

# Mini Review

## RepRisk

### Introduction

There is plenty of coverage in FreePint and other portals monitoring business information tools on companies in the Governance, Risk and Compliance (GRC) and Know Your Customer (KYC) arena; there appears to be less news on those offering tools in a sub-section of the KYC arena, namely ESG (Environmental, Social, Governance). While KYC tools help companies comply with regulation, ESG databases help their clients manage reputational risk and facilitate corporate responsibility.

Zurich-based RepRisk is one such analytical tool, which is aimed at enterprises wanting to finance or invest responsibly, manage and mitigate the ESG risks related to their clients, business transactions, suppliers and business partners, as well as monitor NGOs, ESG issues and their own reputation.

### Methodology

Unlike most of its competitors in the ESG arena that rely on data provided by companies, i.e. subjective information to analyse their reputational risk, RepRisk has devised a unique methodology.

Advanced search algorithms scour approximately 80,000 third-party and external stakeholder sources for ESG risks such as environmental degradation, human rights abuses, corruption and fraud.

A team of around 40 analysts then identify, filter, and analyse the ESG risks related to the relevant companies, projects, sectors and countries. Analysts follow a strict rules-based process, which involves selecting and categorising risk incidents according to RepRisk's ESG categories, linking relevant entities and assigning severity levels, as well as summarising the incident in a short abstract.

The vendor points out that focus on information external to the company itself helps to substantiate whether a company's policies, management systems and commitments are translating on the ground and that as this entire process happens on a daily basis, so the information in the database is highly timely.

### The RepRisk Index (RRI)

It is worth highlighting the RepRisk Index, since this was devised by the company to quantify entities' risk exposure to ESG issues. The idea of the index is to enable users to quantify risk relating to their business relationships or transactions, both currently and over time.

RepRisk concentrates on risks, criticism and negative news only, rather than overall reputation, which allows its clients to assess their financing, investment or supply chain risks on a regional and project basis.



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As *Figure 1* shows, the index calculates the risk exposure over time and breaks the news down by ESG category. The index is split into current and peak RRI, to reflect respectively the current level of risk exposure and the highest point of risk exposure over the previous two years. Highlighting any bar in the index will pinpoint risk incidents that occurred on that date.

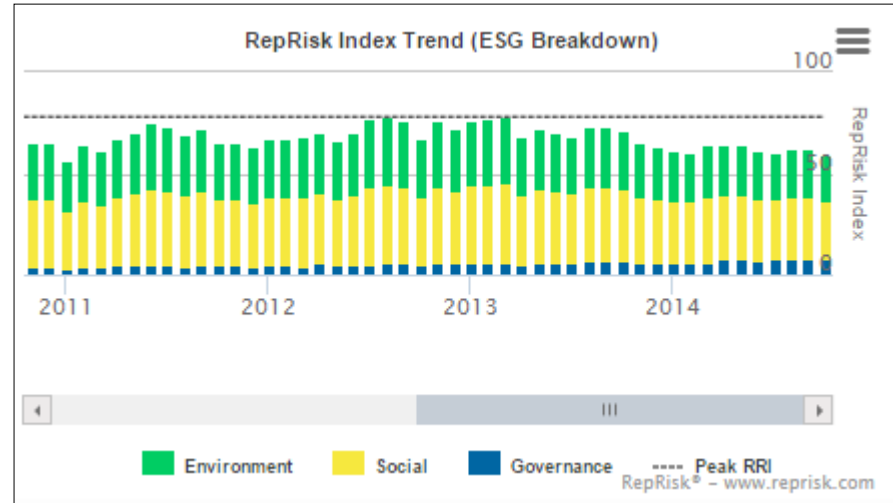


Figure 1: RepRisk Index, partial view

The Index measures risk and analyses information for all the entities listed in the database:

- Companies
- Projects
- Sectors
- Countries & regions
- NGOs as well as campaigns
- ESG Issues, ESG Topic Tags and UN Global Compact Principles
- Governmental bodies.

## Audience

RepRisk's origins are as an ESG consultancy to the financial sector and this continues to be reflected in its current client base. The company has in excess of 80 clients worldwide, mainly from the financial services sector (banks, investment managers, export credit agencies, pension funds), but it has a growing number of multinational corporations in its client portfolio, too, who are interested in supply chain risk and reputation monitoring

## User Experience

Despite its wealth of information, the RepRisk database is well-designed, clearly laid out and easy to use, once you have familiarised yourself with its features. Subscribers have access to the universe of entities in the database, but can also upload their own watchlists for monitoring purposes as well as setup customised alerts which push emails to the user when new information is published in the database about one of the companies on their watchlist.

As shown in *Figure 2*, the RepRisk dashboard contains your watchlists with graphs showing the most exposed and most controversial companies in the lists. It is possible to zoom in on the graphs to highlight the risk exposure for a particular month.

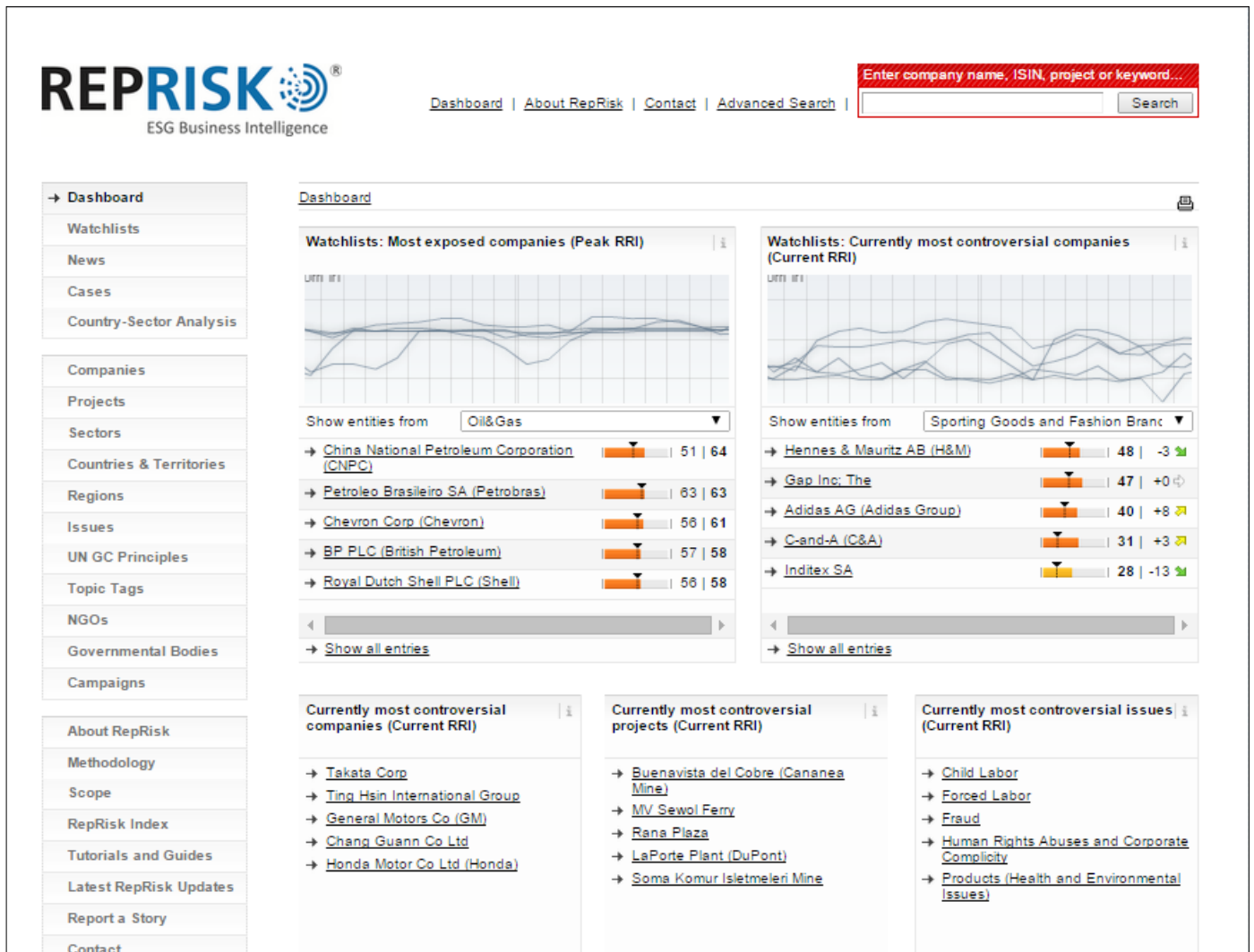


Figure 2: RepRisk dashboard; partial view

By using the advanced filter function you can narrow down searches by keywords, date, severity of the risk incident or criticism, influence of the source, project, sector, location, issue and , topic tag, campaigns and cases, as shown in *Figure 3*. For example, you could search your watchlist for companies in the mining sector, active in South Africa and accused of human rights abuses in a specific time period.

The screenshot displays the RepRisk website interface. At the top left is the RepRisk logo with the tagline "ESG Business Intelligence". A search bar at the top right contains the placeholder text "Enter company name, ISIN, project or keyword...". Below the logo is a navigation menu with links for Dashboard, About RepRisk, Contact, and Advanced Search. A left-hand sidebar contains a menu with categories like Dashboard, Watchlists, News, Cases, and Country-Sector Analysis, with "Companies" currently selected. The main content area is titled "Companies" and shows a list of companies grouped by their RRI Change. The "RRI Change +0 to +10" group includes Glencore Xstrata PLC, Turquoise Hill Resources (formerly Ivanhoe Mines Ltd), and Lonmin PLC. The "RRI Change +/- 0" group includes Aquarius Platinum Ltd, Forbes & Manhattan Coal Corp, and Gold One International Ltd. The "RRI Change -0 to -10" group includes Anglo American Platinum Ltd (Amplats) (formerly Anglo Platinum Ltd) and Exxaro Resources Ltd (formerly Kumba Resources Ltd). Each company entry features a name, a progress bar, and numerical values for RRI Current, Change, and Peak. On the right side, a "Filters" panel is open, showing options for keywords, dates (From: January 2011, To: December 2014), and severity levels (Less severe, Severe news, Very severe). It also includes checkboxes for influence levels (Low, Influential, High) and various "Go to" filters for sectors, locations, and issues. A "Show more filter options" link is visible at the bottom of the filter panel.

Figure 3: RepRisk filters

## Output

Each search results in an Entity Profile Page, which includes both qualitative data and quantitative data. The qualitative data refers to the risk incidents identified, analysed and summarised by RepRisk. Each incident includes the date and source of the information, as well as a hyperlinked headline and an abstract.

Users can also view the rating of the severity of the risk, indicated by colour-coded exclamation marks - see *Figure 4*. The hyperlink takes users to another page containing again the abstract of the article, with a headline to reflect the risk in the main text and a link to the full-text source - see *Figure 5*. On this page, the user can also see the various entities and issues linked to the specific risk incident.

The quantitative data refers to the RepRisk Index (RRI) trend graph, broken down by ESG issues, the number and breakdown of risk incidents for the entity, as well as tabs on the Profile Page which help the user analyse the relationship between the respective entity and other entities and issues.

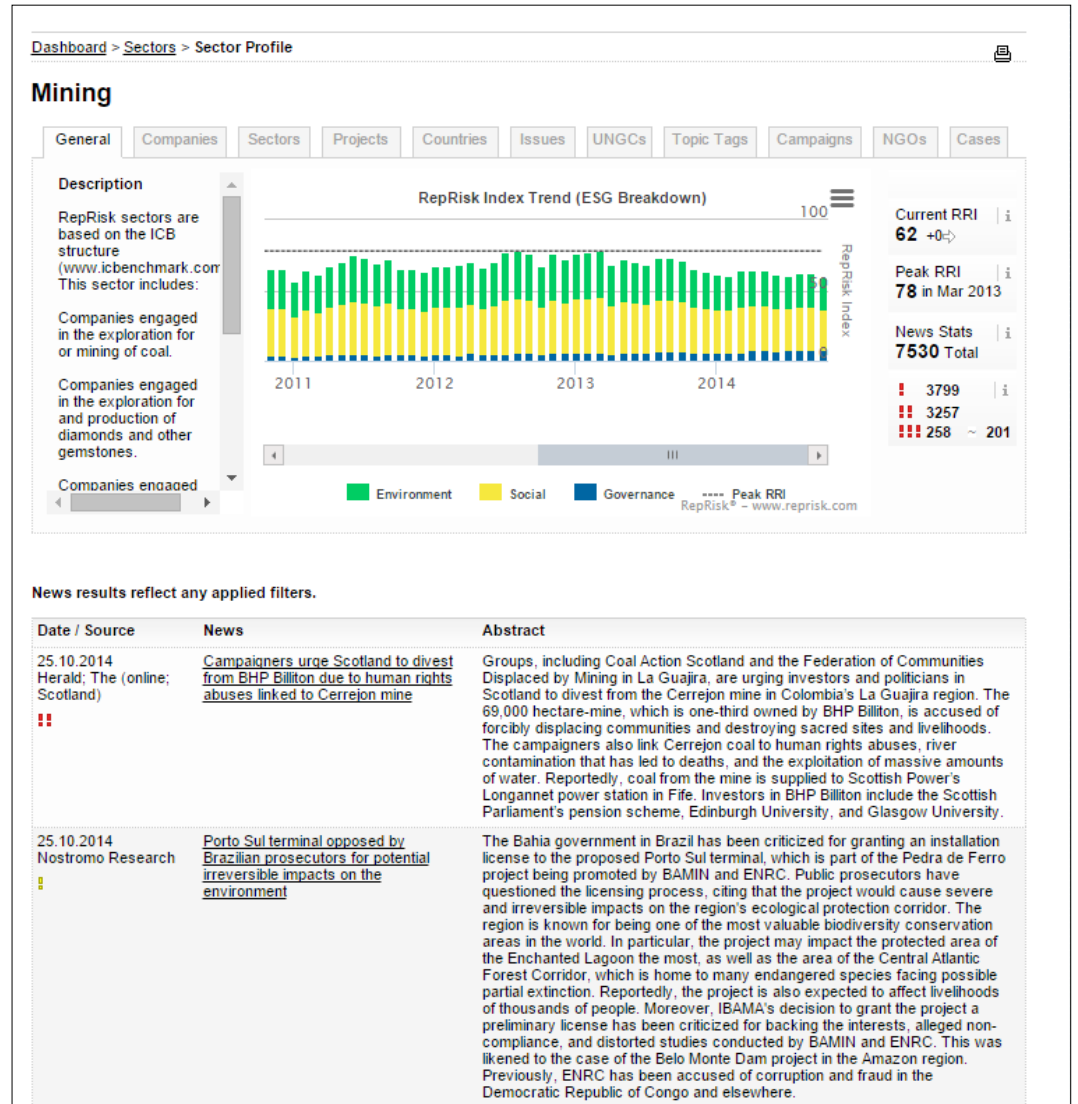


Figure 4: RepRisk search result

For each company in the database there is a brief report in PDF format, containing the latest RRI analysis, a global risk exposure for the company and an issue analysis.

My one criticism: considering the sophistication of the RepRisk database, I found the output options slightly disappointing. For example, there is no facility to create newsletters or download data into a spreadsheet, which one would expect from such a database. N.B. After consulting the vendor, I was informed that newsletter creation is under development.

<h3>Multinationals named in relation to bribery in China in the wake of Avon's USD 135 million settlement (Chinese)</h3>	<p><b>Tip</b></p> <p>This news has complex relationships meaning that it contains one or more substories. Hover over an entity with your mouse so that only directly related entities will be highlighted.</p>
<p>07.05.2014 - Avon recently paid USD 135 million in a settlement with the US Department of Justice and Securities and Exchange Commission over the alleged involvement in bribery in its business in China. In the wake of Avon's settlement, a number of other global companies have been named due to alleged corrupt acts in their business in China since 1990s. The companies include: Diagnostic Products, Schnitzer Steel, Avery Dennison, Alcatel, AGA, FARO, ITT, Johnson &amp; Johnson, Siemens, Schneider Electric, P&amp;G, Wal-Mart, PepsiCo, Pfizer, Carrefour, IBM, Morgan Stanley, Alcon, and GlaxoSmithKline China Investment. Among them, Alcatel, Johnson &amp; Johnson, Schnitzer and Diagnostic Products have been penalized in the US for involvement in bribery.</p>	<p><b>Substory Ratings</b></p> <p>! !!</p>
<p><b>Analyzed news from National Business Daily (China):</b></p> <p>雅芳在华行贿在美被罚 多家跨国企业逃脱中国处罚 白亚静</p> <p>➤ <a href="#">See news in original format (as from National Business Daily (China))</a></p>	<p><b>Related Companies</b></p> <ul style="list-style-type: none"> <li>→ <a href="#">AGA Medical Corporation</a></li> <li>→ <a href="#">Alcatel-Lucent (Alcatel)</a></li> <li>→ <a href="#">Alcon Inc</a></li> <li>→ <a href="#">Avery Dennison Corp</a></li> <li>→ <a href="#">Avon Products Inc</a></li> <li>→ <a href="#">Carrefour SA</a></li> <li>→ <a href="#">FARO Technologies Inc</a></li> <li>→ <a href="#">GlaxoSmithKline China</a></li> </ul>

Figure 5: RepRisk news page

## Coverage

The RepRisk database currently provides intelligence on ESG risks for more than 48,000 companies and 11,500 projects worldwide. In addition, RepRisk covers news relating to 8,500 NGOs and 6,400 governmental bodies, as well as campaigns, such as the Anti-Walmart Coalition and the Zero Emission Campaign. These figures are growing daily: as new risks are identified, new entities are added to database.

The company's analysts monitor and abstract news from more than 80,000 sources worldwide, and in 14 languages, with more reportedly in the pipeline.

The sources used to identify risks on the entities in the database are from what is known as the "deep web", i.e. those that do not generally appear in a Google search such as specialised blogs, social media commentary and news published by NGOs and governmental bodies. In addition, reputable news sources from the likes of Reuters, and the BBC, global national television stations, national newspapers and trade publications are monitored. In other words, everything from ABC News and the Arabian Gazette to the Zimbabwe Independent and the Zweites Deutsches Fernsehen.

The table overleaf shows that RepRisk covers 35 sectors, 27 issues and currently 28 topics. A further 12 topics are to be added by the end of the year.

Sectors	Issues	Topic Tags
Aerospace & Defense Airlines Alternative Energy Automobiles & Parts Banks Chemicals Construction & Materials Development Banks, Central Banks & Export Credit Agencies Electronic & Electrical Equipment Financial Services Food & Beverage Forestry Gambling General Industries Health Care Equipment & Services Industrial Engineering Industrial Metals Industrial Transportation Insurance Media Mining Oil & Gas Paper Personal & Household Goods Pharmaceuticals & Biotechnology Retail Software & Computer Services Support Services Technology Hardware & Equipment Telecommunications Tobacco Travel & Leisure Unspecified Utilities	Animal Mistreatment Anti-competitive Practices Child Labour Controversial Products & Services Corruption, Bribery, Extortion & Money Laundering Discrimination in Employment Executive Compensation Issues Forced Labour Fraud Freedom of Association & Collective Bargaining Global Pollution (incl Climate Change) Human Rights Abuses & Corporate Complicity Impacts on Communities Impacts on Ecosystems/Landscapes Local Participation Issues Local Pollution Misleading Communication Occupational Health & Safety Issues Overuse & Wasting of Resources Poor Employment Conditions Products (Health & Environmental Issues) Social Discrimination Supply Chain (ESG issues) Tax Evasion Violation Of International Standards Violation of National Legislation Waste Issues	Alcohol Arctic Drilling Asbestos Cluster Munitions Conflict Minerals Deep Sea Drilling Depleted Uranium Munitions Diamonds Endangered Species Forest Burning Fracking Gambling Genetically Modified Organisms Genocide High Conservation Value Forests Illegal Logging Indigenous People Landmines Monocultures Mountaintop Removal Mining Nuclear Power Oil Sands Palm Oil Pornography Protected Areas Sea-bed Mining Tobacco Water Scarcity  <b>To be added by 12/2014:</b> Abusive/Illegal Fishing Agricultural Commodity Speculation Animal Transportation Automatic Weapons Coal-Fired Power Plants Hydropower Land Grabbing Migrant Labour Negligence Predatory Lending Privacy Violations Tax Optimisation

Table 1: RepRisk sector, issue and topic coverage

## Customisation Options

RepRisk's great appeal is its high level of customisation and responsiveness. The dashboard is fully customisable and clients are able to create their own watchlists and alerts. In addition, clients can request new sources to be added to the database and report stories to be investigated further. The company offers tailored packages so subscribers can customise the business intelligence on offer, for example through Supplier Screening Reports, Monitoring Reports and customised Data Feeds (quantitative data sent on a regular basis to be integrated into internal systems).

## Timeliness

The database goes back to 2007. It is updated daily, although it takes anywhere from 1-3 days to input data due to the analysis and entry process mentioned above. Accuracy is considered more important than currency. However, if news is given a high priority, it is published on the same. The homepage contains a link to system updates, which inform clients of new features.

## Purchasing and Value

RepRisk's ROI lies in its unique combination of technology and human intelligence, giving it credibility over databases that only crawl the web for information. It provides the most accurate assessment of risk exposure in all its forms that I have come across.

## Pricing Information

Access to the RepRisk web-based tool is based on an annual subscription and pricing depends on the number of users. The cost is in the range of CHF 15,000 for one user per year, but decreases significantly as the number of users increases.

## FreePint's View

RepRisk uses a unique combination of sophisticated technology and highly-trained human input, in other words, a mix of quantitative and qualitative data. This methodology differentiates the company from its competitors and ensures targeted, accurate risk information.

A clearly constructed and customisable dashboard, self-explanatory search facilities with advanced filtering and intelligent abstracting make this a valuable tool for any enterprise needing to evaluate its exposure to risk.

The RepRisk database would suit any large enterprise or organisation with a multi-regional investment portfolio in high-risk sectors and jurisdictions, as well as those with a large supplier base or loan portfolio.

✓ <i>High level of customisation</i>	✓ <i>Responsive to subscribers' requests</i>
✓ <i>Sophisticated search algorithms</i>	✓ <i>Advanced filtering options</i>
✓ <i>Proprietary index measuring ESG risks</i>	✓ <i>Abstracts written to reflect risk incidents</i>
✓ <i>User-friendly interface</i>	✗ <i>Narrow output options.</i>

## Contact Details

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*There are minor changes to this document (such as choice of screen shots) compared with the version published by FreePint on 28th November 2014. These changes do not alter the tone or conclusions of the review.*