool internally for board members and executives, as well as corporate affairs and sustainability teams.

RepRisk also offers Company Reports, a complementary report that provides a deep dive into one company’s risk exposure. Special bundle offers are available for a limited time at www.reprisk.com/report.