

## Tips for identifying threats and vulnerabilities for Reputation risks

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# It is all about the reputation!



Global GRC Solutions





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## Key Takeaways:

- How to identify inherent reputational risks in business transactions
  - Not meeting stakeholder expectations:
  - Management exhibiting poor controls, malpractice, product and service delivery issues or bad crisis response
  - Contract with a reputable global transaction/PR services provider
  - Pre-emptively prepare for unexpected future events including polishing ESG and CSR.
  - Reputational risk that can result from the direct actions of the company, its employees or partners or, in international business transactions, cultural or legal differences.
  - Loss of personally identifiable customer information (cyberattack) or a leak



# Identify reputational risks inherent in international business transactions

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- Ethics and integrity violations (fraud, bribery, corruption, security and cyber risks)
- Cultural attitudes in countries towards a particular reputational risk event.
  - Privacy issues for information technology companies due to different views of privacy
  - company's brand and lead to revenue loss.
- Legal risk may arise from non-compliance with diverse and complex local laws
- Possibility of litigation resulting from failure to properly transfer funds in an international business transaction.

**PRIORITY**

The power of social media amplifies as minor incident to be a nightmare

With the increasing influence of social media, social media sites, activist sites, issues can escalate very quickly.

Significantly increasing the open threats

Sensitivity to reputation risk in the context of social technology changes

Social media risks are intensified by the interactions between different countries' cultures in transactions.

- International Business Transactions
- The Age of Social Media

# Benefits of a Positive Corporate Reputation

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- Appropriate/adequate job of managing reputational risk
- Organisational and technical focus on resources to repair reputational damage that has already occurred.
- Be patient to reap the benefits of excellent legal and reputational risk process in place
- Benefits can be significant in the long-term.
- Companies with positive reputations foster greater customer loyalty, are perceived as providing more value charge a premium
- Attract better employees.





- Legal risk management.
  - Automate data gathering,
  - create efficient workflows and
  - digitalize the legal department.
- Managing Regulatory Risks
  - obtain meaningful data assurance
  - The new rules mean more statutory and regulatory parameters
  - Regulatory policy initiatives continue to evolve in jurisdictions around the globe, the volume, frequency and complexity of reporting
  - Navigate the challenges and meet your regulatory requirements with assurance.

**How to manage  
legal and  
regulatory risks**

WALK  
THE  
TALK

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## How to manage reputational risks

- Managing Reputation Risks
  - no company can ignore the controlling of legal and reputational risks.
  - in international business transactions be especially diligent about added complexities in cross-border trade
- Assessing your company's reputation among stakeholders,
- Evaluating the culture/character
- Close reputation-reality gaps
- Monitor changing beliefs and expectations
- Stewardship and senior executive below the CEO in charge



## Reputational risks regarding

- **The Role of Global Transaction Services**

- Corporate reputation and the reliable payments partner for international business transactions really matters.
- Dedicated to protecting the security of financial information during transaction
- Adds value to cross-border transaction.
- Understands variety of compliance with differing foreign laws, legal standards and risks.
- Other risks associated with purchasing, selling or exchanging currency.
- Crisis protocols and scenario planning on business continuity, disaster recovery and reputation management

The fear the significant fines and expensive legal bills is the primary motivator for compliance. Non-compliance is costly and causes substantial reputational damage

### Reputational risks regarding

- **The Importance of Acting Pre-emptively Services**

- Take steps that minimise current risks
- Plan to mitigate unexpected risks
- An effective CSR/ESG program with initiatives that benefit society
- Aligning sustainable strong corporate values with ethical and socially responsible business behavior.
- Millennials are more responsive to corporate sustainability actions
- When employees/customers have confidence in how their personal data and cybersecurity is a priority
- Ensure adequate and appropriate compliance to avoid fines and penalties



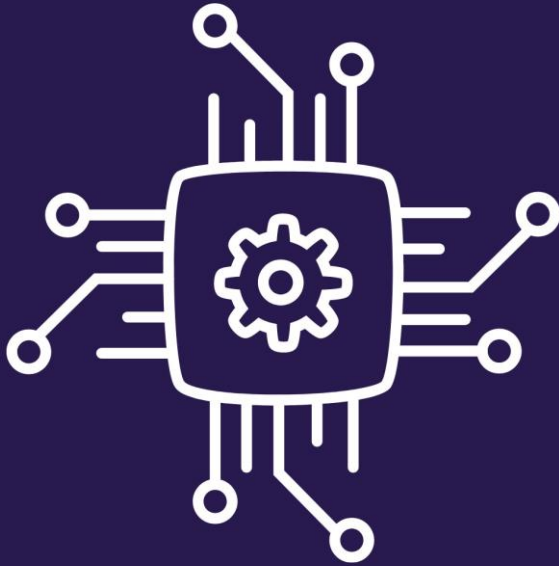
Reputational risks regarding

- **IT and Cybersecurity**

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- Data is always encrypted. Cyberbreach is a high risk in Privacy rights (e.g. fraud, phishing, impersonation for credit application, credit card fraud, loss of reputation, discrimination)
- Reputation damage
- Public embarrassment: remember Ashley Madison, Equifax, Marriot
- Strengthen cybersecurity by finding vulnerable spots and areas.
- Analyse the critical cyberattacks/ actionable insights to improve defenses
- Reputational loss is a risk of customer loss



Reputational risks regarding

- **Tips**

- Reputation risks as part of risk registry
- Publish reports and disclosure for trust and reputation for transparency.
  - Oversight authorities encourage organizations to consider publishing material relating to Compliance components
  - the more transparent the economy becomes and the easier it is to secure international business and investment
- Data security and cyber breaches are catastrophic due to the costs, fines, class-action Lawsuits and significant repercussions that inflict significant damage to both the organization's reputation and its bottom line.

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Warren Buffett: *It takes 20 years to build a reputation and five minutes to ruin it.*

The cost of non-compliance is exceptionally high in both financial and nonfinancial terms, as the reputational damage

*Just one reputational misstep has the potential to throw any company into a tailspin disrupting the company's day-to-day operations, and damaging its reputation for quite a while.*

Raise awareness of your regulatory compliance. Internally, this translates to a greater awareness of the individual's duties, Externally, it translates to improved reputation and increased trust

# Get additional guidance from

- "Warren Buffett's Boring, Brilliant Wisdom", Time;  
<http://business.time.com/2010/03/01/warren-buffetts-boring-brilliant-wisdom/>
- "Reputation and its Risks", Harvard Business Review;  
<https://hbr.org/2007/02/reputation-and-its-risks>
- "Reputational Risk", Investopedia;  
<http://www.investopedia.com/terms/r/reputational-risk.asp>
- Reputation matters: Develop reputational resilience ahead of crisis  
<https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/risk/uk-reputation-matters-june-2016.pdf>
- Legal and Compliance Risk Management: Towards Principles of Best Practice  
The London School of Economics; [https://www.lse.ac.uk/collections/law/standard/publications\\_full\\_text/black/6751\\_Legal.pdf](https://www.lse.ac.uk/collections/law/standard/publications_full_text/black/6751_Legal.pdf)
- "Reputation Risk Leading Company Concern in 2015", Forbes;  
<http://www.forbes.com/sites/tatianaserafin/2015/01/05/reputation-risk-leading-company-concern-in-2015/#599d85884ce5>
- "What is Corporate Social Responsibility?", Business News Daily;  
<http://www.businessnewsdaily.com/4679-corporate-social-responsibility.html>
- Global Consumers Are Willing to Put Their Money Where Their Heart is.  
Nielsen; <http://www.nielsen.com/us/en/press-room/2014/global-consumers-are-willing-to-put-their-money-where-their-heart-is.html>

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Kersi F. Porbunderwalla is the Secretary General of Copenhagen Compliance<sup>®</sup> and Managing Partner of E-Compliance Academy, Information Security Institute and EUGDPR Institute<sup>®</sup>. Kersi is a global consultant, professor, teacher, instructor, researcher, commentator and practitioner on GDPR, Corporate Governance, Risk Management, Compliance and IT-security (GRC), Bribery, Fraud and anti-Corruption (BFC) and Corporate Social Responsibility (CSR) issues. Kersi lectures on the MBA course at IE University (Madrid) and has lectured at The Copenhagen Business School (1984-97) The Govt. Law College (Thrissur, India) Georgetown University (Washington) Cass Business School (London), Fordham University (New York) and Renmin Law School (Beijing). Kersi has conducted some hundred workshops, seminars and speaking jobs on Regulatory Compliance, GDPR, GRC, CSR, BFC issues.

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