Study Based on RepRisk Data Wins Award for Excellence in Responsible Investment Research

Zurich, December 11, 2013 – A study on the effect of bad news on credit risk has won the UNPRI award as part of the PRI’s annual Academic Network conference in Paris last month.

Julian Koelbel won the best student paper award, sponsored by Sustainalytics, for his study “The effect of bad news on credit risk: a media based view of the pricing of corporate social responsibility”. Julian Koelbel is a PhD student at the Swiss Federal Institute of Technology, Zurich. Prof. Timo Busch of the University of Hamburg co-authored the study.

The study combined two data providers: Bloomberg for Credit Default Swap (CDS) spreads and RepRisk for negative news related to corporate social responsibility (CSR). For each company, the study authors counted the number of news per quarter that criticizes the company for environmental, social or governance (ESG) issues collected by RepRisk. They included news from all sources including internet blogs, however news items are assigned a larger weight if they appear in a media outlet with larger readership.

The sample size was determined by the availability of the CDS and consists of 413 firms from all industries excluding financial services during the period from 2007 to 2012. The results show that the news count has a significant, positive coefficient, which means that more negative news on CSR issues are associated with higher credit default swap spreads.

Julian Koelbel stated: “What I like about this study is that it frames CSR as something that is very dynamic, not a one size fits all approach. What CSR is and what it should be is not set in stone, but it is debated everyday. I think this is a very realistic approach and the data shows us that it works.”

The PRI-CDC Academic Network conference attracted more than 160 delegates from 60 universities and research institutions and featured presentations on more than 40 new papers.

“Receiving an award as a young researcher is a great motivation to continue and produce more work that I hope will also be valuable in the academic and business world and contribute to the debate on CSR” concluded Julian Koelbel.