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# Academic research based on RepRisk data shows that negative ESG news increases credit risk

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A new academic study shows that negative news linking a company to environmental, social, or governance (ESG) issues increases credit risk. The study used data from RepRisk, a leading provider of ESG risk analytics and metrics. Researchers at ETH Zurich, MIT Sloan, and the University of Hamburg performed the research which was published by the prestigious peer-reviewed journal “Strategic Management Journal.”

The findings are based on a sample of 539 international firms observed on a quarterly basis from 2008 to 2013. The study also provides a detailed analysis of the impact of a news article’s reach and severity, i.e. how many readers are being reached by the source and how harshly it criticizes the firm. The results allow a quantitative assessment of the risk that emanates from negative ESG news.

“The results are very tangible: every piece of negative news increases a company’s risk leading to quantifiable cost” said Julian Kölbel, the lead author. “We hope our findings will help managers and investors to optimize the way they manage ESG issues in day-to-day business.”

The study also highlights the media’s important role in reporting on ESG risk incidents as a balance to corporate communications that tend to highlight positive contributions. RepRisk’s ESG risk data allowed the team to research the importance of publicly available, third-party information external to the company. The study examines the mechanism using a very detailed and robust methodology thanks to the granularity of the data.

“RepRisk is proud to provide its ESG risk data to the academic world and we are excited to see the results of this innovative study” states Raul Manjarin, Business Development Manager at RepRisk. “We provide transparency on how businesses conduct their activities around the world and this paper clearly shows that ESG issues can be financially material.”

To access the paper, please click [here](#).

To view the video abstract, click [here](#).

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## About RepRisk

RepRisk is a leading business intelligence provider, specializing in environmental, social, and governance (ESG) risk analytics and metrics.

Harnessing a proprietary, systematic framework that leverages cutting-edge technology and hands-on human intelligence in 15 languages, RepRisk curates and delivers dynamic risk information for an unlimited universe of companies.

Since 2006, RepRisk has built and continues to grow the most comprehensive ESG risk database that serves as a due diligence, research, and monitoring tool in risk management, compliance, investment management, corporate benchmarking, and supplier risk control. The RepRisk ESG Risk Platform currently includes risk profiles for over 84,000 listed and non-listed companies, 21,000 projects, as well as for every sector and country in the world.

Headquartered in Zurich, Switzerland, RepRisk serves clients worldwide including global banks, insurance providers, investment managers, and corporates, helping them to manage ESG and reputational risks in day-to-day business.

RepRisk provides the transparency needed to enable better, more informed decisions.

For more information, please visit [www.reprisk.com](http://www.reprisk.com) or follow us on [Twitter](#).