

Reputational Risks: Establish a Common Understanding

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www.ecofact.com

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Forum on Reputational Risk Management in Banking

- 1st Forum in Berlin (February 2008) and 2nd Forum in London (October 2008)
- Participants included representatives from:
ABN AMRO, Barclays, BBVA, Credit Suisse, Dresdner Bank, European Bank of Reconstruction and Development, Export Development Canada, Fortis, HSBC, Lloyds TSB, Royal Bank of Canada, Royal Bank of Scotland, Standard Chartered, UBS, Unicredit Group, and WestLB.
- Outcomes:
 - ➔ Common understanding of reputational risk
 - ➔ Principles for Reputational Risk Management in Banking:
10 principles covering the following topics: Reputational Risk Framework; Roles and Responsibilities; Reputational Risk Process; Training and Audit.
 - ➔ Discussion on how Principles can be put into practice

For more information: www.ecofact.com/forum_about.htm

Definitions

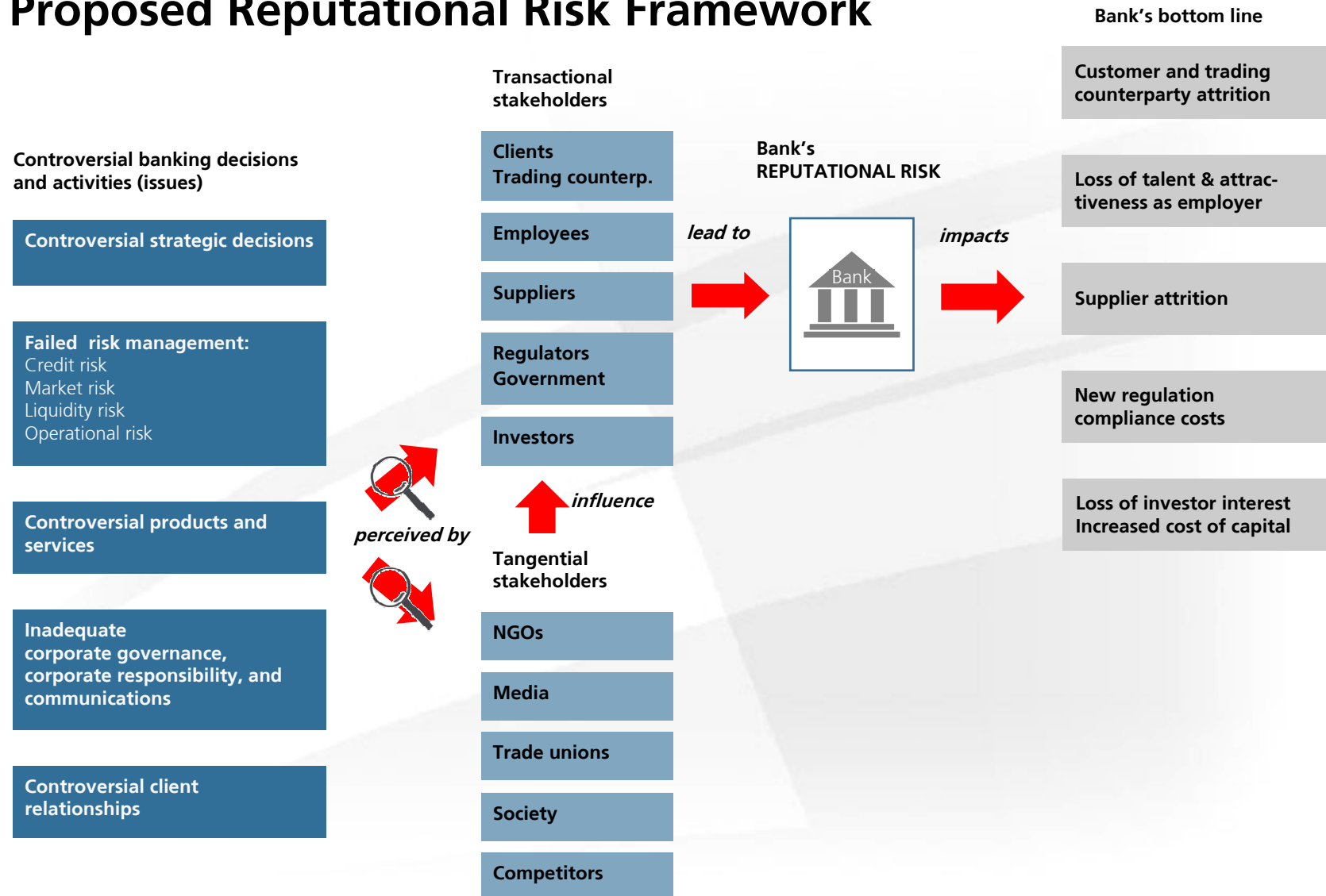
- **Reputation:** What people in general think or say about someone or something; how much someone or something is generally liked, admired or respected, based on past behavior, character, etc.

Cambridge International Dictionary of English

- **Reputational risk** is defined as the current or prospective risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of clients, counterparties, shareholders, investors or regulators.

Committee of European Banking Supervisors (CEBS), CP03, revised June 2005

Proposed Reputational Risk Framework



New Sources of Reputational Risk From Developments of International Standards

- **UN Global Compact**

Voluntary guidelines by the United Nations in the range of human rights, labor standards, environment and anti-corruption.

[www.globalcompact.com]

- **OECD Guidelines for Multinational Enterprises**

(Semi-)Voluntary principles for responsible business practice including human rights, environment, corruption and other issues. National Contact Points (CH: SECO).

[www.oecd.org/dataoecd/56/36/1922428.pdf]

- **IFC Environmental and Social Standards (World Bank Group)**

> 60 sector-specific Environmental, Health and Safety Guidelines; Exclusion List; Performance Standards.

[www.ifc.org/sustainability]

- **Equator Principles**

Signed by more than 50 banks and export credit agencies (covering approx. 80% of the project finance market).

[www.equator-principles.com]

Controversial Client Relationships Are a Risk Factor of Growing Importance

- [Drummond accused of paying paramilitaries to kill union leaders in Colombia](#)
- [Monterrico Metals has UK assets frozen over Peruvian torture case](#)
- [Environmentalists express concern about impacts of Tipaimukh Dam](#)
- [Pemex criticized for work-related deaths in Mexico](#)
- [Indigenous groups oppose Petroecuador's plans to reinstate exploration in Ecuador \(Spanish\)](#)
- [NGO threatens Hazelwood Power Station head over pollution issues](#)
- [Vedanta accused of massive money laundering and tax evasion](#)
- [Companies involved in gas activities in Myanmar linked to human rights abuses](#)
- [Further civil lawsuits target Chiquita over terrorist-funded killings](#)
- [Ilisu criticized for displacement in Turkey before final credit decisions \(German\)](#)
- [NGO urges boycott of Paper Union over supplier SSL's links to human rights abuses](#)
- [Porgera Gold Mine blamed for deaths, social disintegration in PNG](#)

The screenshot shows the website of the Ministry of Finance. The main navigation bar includes 'government.no', 'Stoltenberg's 2nd Government', and 'Ministries'. The page title is 'MINISTRY OF FINANCE'. A search bar is visible on the right. The main content area is titled 'Companies Excluded from the Investment Universe' and lists several companies with their exclusion dates and links to press releases and ethical guidelines.

Date	Company Name	Links
13.03.2009	Dongfeng Motor Group Co. Ltd	The press release from the Ministry of Finance The recommendation from the Advisory Council on Ethics
30.01.2009	Textron Inc.	The press release from the Ministry of Finance The recommendation from the Advisory Council on Ethics
30.01.2009	Barrick Gold Corporation	The press release from the Ministry of Finance The recommendation from the Advisory Council on Ethics
09.09.2008	Rio Tinto	The press release from the Ministry of Finance The recommendation from the Advisory Council on Ethics
11.01.2008	Hanwha Corporation Serco Group Plc GenCorp Inc	The press release from the Ministry of Finance The recommendation from the Advisory Council on Ethics (Hanwha Corporation) The recommendation from the Advisory Council on Ethics (Serco Group Plc) The recommendation from the Advisory Council on Ethics (GenCorp Inc)

Source: www.reprisk.com