

CSRwire Talkback

Why Food, Apparel, Banks, Energy & Technology Face Significant Reputation Threats in 2014-2015

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Companies in four sectors – banks, food and beverage, apparel, and technology brands – are among the most at-risk for reputation damage from stakeholder activism in 2014, based on [Future 500](#)'s analysis of top stakeholder issues for 2014-2015.

One key driver of risk is the extraordinary growth of [social media](#) in recent years. Until recently, details about a company's social and environmental performance were rarely known beyond a small circle of activists. Now, those impacts can be quickly conveyed to thousands or millions using digital vehicles like Facebook and Change.org.

Consider corporate environmental, social and governance (ESG) data. Once accessible only to those who could read through reports one at a time, today the data of hundreds of companies can be compared through online databases that consolidate information on GHG emissions of a company, for example, and enable users to analyze and compare it.



Partly as a result, traders and investors increasingly include ESG data in their decisions. That, plus the impending work of the [Sustainability Accounting Standards Board](#) [SASB] to compel [additional measurement and disclosure](#) – means companies will feel increasing pressure if they are not transparent on their ESG performance.

This assessment is part of an analysis conducted by Future 500, which will be released this summer and reports on the top 10 stakeholder

issues facing companies in 2015-2016. [The Top 10 Report for 2014 can be found here.](#)

Based on our analysis, energy companies will continue to face activist pressure and [concerns about climate damage](#), air and water pollution, and political influence, but attention may turn from [oil and gas companies toward the consumer brands and retailers](#) that use their products.

Addressing Damaged Brand Reputation

As brands become more and more the target of increased skepticism and scrutiny based on ESG ratings and improved transparency, they need to take their ranking seriously. Consumers are demanding better products with smaller social and environmental footprints.

In order to stay competitive and reputable, brands need to step to the plate. For example, Samsung phones, Mango clothes, Findus readymade meals, HSBC lending services and GSK pharmaceuticals were among the brands whose reputations were most damaged in 2013, according to a report by [RepRisk](#) in April 2014.



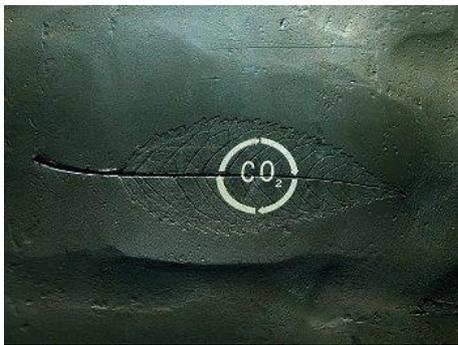
The top 10 most controversial companies of the year according to RepRisk were:

1. [FIFA](#): Numerous Nepalese workers died in Qatar while preparing for the World Cup
2. [Mango](#): A major consumer of the clothes manufactured at the conglomerate of factories housed at Rana Plaza in Bangladesh – a fire in 2013 resulted in thousands dead
3. Comigel SAS: For mixing horsemeat in otherwise labeled beef products sold across Tesco supermarkets in the U.K.
4. [HSBC](#): For manipulating interbank offered lending rates and foreign exchange rates, and issues of money laundering, fraud and financing environmental and social destruction

5. [Findus](#): For the horse meat scandal along with Comigel
6. [Fonterra](#): For contaminated dairy products
7. [GSK](#): For health issues associated with its medications, drug trials in developing countries, market manipulation and bribery
8. [BNP](#): For issues of money laundering, fraud and financing environmental and social destruction
9. [ICAP](#): For manipulation of interbank offered lending rates and foreign exchange rates
10. [Samsung](#): For not improving on poor factory and supply chain working conditions resulting in injuries and deaths

The high-risk issues that emerge: food safety, worker safety and financial abuse.

While apparel, technology and sports enterprises took the heat for factory disasters and poor labor conditions that led to injuries and death, food and beverage companies suffered reputation damage due to contamination. Banks faced issues of lending rate manipulation, fraud and destructive environmental and social financing practices.



Although oil, gas, coal and electric utility companies are deceptively absent from the top 10, our research shows they will face steady or heightened criticism over climate, pollution and political influence issues in coming months. However, activists are more likely to focus increasing attention on the consumer brands and retailers that use their products.

Targeting Influencers and Users

It's no longer enough to shift change by directly targeting the oil and gas sector. Just like [investment activists are targeting endowments](#) and investors to [shift investor influence away from a fossil fuel-based economy](#), activists perceive correctly that they can gain better leverage by focusing on companies that consume the products of the oil and gas sector and have a consumer-facing brand.

As we move into 2015 and beyond, it's imperative that brands become more aware of the source of their products. No longer can companies operate in silos. On the contrary, through ESG reporting and the power of the Internet and social media, campaigns against brands can quickly escalate, holding companies accountable on a level rarely seen before.

Bearing this in mind, it would be prudent for brands to take the upper hand and address pressing social and environmental issues in their supply chain before someone else points the finger. Being a leading brand today means leading on all fronts, not just the bottom line.

We'd like to thank [Sustainability Partners, Inc.](#) (SPI) for the ESG metrics and reporting data.