GUIDING PRINCIPLES FOR REPUTATION RISK GOVERNANCE

Essential Principles for Boards of Directors

THE DCRO
RISK GOVERNANCE
INSTITUTE

ABOUT THE DCRO INSTITUTE

The DCRO Institute is the world's leading source of risk governance credentialing. We are a 501(c)3 nonprofit peer collaboration among board members and C-Suite executives from around the world. The DCRO Institute is the home of the Qualified Risk Director® designation, the Qualified Risk Expert™ designation, the Certificate in Risk Governance®, and a portfolio of strategic specialization credentials. We work globally to bring risk expertise to the boardroom and C-suite by teaching the positive governance of risk-taking®. Graduates from our programs are leaders in boardrooms in more than 60 countries on six continents. Our goal, which is emblazoned on our logo, is to help organizations Innovate, Sustain, and Create Value.

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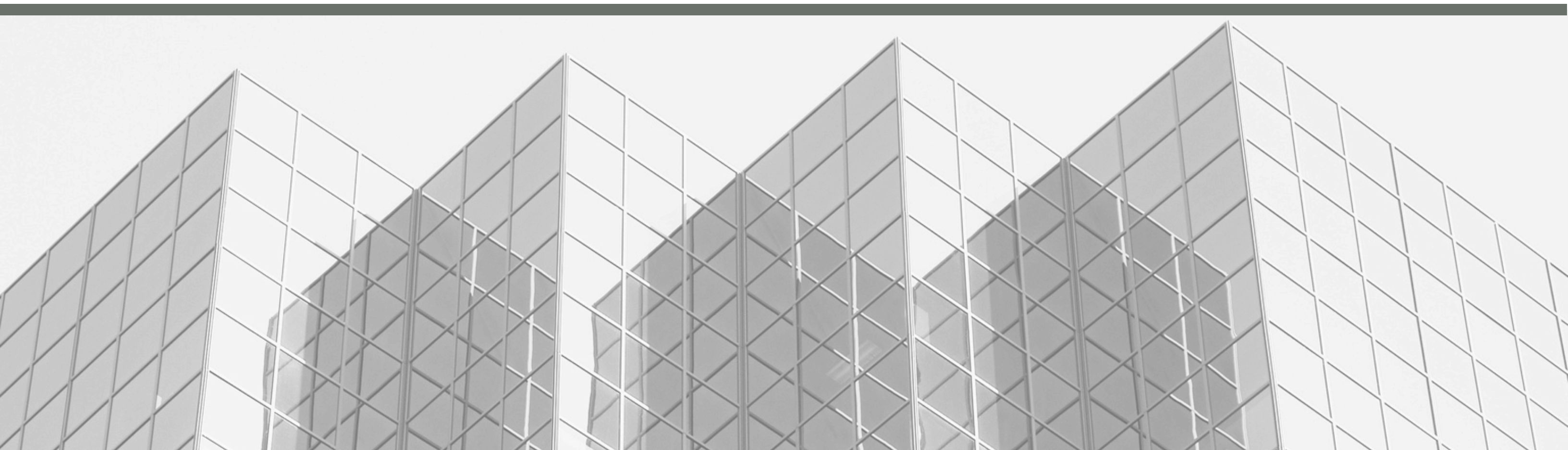

THE DCRO INSTITUTE REPUTATION RISK GOVERNANCE COUNCIL

We offer special thanks to the chair of the DCRO Institute Reputation Risk Council for her defining leadership in partnership and collaboration with our distinguished Governance Council members.

Jerilan Greene, QRD®, is a veteran chief corporate affairs officer and board advisor with nearly 30 years of international leadership in strategic transformation, communications, transactions, risk, human capital, and public policy across complex, globally diversified businesses. She is the former chief communications and public affairs officer at Yum! Brands (NYSE: YUM), where she also chaired the Yum! Foundation and led integrated strategy in corporate, brand, and crisis communications, government affairs, environmental sustainability, corporate citizenship, and transformation.

From 2011 to 2022, Ms. Greene led award-winning teams and helped guide Yum! through a defining era of strategic and cultural change. She was one of the key architects of the Recipe for Growth & Good, which repositioned Yum! from a company-owned restaurant builder to a pure-play franchisor and brand builder—initially delivering $9 billion in shareholder returns and transforming the enterprise into an asset-light, capital-light model poised for global scale and long-term investment. She played a central role at inflection points, including the China spinoff, shareholder and activist pressures, CEO succession, M&A, and pandemic response—leading cross-functional teams across 100+ markets and informing brand resilience and board oversight of environment, geopolitical, regulatory, and stakeholder risks.

Ms. Greene currently serves as an independent Supervisory Board member of Staffbase SE, a global SaaS communications platform backed by General Atlantic. She serves on committees for Audit and Risk, Remuneration, and Nomination. Her career leadership roles—including at Edelman, Burson, Deloitte, and WTW—also span consumer, retail, pharmaceuticals, biotech, technology, energy, and financial services. She holds a BS and MBA from Northwestern University and has completed governance programs at Stanford Law School, NACD, Santa Clara University, and the DCRO Risk Governance Institute.

About the Council

Comprised of internationally experienced senior leaders in governance, risk, law, finance, communications, and insurance, the DCRO Institute Reputation Risk Governance Council brings multi-faceted, cross-sector expertise to reputation risk. Its members—board members and chairs, C-suite executives, former regulators, and enterprise risk leaders—have shaped resilience strategies across 20+ industries, leading global brands, multinationals, and financial institutions on six continents. These global leaders bring extensive specialized expertise in investor relations, compliance, audit, insurance, and financial oversight—critical levers of reputation governance in capital markets and regulated industries.

We extend our hearty appreciation to the governance council members listed on the next two pages for their contributions to the development of this Guiding Principles document. Please note: council members' organizational affiliations are listed for identification purposes only and do not imply any corporate endorsement of these guiding principles.

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EXECUTIVE SUMMARY

Reputation Risk Governance for Boards

In a hyper-connected, fast-changing environment, reputation is not simply about perception—it is about behavior, trust, and performance. No longer a soft concern, reputation impacts how value is created, risk is amplified, and leadership is judged. Boards must govern it proactively as a core enterprise discipline, well in advance of a crisis, and with the same rigor as other critical sources of value and risk.

Defining Reputation—A Force Multiplier for Value and Risk

Reputation is the result of what a company does and says, how stakeholders perceive it over time and in real time, and how they respond. These perceptions and responses to company behavior drive financially relevant choices by stakeholders—such as buying, advocating, investing, regulating, protesting, criticizing, or exiting—which ultimately affect a company's business performance and enterprise value.

10 Guiding Principles for Reputation Risk Governance

This paper introduces a board-level standard for governing reputation as a mission-critical asset—defining the essential principles, systems, and inquiry required for boards to oversee it and for management to operationalize it effectively across the enterprise. Those Guiding Principles are summarized on the next page and described in greater detail in the main body of the paper.

The first four Guiding Principles focus on the need *for Integrated Oversight* of reputation risk. This is not just a management or board duty, but a complex interaction of oversight, culture, operations, and enterprise-wide awareness. Guiding Principles five, six, and seven focus on *External Context and Intelligence,* noting the need for early and integrated intelligence, robust stakeholder communications, and careful attention to context and the convergence of technologies. The last three Guiding Principles address the essential need for *Board Readiness* in a proactive, systemic, and adaptive manner, being keenly aware of the need for agility and emotional intelligence, as well as of the potential for organizational and director liability when not present.

Why It Matters

Reputation risk is a force multiplier. It intensifies the impact of other risks and must be integrated into enterprise risk oversight—not treated in isolation. This reality raises the bar—for boards, CEOs, and the C-suite, for enterprise risk leaders, for every function, and for modern communicators and technologists—on what it means to lead credibly in an era of constant change, instantaneous judgment, misinformation, and ambient scrutiny.

Boards that govern reputation explicitly and proactively—not incidentally or only in crisis—are better positioned to preserve and create enterprise value, reduce cost of capital, mitigate business and financial volatility, and sustain stakeholder confidence amid complexity and disruption.

Our Approach

We focus in this guiding principles document on understanding why reputation risk governance is a strategic imperative, the specific roles of the board and management in both oversight and building resilience, and the importance of building trust and effective communications, especially at the speed of disruption. Throughout, we provide key duties and questions for boards that are relevant to these subjects, as well as extensive references and additional information in the Appendix.

Our goal is to provide useful, practical, tangible guidance, as you'll see in the coming pages.

The Guiding Principles for Reputation Risk Governance (A Summary)

Principle 1: Reputation is Both a Strategic Asset and Source of Material Risk. Boards must govern reputation as a strategic and material driver of enterprise value, resilience, and risk exposure—not just a communications issue.

Principle 2: The Board Oversees Reputation Risk. Oversight of reputation risk is a board responsibility. While reputation risk may not be isolated on every risk register, boards must ask how it is treated, who is accountable, and what systemic vulnerabilities it may signal.

Principle 3: Operations and Culture are the Roots of Reputation. Reputation is not built through messaging alone—it grows from the reality of how the business operates and behaves across every area and function of the business, whether internally or externally facing.

Principle 4: Reputation Risk Governance Must Be Embedded Across the Enterprise Ecosystem. Reputation risk has the potential to emerge from any part of the business or its third-party ecosystem. Boards should ensure that it is not viewed in isolation.

Principle 5: Reputation Risk Governance Must Be Company-Driven, Stakeholder-Informed, and Context-Aware. Boards should oversee reputation risk in a way that aligns with the company's purpose, priorities, and operating reality—while staying alert to the broader political, legal, and regulatory environment.

Principle 6: Boards Need Early, Integrated Intelligence to Govern Reputation Risk. Boards require a real-time and forward-looking view of reputation exposure. Reputation risk governance should be informed by integrated intelligence.

Principle 7: Reputation Oversight Must Consider the Convergence of Cyber, AI, and Digital Threats. While boards are increasingly attuned to the convergence of risks across strategic, operational, and geopolitical domains, reputation risk requires special attention to the accelerating intersection of cyber threats, artificial intelligence, and digital influence.

Principle 8: Reputation Resilience Comes from Being Proactive, Systematic, and Adaptive. Resilient reputations are not improvised—they are built through foresight, preparation, and disciplined execution.

Principle 9: Reputation Risk Can Create Organizational and Director Liability. Reputation risk can result in material loss—for the enterprise and for individual directors. Liability and culpability may arise when boards fail to anticipate, oversee, or mitigate foreseeable risks.

Principle 10: Overseeing Reputation Risk Requires Being Prepared, Agile, and Emotionally Aware. Reputation risk is not just technical—it is human. In high-stakes moments, emotions run high, and instincts can compete with facts and principles. Directors must be able to lead through these moments with emotional intelligence, self-awareness, and clarity.

REPUTATION RISK

A Strategic Governance Imperative

In our dynamic and hyper-connected business environment, reputation is not merely a communications issue or a crisis response challenge—it is a core and dynamic dimension of enterprise value, resilience, and risk. What a company or brand stands for, how it operates and behaves, and how stakeholders perceive and trust its actions all shape reputation—driving business performance, value creation, and the long-term license to operate.

Amid shifting stakeholder expectations, technological acceleration, and geopolitical complexity, public and private companies are navigating evolving business risks at unprecedented speed. Reputation risk arise from any part of an enterprise—from leadership actions, operations, and employee culture to data governance, technology, and policy positions. As the operating environment grows more complex and uncertain, reputation risk is more than a standalone or secondary concern. It is increasingly a force multiplier—intensifying the consequences of other strategic, operational, and material risks. In extreme cases, reputation risk can pose a direct threat to liquidity, investor confidence, or access to capital.

Reputation Risk Governance
Board/Committees

↓

Reputation Risk Management
CEO and Executives

↓

RESILIENCE and VALUE CREATION

When governed with foresight, reputation risk can be a catalyst for greater resilience, agility, and innovation under pressure. The DCRO Institute champions this broader view through its philosophy of positive risk governance—encouraging boards to see risk not only as a threat to mitigate, but primarily as a source of insight, adaptation, and long-term value creation.

This publication is designed to equip directors with guiding principles and practical strategies to meet today's risk and reputation landscape with clarity and a proactive lens. The goal is not only to protect reputation when it is tested by scrutiny or change—but to strengthen it as a durable advantage and a core business discipline.

> **This paper offers a holistic lens on reputation risk and contributes to the field of enterprise risk management with a targeted governance standard: Reputation Risk Governance.**

Defining Reputation

While many definitions of reputation exist, our working definition and mental model are grounded in industry insight and tailored to the context of risk governance and enterprise value.

Reputation is the result of what a company or brand does and says, how stakeholders perceive it, and how they respond. Stakeholder beliefs and responses drive financially-relevant choices—such as buying, advocating, investing, regulating, protesting, or leaving—that ultimately impact financial performance and enterprise value.

See more detailed information on our redefinition of reputation in the Appendix.

The Power of Intangibles: Brand, Culture, and Reputation

Companies derive value from many intangibles—such as intellectual property, data, technology, and goodwill. Among these, brand, culture, and reputation stand out as especially consequential to trust and resilience. These are not abstract ideas—they are systems with tangible effects. Together, they shape how a company grows, competes, attracts talent and loyal customers, earns trust, and withstands scrutiny.

These core intangibles are dynamically linked. When aligned and trusted by external and internal stakeholders, they also drive pricing power and valuations, reduce the cost of capital, and reinforce enterprise resilience. When these core elements are not in sync, the result is confusion, distrust, and reputational vulnerability—often magnified by the speed, instant visibility, and expansive reach of today's digital environment. This dynamic applies whether a company is public or private, early-stage or mature.

Boards must steward this convergence with foresight and discipline—seeking both quantitative and qualitative measures to discern how brand, culture, and reputation are working together and where signals of misalignment may reflect deeper strategic or risk issues. In moments of crisis—or steady decline—company failures involving these intangibles are seen not only as a management issue, but also a governance breakdown. While management leads the way on brand, culture, and reputation, boards must also play a critical oversight role on this dimension of risk governance.

> **Brand is the promise. Culture and operations are how the promise is delivered. Reputation is the verdict—what stakeholders believe and trust, especially when tested and over time.**

Navigating Reputation Risk

Reputation is not a new idea—nor is reputation risk. Boards have long understood that trust matters, and that a company's credibility can influence everything from market access to stakeholder confidence. But the context in which reputations are earned, judged, and lost has changed, and how that affects enterprise value—and continues to evolve rapidly.

- Economic, technological, geopolitical, and societal norms are shifting globally. Disruption is no longer episodic—it is the baseline operating environment for many organizations.
- Stakeholders are more connected, more willing to advocate for their positions, and more responsive to perceived alignment or misalignment.
- Importantly, the evolving media and social media ecosystem where they consume and share information is more instantaneous and publicly visible, reshaping how opinions and beliefs are formed and how quickly they can change.

Company and Brand Behavior →	**Stakeholder Perception** →	**Action by Stakeholders** →	**Potential Impact**
(what the company does and says, over time and in real time)	(how company actions are judged by external and internal parties)	(buy, join, advocate, invest, regulate, protest, criticize, leave)	(license to operate, short- or long-term shifts in financial performance, enterprise value)

> **Unlike brand and culture, reputation is not shaped by the company alone—instead, it is continuously formed, tested, and amplified by others, often outside the organization's direct control.**

A Threat to Resilience

Reputation risk is a threat to building resilience. It arises when there is a sustained or abrupt gap between what stakeholders expect from a company or brand—its principles, commitments, character, and how it operates—and what they experience or perceive, especially in moments of stress, scrutiny, or change.

- Reputation risk is not simply the risk of negative attention or a bad reputation at a moment in time. It is the risk of trust being broken, expectations not being met or managed, and stakeholders reassessing their relationship with the enterprise in ways that change their behaviors resulting in reduced revenue, increased costs, or eroded long-term value.

- Often catalyzed by a triggering event, decision, or external challenge, reputation risk may have been building quietly over time—rooted in how the organization behaves—not only in what it says.

- Management cannot close this gap through branding or messaging alone. With board oversight and strategic enterprise risk management, they must ensure that the organization's promise, purpose, and behavior remain aligned and resilient—across time, stakeholders, governments, geographies, and business ecosystems, as well as under pressure.

In many boardrooms, reputation risk is still treated as a narrow vertical: a matter of media headlines, public backlash, or crisis communication. In reality, it is a horizontal concern woven through strategy, operations, leadership, and enterprise risks, and requiring integrated leadership.

Reputation Risk (Old Model): Episodic. Comms-driven. Reactive.

Reputation Risk (Today): Always-on. Fast-moving. Publicly judged in real-time.

What has changed is not that reputation risk matters—but how quickly it moves, how deeply it cuts and how widely it can spread across an enterprise.

> **Boards must meet this evolution with a sharper lens—seeing reputation not only as something to manage after the fact or in the moment, but as a management opportunity to indicate a focus on resilience.**

Reputation Check-In: A Lens for Boards

To revisit reputation, the board can ask management to reflect on this practical starting point:

1. **Outside-in thinking:** What are the external forces impacting our reputation risk today?
2. **Company behavior:** What are the most reputation-sensitive drivers for our business?
3. **Stakeholder perception:** How do key stakeholders view our actions internally and externally?
4. **Gaps and risk:** What are the gaps between stakeholder expectations and reality that create risk?

THE ROLE OF THE BOARD IN REPUTATION RISK GOVERNANCE

Reputation risk governance is the disciplined oversight of systems and conditions that shape stakeholder trust in leadership and the business. It is not the same as managing a crisis—it is the upstream work of anticipating and preventing reputational damage. Where management owns the day-to-day management of reputation risk, the board must govern it—defining expectations, deepening inquiry, and ensuring the right talent and response systems are in place for real-time and long-term resilience.

Aligned with the Guiding Principles for Reputation Risk Governance, boards should:

- **Support the CEO as the chief steward of reputation.** As the CEO sets the tone at the top, confirm clear management ownership and ensure board oversight is structured through relevant committees, both in routine governance and during a crisis. Expect defined accountabilities and collaboration across senior leaders and employees in communications, operations, finance, legal, risk, government affairs, technology, marketing, brand leadership, and other reputation-critical areas. Boards should expect greater coherence across commercial and functional disciplines impacting reputation and inquire whether integrated leadership and collaboration are in place to support the CEO.
- **Define reputation risk appetite and escalation thresholds.** Clarify the types of reputational events, trends, or stakeholder impacts that warrant board attention. Set clear criteria for when the board is informed, consulted, or involved, and how those thresholds align with legal, financial, disclosure, and operational risk. Uphold high standards for decision-making, clarity of facts and context, and informed judgment in uncertainty.
- **Apply a reputation lens to strategic, risk, and operations oversight.** Boards should consider reputation risk implications in discussions of strategy, enterprise risk, culture, talent, and public disclosures. Expect management to address reputation across relevant functions, businesses, and markets as part of ongoing governance—not just in moments of crisis.
- **Ensure both a quantitative and qualitative view of reputation and risk.** Boards should expect insight that reflects both measurable indicators and directional stakeholder feedback—not a single reputational metric. Intelligence should include data and narrative synthesis from investors, customers, employees, financial markets, geopolitical shifts, and other business-critical sources. It is the board's role to ensure this intelligence is timely, decision-relevant, and connected to risk governance.
- **Enable candid, two-way dialogue.** Protect the conditions for candor and challenging assumptions among board members and between the board and management. It is important to create space for honest conversations about what is known, what is not, and what is unfolding. Support management in fostering a speak-up culture in the organization where concerns can be raised early and constructively, before they escalate internally.
- **Assess management risk capability and readiness.** Confirm the team is prepared through simulations, playbooks, and aligned legal, operational, and communications responses. Ensure the company's crisis muscle is exercised, not assumed.
- **Examine board structure as part of reputation governance.** Reputation is shaped not only by company behavior, but also by how the board is composed and governed. Directors' independence, diverse and relevant expertise, and adherence to governance standards all influence external trust. Ensure board composition and practices reinforce credibility and resilience.

> **Boards that govern for reputation risk explicitly—not incidentally—are better equipped to protect value and credibility when it matters most.**

Ensuring Your Management Team is Ready

The board can govern for reputation risk, but it is management that carries the weight of readiness and execution. While effective executives do not need to be experts in reputation, boards should expect and assess the degree to which the following traits across the CEO and senior leadership team are present:

- **Battle-Tested Strategist** – Applies prior experiences and new lessons
- **Crisis Leader** – Moves with urgency and command under pressure
- **Values Arbiter** – Aligns all stakeholders with strategy, empathy, and action
- **Context Navigator** – Connects dots across market, policy, and social shifts
- **Brand Steward** – Protects and promotes what the brand stands for
- **Spokesperson** – Communicates credibly in high-stakes moments
- **Culture Builder** – Reinforces norms that support trust and performance

Be Aware of Changing Legal Standards on Reputation Risk Oversight

While legal standards vary by country, directors generally have a fiduciary duty to ensure that companies are equipped with effective oversight systems to identify, monitor, and respond to material risks. Increasingly, this oversight extends beyond financial and compliance matters to include the governance of conduct, culture, and stakeholder trust.

For example, under the U.S. Caremark standard—a foundational doctrine of Delaware corporate law—directors have a fiduciary duty to ensure their company has effective systems to monitor and address key risks. In U.S. courts, directors may face personal liability if they:

- Fail to implement a system of board-level risk oversight, or
- Ignore red flags once those systems identify potential exposure.

While traditionally applied to financial and compliance risks, Caremark liability is now being tested in reputation-related crises—where the harm stems not only from regulatory gaps, but from failures in culture, conduct, stakeholder trust, and leadership oversight. Recent cases have sharpened this expectation:

- Marchand v. Barnhill (2019) emphasized board responsibility for "mission-critical" risks—such as food safety, customer well-being, and ethical conduct.

- In re Boeing Co. Derivative Litigation (2021) demonstrated that when human safety and public trust are at stake, directors must ensure robust systems for escalation and response are present.

At the same time, the U.S. regulatory environment continues to evolve, underscoring the need for U.S. board directors, particularly in the financial sector, to remain vigilant and informed about legal, legislative, and political developments, as well as the broader expectations of stakeholders, courts, and public opinion regarding reputation risk governance.

Staying vigilant is not about chasing headlines—it is about understanding and navigating the shifting context in which your company or brand must operate, while protecting value on what is mission-critical to your business and upholding trust with a fully stakeholder-informed view. In an era where trust can be shattered by missteps in conduct, culture, or communication, reputation risk governance is no longer optional—it is a core part of the board's legal and strategic responsibility.

Globally, expectations of board oversight of reputation risk are evident. For example:

- **United Kingdom:** The UK Corporate Governance Code requires board directors to promote the success of the company while considering broader stakeholder interests, including reputation, employee well-being, relationships with customers and suppliers, and the impact of company operations on the community and environment.
- **Germany:** The Corporate Governance Code emphasizes the supervisory board's responsibility for risk management systems and controls on financial and non-financial risks, including ethical conduct, social responsibility, and reputation.
- **Australia:** Board directors are held accountable under both the Corporations Act of 2001 and common law for failing to anticipate reputational harm, particularly when it arises from governance weaknesses or public disclosure failures
- **Singapore:** The Code of Corporate Governance highlights the importance of board oversight in managing risks related to ethics, sustainability, culture, and stakeholder trust.

More recent shareholder actions—involving issues from corporate culture to public disclosures—signal that reputation governance is increasingly viewed as part of a director's duty of care.

As part of their fiduciary duties, board members should reflect on the following questions:

- Do we treat reputation as a material risk, with governance systems in place?
- Are we receiving timely, actionable intelligence—or only retrospective summaries?
- Are our escalation protocols, documentation, and director education fit for purpose and the current standard?

> **Boards should stay alert to shifts in how reputation risk is judged—in the courts, by regulators, lawmakers, and politicians, and in domestic and international public opinion.**

Monitor Disclosure Integrity

Effective governance of reputation risk increasingly demands that boards understand not only what is disclosed in financial, regulatory, compliance, government affairs, sustainability, and governance reports, but how disclosure systems shape stakeholder trust and legal exposure.

Boards must ensure that public announcements, developments, and financial disclosures are transparent, accurate, and timely—reflecting company performance and management of risk. In the context of reputation risk governance, disclosures are where internal behavior and external perception meet. Misalignment between the two can rapidly erode stakeholder trust and invite scrutiny.

Directors should expect management to explain how major disclosures are prepared, what internal controls and review processes support them, and how the company ensures that external communications can withstand challenge from regulators, investors, or other stakeholders. Boards should also review and approve key risk-related disclosures to ensure they align with the organization's strategy, governance practices, and risk appetite—and that they reinforce the company's credibility in the capital markets and the broader trust environment.

> **Boards should ask:** How do our public announcements and disclosures enhance or inhibit trust in how we operate—and in what we communicate?

THE ROLE OF MANAGEMENT IN REPUTATION RISK MANAGEMENT AND RESILIENCE

While oversight of reputation risk is the board's responsibility, management owns the strategy, structure, rhythm, and responsiveness of enterprise and reputation risk management—the systems, behaviors, decisions, and training that protect and grow trust across internal and external stakeholders. More than a standalone category, reputation risk must be considered across enterprise risk, operations, legal, and strategy. When managed well, it becomes part of how an organization creates alignment, navigates ambiguity, and acts with clarity under pressure.

Leading Practices for Management Readiness

Aligned with the Guiding Principles for Reputation Risk Governance, management should:

- **Own reputation risk as an enterprise discipline.** The CEO must visibly own reputation, setting expectations from the top and embedding reputation into the core of how the organization is led, managed, and measured. Every executive plays a role on reputation risk while each has a specific responsibility across risk, legal, communications, government affairs operations, technology, marketing, brand leadership, and other reputation-critical areas.

- **Consider integrated leadership for reputation management and risk.** In a few industries with complex operating environments, the CEO may be supported by a senior executive who integrates policy, risk, external affairs, and communications—sometimes titled Head of Policy and Risk or Corporate Affairs. These companies may also include this leader as a member of the senior management team who regularly presents to the board. While responsibilities often remain distributed across various functions, the complexity and velocity of modern reputation risk has led some organizations to formalize a more integrated leadership approach. This approach does not replace functional and commercial expertise—it connects it. As boards press for greater coherence across the business and dimensions of public trust, this changing role can serve as a strategic asset in high-exposure environments.

- **Integrate reputation into strategy, operations, and culture.** Management must apply a reputation lens to core business choices—from strategic initiatives and investments to operational priorities and cultural norms inside and beyond the company. This includes stress-testing decisions for external and internal stakeholder impact, leaders and employees acting and communicating in alignment with company purpose and ensuring signals support—not contradict—enterprise strategy and purpose.

- **Coordinate across the three lines of defense.** Reputation risk must be understood across frontline teams, risk and compliance functions, and internal audit—and managed through connected systems. Management should ensure reputation is integrated into enterprise risk management frameworks, board reporting, and escalation protocols, with clear expectations for how emerging signals are assessed, documented, and surfaced for oversight. Beyond compliance, the ERM team should lead alignment on the organization's risk appetite for reputation, update it as needed, and determine when risk transfer mechanisms or insurance apply.

- **Shape a culture that mitigates risk and builds trust.** Culture is where reputation is protected—or eroded—every day. Management must model accountability, reinforce escalation norms, and equip teams to identify and act on early signals. Training, incentives, leadership behaviors, and third-party relationships should be designed to support ethical conduct, operational integrity, and alignment with company purpose.

- **Build and rehearse real-world crisis management.** Reputation resilience requires more than policies and communications—it demands practice and is a real-world test for the quality of risk governance. Management should invest in scenario-based preparation, including tabletop exercises, simulations, company and compliance training, and rapid-response drills. Crisis response is a muscle that must be refreshed, practiced, and strengthened over time. It should be established across the enterprise—from markets to business units and functions—so that the capability is distributed, repeatable, and trusted when it matters most.

- **Connect strategy, public disclosures, and communications.** Reputation risk rises when decisions are made in one room and explained in another. Management must align messaging with business decisions—ensuring consistency across external and internal communications and stakeholder engagement, public and financial disclosures, and leadership actions. Communications should be integrated into strategy development, not retrofitted afterward—with a unifying lens on trust, transparency, and enterprise positioning. Today's environment demands an elevated standard of communication—one that will be defined in the section that follows.

- **Build systems to deliver early, integrated intelligence.** Management is responsible for enabling multi-directional sensing across stakeholders, markets, media, narratives, and behaviors—inside and outside the company. These systems must connect signals in real time and over time, assess relevance, and translate insights into timely intelligence that informs executive action and board oversight. This includes monitoring stakeholder sentiment, digital footprint volatility, policy chatter, and financial shifts—particularly in fast-moving, loosely governed, or non-mainstream channels, where reputational narratives can accelerate across borders. Intelligence on reputation is not tied to one metric; it requires pattern recognition across diverse inputs that reflect perception, behavior, and risk.

Finding the Signal in the Noise

Reputation risk is rarely a surprise. Signals often surface early—if the organization is listening. Boards can use the following dimensions to assess whether management is surfacing the right signals, from the right places, at the right time.

Source: Internal or External (Where is the signal coming from?)

Type: Financial or Perception-Based (Is the signal linked to performance or perception?)

Exposure Zone: Strategy, Operations, Compliance, Reputation (What systems or business functions are implicated?)

Security Layer: Digital, Physical, 3rd party Ecosystem (What security risk areas could be impacted?)

Geographic Spread: Local, Regional, Global (Where is the signal unfolding and where might it spread?)

Signal Timing: Early Indicator or Late Evidence (Is this an early warning or evidence of impact?)

Not every signal carries the same weight. Boards must distinguish between early signs that trust and risk are shifting—and evidence that trust has already been compromised. The relevance of any given indicator will vary by industry, business model, and context. Boards should encourage management to define matters most for the company's unique risk profile and stakeholder landscape.

Leading Indicators: Early signs that trust and risk are changing

- Unexpected customer churn, refund spikes, or support surges
- Declines in employee engagement, or rising hotline or whistleblower activity
- Spikes in negative sentiment, brand mentions, or emerging stakeholder activism
- Share price volatility, analyst downgrades, or activist ownership shifts
- Insurance repricing, updated risk classifications, or concerns flagged in underwriting
- Credit default swap pricing or investor questions about leadership and governance

Lagging Indicators: Evidence that trust has been compromised

- Revenue declines in key segments or customer categories
- Increased cost of capital, reduced investor engagement, or proxy voting shifts
- Sustained media backlash, boycotts, or stakeholder campaigns
- Drops in reputation indices, trust rankings, or employee review scores
- Shareholder resolutions, proxy advisor criticism, or legal escalation tied to culture, conduct, or disclosure

> **Boards should ask:** How is management operationalizing trust across the enterprise? Is our early warning intelligence fit for purpose?

If You Hear This Blind Spot...<u>NOSES IN</u> on the Risk Culture

"We're the best at this—no one else comes close." → Ego blindness. *Confidence without curiosity.*

"We've always done it this way." → Inertia. *Resistance to challenge.*

"I didn't want to bother anyone." → No bad news culture. *Suppressed signals.*

"We'll deal with it when it escalates." → Dismissive. *Firefighting over foresight.*

"No one raised concerns, so let's move forward." → Groupthink. *Lack of dissent.*

"That's just noise from the outside." → Stakeholder blind spot. *Discounting potential disruption.*

"This'll blow over." → Will it? *Potential for wishful thinking.*

"I'll fix it myself." → Hero culture. *Not a systemic response.*

"That's not my job." → Blame shifting. *Weak accountability*

"No one flagged it, so we assumed all was fine." → False consensus. *Passive risk posture.*

"It'll work—it always has." → Optimism bias. *Ignoring risk scenarios.*

"We'll take a look, but that's extremely unlikely." → Probability bias. *Minimizing low-likelihood, high-impact risks.*

Although "noses in, fingers out" remains the standard for board engagement, reputation risk is prompting more boards to operate with "noses tuned in, fingers ready"—especially as stakeholder perceptions, pressure, or misalignment can signal exposure. *To be clear, this work is not about crossing into management territory, nor is it about political correctness or ideological alignment. It is about strategic asset protection and fulfilling the board's duty of care in a hyper-connected world where perception moves markets and reputational signals can trigger cascading financial consequences.*

BUILDING TRUST AT THE SPEED OF DISRUPTION

While there are many elements to building trust with stakeholders, building it at the speed of disruption requires an elevated standard of communication. Anchored by this perspective—and the DCRO Institute Guiding Principles for Reputation Risk Governance—this section outlines what management must deliver to meet that standard, under active oversight of the board.

Elevating the Standard of Communication

High-performing communication functions and reputation builders must operate with clarity, speed, and discipline—not just when a crisis hits, but as a core part of everyday leadership and decision-making. Regardless of the reporting structure, the best companies govern and build reputation and communication in a way that is outcome-driven, integrated, and unified when it matters most—enabling growth and mitigating risk. Trust and reputation are shaped not only by stakeholder-facing teams, but must be delivered enterprise-wide. Misalignment between groups can delay decisions, confuse messaging, and amplify risk.

Stakeholders	← Integrators →	Functions
Investors Customers Employees Media and Influencers Policy Leaders Regulators Suppliers and Partners	Boards and executives should be clear on which leaders and communicators are shaping responses and trust across stakeholders.	Integrated approach involving expertise from: Operations, Legal, Communications, Finance, Investor Relations, Risk, Intelligence, Marketing, Sales, Customer Care, Human Resources, Government Affairs, Legal, Regulatory Affairs, Supply Chain, R&D and Technology

In principle, effective communication is everyone's job. However, in practice, strategic communication is an enterprise-wide discipline, typically owned by different functions and leaders.

> **Boards should ask:** Who owns C-suite coordination and strategy across brand, policy, risk, and communications—especially under pressure? Are key leaders aligned, empowered, and resourced?

Understanding Realities on the Reputation Risk Frontier

Boards and management must understand the evolving landscape that shapes and distorts perceptions of a company's actions and messages in real time. Here is why a new standard for communication teams is critical:

- **24/7 Media and Social Media Pressure.** Headlines and sentiment shape reputation real-time—online and offline.
- **Expanding Stakeholder Ecosystem.** Trust exposure extends beyond customers, employees, and investors to include third- and fourth-party partners including suppliers, vendors, influencers, platforms—any actor linked to your company with reach, voice, digital footprint, or leverage can impact your reputation.
- **Accelerating Algorithms.** Perceptions and online content move at the speed of machine and social media algorithms, not leaders and editors. Generative AI and eventually quantum computing are collapsing the timeline between learning about a threat and having a clear plan.
- **Misinformation > Truth and Facts.** Falsehoods often spread faster than facts—and stick longer. False or misleading narratives often outpace corrections—and their emotional or visual nature can make them more persuasive and durable than verifiable information.

- **Data Shadows & Digital Exhaust.** Outdated content, leaked data, and off-platform chatter can resurface and be weaponized—even years later.
- **Cyber + Brand Convergence.** Security breaches are no longer just about technology failures or data exfiltration. They are now also designed to inflict reputational damage—through leaks, media and data manipulation, or direct threats to leaders and who they associate with.
- **Precision-Targeted Attacks.** Pressure campaigns and threats can be aimed at brands, company leadership, frontline workers, or policy stances—enabled by bots, bad actors, or coordinated adversaries or challengers.
- **Cross-Market Risk.** Global tensions shape local perceptions and local actions can impact global reputation. Brand relevance, stakeholder expectations, and political context differ across borders, increasing the potential for misalignment and misunderstanding.
- **Disclosure Scrutiny.** Public and financial disclosures are dissected in real time and compared across past and present statements and the emerging context. Gaps in disclosed commitments, material developments, and performance can trigger rapid reputational fallout and liability.

As the world changes and technologies proliferate, this list will grow. Boards must ensure their organizations evolve with it—or stay ahead of the curve—by tracking emerging risks and preparing for those not yet visible. A growing number of specialized firms are focused on supporting companies in these areas, offering tools and expertise across digital threat detection, misinformation monitoring, stakeholder sentiment analysis, and crisis readiness.

Boards should ask: Are we ready? Can we deal with the risk of not being ready?

What Modern Leaders and Communication Teams Must Deliver

The right leader must steward and execute the company voice and narrative. Whether it is the Chief Corporate Affairs or Communications Officer, Head of Investor Relations, COO, President, General Counsel, CHRO, CMO, or another senior executive—someone must be accountable for understanding the arc of the reputation opportunity or threat, differentiating chatter from real impact, pace-setting through ambiguity, and connecting the functions.

To meet this standard, leaders and communication teams must demonstrate and develop these traits, while boards should oversee performance and hold them accountable.

- **Stakeholder Fluency and Intelligence.** Direct engagement and real-time listening shape a deeper understanding of stakeholder views. This fluency enables messaging that resonates—internally, externally, and across media and influencer audiences—with intention, not assumption. It must be paired with briefing discipline, integrating analytical insight to inform leaders and boards.

- **Enterprise Collaboration.** Cross-functional clarity is non-negotiable. Legal, HR, operations, risk, and business leaders must be aligned through shared roles, defined handoffs, and a central point of accountability. In high-velocity moments, siloes are liabilities—unity is protection.

- **Perimeter Control.** Communications, cyber, policy, media relations, and legal must work as an integrated perimeter around the company's license to operate. In a blended threat environment, discipline across these domains is the new firewall.

- **Engineered for Speed—Across Calm and Crisis.** Communications readiness requires more than instinct. The best teams are always learning and apply the lessons from the organization and industry along with tested playbooks, pre-approved frameworks, leadership alignment, and digital tools to move decisively under pressure—and ensure the company's positioning is deliberate, not reactive.

- **Augmented by AI.** Ethical, well-governed AI can simulate responses, detect threats, and pressure-test and customize messaging—while combining algorithmic speed and human clarity to company responses.

- **Capital Markets Navigation.** Heads of finance, investor relations, communications, and legal align messaging, disclosures, and risk context to reinforce trust with investors, media, regulators, and all relevant stakeholders. Under the CEO, they own the execution and credibility of the company's public narrative under scrutiny and over time.

- **Digital Storytelling Discipline.** While marketing leads on brand coherence and customer engagement, reputation leadership requires pressure-testing narratives for credibility, anticipating distortion, and preparing for public challenge. What is credible internally may not hold up externally and vice versa. The best teams shape and reinforce consistent messages across media channels, social media platforms, business lines and regions.

- **Defense and Offense**. High performers defend trust in crisis and build it in the calm. This includes shaping the company's voice, holding narrative clarity, and knowing when to reclaim or redirect the message when the situation changes.

- **Digital Hygiene and Content Authority.** Past or present content by the company, its leadership, or employees can either protect or expose. Digital footprint, data discoverability, legacy narratives, and external presence must be continuously audited, refreshed, and owned.

- **Human Creativity**. In moments that test character, they apply emotional intelligence, imagination, nuance and trusted messengers to complex issues. This creative capacity is what separates a robotic response from reputational leadership.

THE GUIDING PRINCIPLES FOR REPUTATION RISK GOVERNANCE

Presented here in full detail, the DCRO Institute Guiding Principles for Reputation Risk Governance address the key elements developed in this paper and offer a practical framework for boards to strengthen oversight of reputation risk as a core governance and enterprise discipline.

INTEGRATED OVERSIGHT

1. Reputation is Both a Strategic Asset and Source of Material Risk

Boards must govern reputation as a strategic and material driver of enterprise value, resilience, and risk exposure—not just a communications issue. This includes:

- Understanding the drivers of trust and reputation for their companies in an industry
- Clarifying how company reputation and related risk affect performance, value creation, and license to operate
- Defining the appetite for risks to reputation, and ensuring systems are in place to monitor, build, protect, and shift reputation stakeholders in an increasingly dynamic operating environment
- Ensuring that all public and financial disclosures are trustworthy and governed by systems that support accuracy, alignment, and credibility under scrutiny

Like other intangible assets, reputation can be a source of competitive advantage. Boards that actively steward this intangible asset help reinforce trust in ways that strengthen performance, adaptability, and enterprise value.

2. The Board Oversees Reputation Risk

Oversight of reputation risk is a board responsibility. While reputation risk may not be isolated on every risk register, boards must ask how it is treated, who is accountable, and what systemic vulnerabilities it may signal. This can include clear committee roles and strategic input on decisions involving reputation risk. While legal standards vary by country, directors generally have a fiduciary duty to ensure oversight of material risks.

3. Operations and Culture are the Roots of Reputation

Reputation is not built through messaging alone—it grows from the reality of how the business operates and behaves across every area and function of the business, whether internally or externally facing. In a world where information flows across organizational and geographic boundaries with ease and speed, a company's actions and stakeholder perceptions are both visible, amplified, and subject to real-time scrutiny. Boards must govern reputation at its roots: in the decisions, norms, and systems that shape culture and guide daily operations. This includes:

- Ensuring leadership and systems reflect stated operating principles, corporate and brand values, and purpose
- Assessing whether operations and incentives build or erode trust
- Overseeing culture and organizational health as part of risk governance
- Evaluating the speak-up culture and whether employees or whistleblowers trust the systems to raise concerns early

4. Reputation Risk Governance Must Be Embedded Across the Enterprise Ecosystem

Reputation risk has the potential to emerge from any part of the business or its third-party ecosystem. Boards should ensure that it is not viewed in isolation, but integrated into strategy, enterprise risk management (ERM), finance, operations, technology, artificial intelligence, and major decision-making, business unit, and functional processes, including third party dependencies, data relationships, and exposures—upstream or downstream. Reputational implications should be stress-tested in advance—not addressed only after risk has materialized.

OUTSIDE-IN CONTEXT AND INTELLIGENCE

5. Reputation Risk Governance Must Be Company-Driven, Stakeholder-Informed, and Context-Aware

Boards should oversee reputation risk in a way that aligns with the company's purpose, priorities, and operating reality—while staying alert to the broader political, legal, and regulatory environment. This includes monitoring shifts in sentiment, geopolitical tensions, and policy signals to anticipate inflection points before consequences emerge. Reputation risk governance requires a lens that is stakeholder-informed and responsive to the external forces that shape trust, scrutiny, and license to operate.

6. Boards Need Early, Integrated Intelligence to Govern Reputation Risk

Boards require a real-time and forward-looking view of reputation exposure. Reputation risk governance should be informed by integrated intelligence—combining stakeholder and geopolitical sensing, narrative monitoring, legal, investor, and financial market signals, third-party indicators, and data analytics. Directors should assess whether insights are shaping decisions and internal controls before reputational risk crystallizes.

7. Reputation Oversight Must Consider the Convergence of Cyber, AI, and Digital Threats

While boards are increasingly attuned to the convergence of risks across strategic, operational, and geopolitical domains, reputation risk requires special attention to the accelerating intersection of cyber threats, artificial intelligence, and digital influence. This convergence defines a new frontier of risk—one where perception is shaped, beliefs about a company are contested—rightly or wrongly, and trust can be eroded in minutes. Boards must ensure that risk, communications, security, and technology functions are not governed in isolation, but aligned to anticipate and respond to reputation threats that often originate beyond the organization's control.

BOARD READINESS

8. Reputation Resilience Comes from Being Proactive, Systematic, and Adaptive

Resilient reputations are not improvised—they are built through foresight, preparation, and disciplined execution. Boards must ensure that systems—such as scenario planning, role clarity, and coordinated response protocols—are in place before a crisis hits. Cash flow and assets that are impaired by a damaged reputation may be insured. Ultimately, reputation resilience is shaped by how stakeholders interpret company actions under pressure. Credible leadership, values alignment, and trusted relationships are essential to earning that confidence in moments of adversity.

9. Reputation Risk Can Create Organizational and Director Liability

Reputation risk can result in material loss—for the enterprise and for individual directors. Liability and culpability may arise when boards fail to anticipate, oversee, or mitigate foreseeable risks. As stakeholder expectations and legal standards evolve, so does the threshold for prudent oversight. Boards must understand their personal exposure and consider tools such as reputation insurance alongside D&O liability insurance to protect both the organization and its directors.

10. Overseeing Reputation Risk Requires Being Prepared, Agile, and Emotionally Aware

Reputation risk is not just technical—it is human. In high-stakes moments, emotions run high, and instincts can compete with facts and principles. Board members, leaders, and stakeholders all bring their own lived experiences, values, and reactions to the table. No one is immune. Directors must be able to lead through these moments with emotional intelligence, self-awareness, and clarity. This requires directors to recognize how emotion can shape tone, perception, and decision-making in crises—and to ensure the organization responds with self-awareness, empathy, integrity, and alignment with company purpose and goals.

NEXT STEPS: START WHERE THERE IS MOMENTUM

In a constantly changing environment, reputation risk can feel overwhelming—and hard to add to an already full board agenda. This list offers simple, actionable steps any director can take tomorrow. The goal is not to solve everything, but to start somewhere meaningful.

1. Learn from Others. Review a case study from a peer company or sector where reputation was tested. Invite board members who have experienced reputation risk challenges to share their lessons learned; find out and discuss what each board member brings to addressing risk and reputation.

2. Invite Fresh Perspective. Add a timely briefing to a committee or board agenda from an external advisor, C-suite leader, or enterprise risk expert who can discuss the reputation risk landscape for your company or industry.

3. Reflect on the Guiding Principles. Embrace the ten guiding principles in this paper and consider: Where are we today? Where are the gaps? What would meaningful progress look like? Selecting a handful of questions in the Appendix can help identify areas to discuss.

4. Look at Talent. Ask whether the company has the right roles, skills, experience, and structures to manage reputation management and risk with focus and rigor.

5. Interrogate the Signal. Ask risk officers and enterprise risk leaders how quantitative and qualitative reputation risk indicators and data are tracked and used. How integrated, actionable, and forward-looking is this intelligence? Consider how artificial intelligence and analytics are being applied, including how they are shaping what surfaces to the board. Are they connected to business outcomes or performance metrics?

6. Ask about Trustworthy AI. Inquire how the company is using artificial intelligence in ways that could affect stakeholder trust, reputation, or risk. Where are the guardrails—and where are the opportunities?

These steps are not about arriving at certainty—they are about creating conditions for resilience and strong governance. Boards that govern reputation and risk with intentionality will be better positioned to protect and grow trust tomorrow.

To gain even deeper insights, we invite you to fully explore the resources, questions, and details offered in the Appendix, and become an active member of the DCRO Institute peer community.

APPENDIX

REFERENCE DOCUMENTS

This paper is informed by the practical experience of the DCRO Institute Reputation Risk Governance Council members and by framing shared in select sources noted below.

Books

Foundational works on risk governance and value creation

Governance Reimagined: Organizational Design, Risk, and Value Creation (D. Koenig)
Gloom to Boom: How Leaders Transform Risk into Resilience and Value (A. Bonime-Blanc)
The Reputation Risk Handbook (A. Bonime-Blanc)
Trust: Responsible AI, Innovation, Privacy, and Data Leadership (D. Leipzig Shelton)

Articles and Publications

Selected contributions on risk leadership and board governance

An Animal Kingdom of Disruptive Risks(J. Lam)
Managing Reputational Risk: A Strategic Imperative (Eneni Oduwole)
Focusing on Trust: Elevate Board Oversight to Advance Compliance and Ethics Culture(I. Niemi)
Is Reputation Risk Beyond Control and Oversight? (N. Kossovsky)
Board Oversight of Disruptive Risks: Adaptive Governance (NACD Blue Ribbon Commission)
Technology Leadership in the Boardroom: Driving Trust and Value (NACD Blue Ribbon Commission)
DCRO Guiding Principles for Board Risk Committees

Risk and Reputation Trends

Sources of insight on external and stakeholder context and emerging reputation risks

Global Risks Report Series (World Economic Forum)
RiskMap: Global Risk Forecast (Control Risks)
Global Directors and Officers Survey (WTW)
The Future of Risk: New Game, New Rules (Deloitte)
Intangible Asset Market Value Study (Ocean Tomo)
Edelman Trust Barometer
Global RepTrak® 100
Tackling Reputational Risks with AI (Directors & Boards)

WHICH EXTERNAL ADVISORS HELP NAVIGATE REPUTATION RISK?

Regardless of the talent level at your organization, boards and executives can often benefit from the external perspectives and diverse, but specialized talents of external advisors, especially when planning for communication response to unexpected issues. Tip: Vet and onboard them before you need them in a crisis. While they should not replace your internal team, external advisors are critical.

Board Governance

- Experienced directors with crisis-tested leadership
- Outside legal counsel for governance, disclosure, and reputation
- Shareholder and stakeholder activism counselors
- Board governance education providers
- Industry, domain, or niche experts
- D&O and reputation risk insurance providers

Risk and Insurance Consultants

- Strategic risk advisory
- Insurance brokers and carriers
- Enterprise risk management

Threat Intelligence and Advisory

- Crisis and risk advisory firms
- Geopolitical and public affairs advisors
- Cybersecurity and digital threat intelligence consultants
- Executive and digital protection services
- AI, tech ethics, and misinformation experts

Strategic Communications

- Messaging and narrative experts
- Influence intelligence and mapping experts
- Public relations and brand positioning advisors
- Organizational psychologists and cultural risk advisors

WHAT TO DO WHEN YOUR COMPANY MAKES THE NEWS

The following is a list of helpful questions for board members to use to surface surprises in the news:

Clarifying the News Impact

- What is the full context and nature of the issue and impact on our operations, people, financials, or reputation?
- What is the actual or potential impact on our stakeholders (e.g., customers, employees, investors, regulators)? Is this a reputational ripple—or a wave?
- What's the size of the gap in stakeholder perceptions about what we are doing and what they THINK we are doing? Is the gap material?
- Is this story gaining traction or staying contained? What's the trend and velocity of media and social sentiment?
- Does the issue reflect a pattern or systemic concern—or is it isolated and manageable?

Management Response to News

- What actions has the executive team taken so far—and are those actions consistent with our values, operating principles, risk appetite, and stakeholder expectations?
- What teams, leaders, and outside experts have been activated—and are they aligned and coordinated on facts, messaging, evolving intelligence, and the path forward?
- Is each member of management genuinely aligned on the response strategy, and how will we know it's working? What alternatives were considered or abandoned—and why?

Monitoring, Adaptation, and Recovery

- What intelligence are we monitoring, and how will we adapt when the situation evolves?
- What is the timeline and cadence for updating the board on this issue—and how will board input be incorporated, when needed?
- What does this event reveal about our overall readiness—and what changes, if any, are needed in our protocols or risk governance?
- What are our plans for recovery?

USEFUL QUESTIONS TO EVALUATE REPUTATION RISK

Views on Reputation Risk and Resilience

1. Aggregate risk. Do we have a clear, enterprise-wide view of our aggregate risk exposure—and how are interrelated risks being identified, monitored, and escalated?

2. Material scenarios. What risk scenarios could kill the company in the next one to three years, or 3X-10X our enterprise value? Evaluate the likelihood.

3. Financial tie-in. Where can reputation risk have a direct impact on the balance sheet or income statement: revenue, cost of capital, customer churn, or employee retention?

4. Risk profile. What reputation risks are inherent to our business and industry and why? Relative to our overall risk profile, what are our top reputation risks and plans?

5. Risk tolerance. What is the range of our tolerance for reputation risk – max, medium, minimum, zero? What is our criteria for accepting and mitigating risk?

6. Past crises. What lessons have we learned and applied from past crises or ones involving peers, competitors or adjacent industries?

7. Decision-making. What criteria or non-negotiables are articulated to support decision-making aligned with our corporate/brand values and purpose? Are those criteria consistently applied across functions and geographies, and have they been stress-tested?

8. Impact of reputation. How are we leveraging our reputation to attract talent, build brand loyalty, or gain investor confidence—and are we measuring that value?

9. Trust advantage. Where do we have a strategic advantage based on trust—and how can we strengthen or scale it in new markets, partnerships, or innovations?

10. Product & innovation. Is reputation risk being considered in how we innovate, launch, and sunset products or services?

Stakeholder, Market, and Geopolitical Dynamics

1. Prioritization. Who are our key stakeholders and their expectations of the company? What stakeholder groups and individuals are we prioritizing and how? How are we handling stakeholders indirectly related to our business or critics?

2. Investors & advisors. Are we considering how investors and proxy advisors evaluate our reputation, governance, and stakeholder performance—and how that may shape reputational risk?

3. Scenarios. How are we considering scenarios which could cause us to lose the support of our investors, customers, or critical stakeholders, or embolden our critics? How are we tracking shifts in sentiment?

4. Blind spot. Are we overly reliant on or over-aligned with a single stakeholder group, value, or policy position in a way that creates backlash risk?

5. Perception & reality. Among our most influential stakeholders, what’s the impact of the gap between their perception of our business and the reality of what we are doing?

6. Shifts. How are geopolitical shifts—such as rising nationalism, global conflicts, or tech regulation—impacting our stakeholder expectations, brand position, or license to grow and operate? How do employees, customers, and investors view these shifts?

7. Public Commitments. How are we aligning our environmental, talent, social, and governance priorities with stakeholder expectations—and where might gaps in performance, transparency, or statements create reputational risk?

8. Political sensitivity. What aspects of our current or past policy positions, leadership, geographic footprint, digital presence, supply chain, or third-party relationships could expose us to reputational fallout with stakeholders or in politically sensitive areas?

9. Cycles. Are there particular times of year, business, regulatory or election cycles, or operational rhythms in our business that could increase or decrease reputational risk?

10. Signals. Are we proactively monitoring geopolitical risk signals, and do we have the capability to translate them into operational and reputational risk scenarios?

11. Government. How are we staying in tune with and ahead of potential changes in the government in the nations and cities where we operate?

Culture, Capability, and Conduct

1. Brand/Corporate Values. How is leadership shaping a culture that supports ethical behavior and risk awareness? Are our brand/corporate values, culture, and risk policies aligned with our risk appetite?

2. Tone at the top. Are the tone and actions from leadership consistent with our values and ethics—and what mechanisms are in place to reinforce or challenge that tone? What messages or actions most clearly reflect our commitment to integrity and transparency?

3. Operations. Does our operational maturity reduce—or increase—reputation risk?

4. Incentive alignment. Do executive and employee incentives support long-term trust, not just short-term results? Could any aspect of our executive compensation or incentive structure be misinterpreted by stakeholders as misaligned with our strategy and purpose—and have we pressure-tested that externally? What executive or employee behaviors should we consider deterring?

5. Frontline employees. Do employees understand their roles in managing risk? Are our people equipped to detect and respond to early reputation risks—and are those capabilities regularly tested?

6. Speak-up culture. Do employees trust the internal systems to raise concerns early? What is our history with whistleblowers—and are reports reviewed with the same urgency as legal or financial risks?

7. Beyond compliance. Is crisis capability-building included in the annual compliance program? What is being done to develop talent and capability in managing risk and reputation?

Legal, Regulatory, and Fiduciary Risk

1. Disclosure integrity. Are we confident that our public disclosures, claims, policies, and stakeholder communications are materially accurate and legally defensible?

2. Legal leadership. Is our legal team involved early in assessing reputational risk scenarios—not just reacting after an issue surfaces?

3. Breach of trust. What legal or regulatory exposures could emerge if stakeholder trust is breached—especially in areas like labor practices, data privacy, environmental sustainability, corporate governance, or ethics?

4. Compliance. How are we ensuring adherence to relevant laws, policies, best practices, and ethical norms across the organization, and what systems do we have in place to monitor compliance consistently?

5. Peer developments. Have we reviewed recent litigation or regulatory actions against peers for reputational failures—and how exposed are we to similar risks?

6. Organization and Director liability. Do we understand the potential personal exposure of directors and officers in a major reputational event—both what D&O insurance covers legally, and what it does not protect against in terms of public reputational exposure?

7. Industry spillover. Could a reputational crisis in our industry or ecosystem create collateral damage for us—and how are we monitoring and preparing for that?

Alignment with Enterprise Risk Management

1. Reputation risk appetite. How are we viewing risk from an outside-in and inside-out perspective? What is our appetite for reputation risk—and what level of material exposure are we willing to accept, mitigate, or insure against?

2. ERM standards. How are we aligned with leading technical, regulatory, or industry standards (e.g., ISO, NIST), and are those benchmarks sufficient for managing reputation risk?

3. Collaboration & cadence. How is the enterprise risk management team partnering across and within the businesses? What is the annual cycle of reviews, meetings, committees, and reporting to facilitate high-quality decisions on risks?

4. Technology & AI. What are the reputational risks associated with our use of AI, data, or automated systems—and do we have the oversight mechanisms in place to manage misuse, bias, or unintended consequences?

5. 1st line of defense. Are frontline leaders actively identifying and managing reputation risk in day-to-day decisions—or is it only considered after an issue escalates?

6. 2nd line of defense. How is the risk and compliance function integrating reputation risk into controls, policies, and oversight—especially in areas like culture, conduct, and stakeholder trust?

7. 3rd line of defense. Is internal audit assessing our system effectiveness for detecting and responding to early signals of reputation risk—and where are the blind spots?

8. Third-party ecosystem and exposure. Do we understand which third-party dependencies could most impact stakeholder trust? How are we monitoring vendor behavior for risks that intersect with our business, including but not limited to cybersecurity, compliance breaches, financial underperformance, or strategic misalignment with our culture and objectives? Are any of our key partners difficult to replace or substitute, creating barriers to managing reputation risk?

Shareholder Activism and Reputation Risk

1. Vulnerability. Where are we most vulnerable to shareholder activism—from a governance, performance, or reputational standpoint—and how regularly is this evaluated?

2. Signals. How are we actively monitoring investor sentiment, narrative trends, trading patterns, and ownership shifts and track records that could signal activist interest?

3. Narrative. Do we have a cohesive and credible narrative to defend our long-term strategy, leadership decisions, and stakeholder priorities if challenged publicly?

4. Proxy advisors. Are we proactively engaging with proxy advisors and institutional investors outside of earnings calls—to build trust and minimize information gaps that activists might exploit?

5. Modeling. Have we modeled how a public activist challenge—successful or not—could impact trust among employees, customers, regulators, and other stakeholders?

6. Director prep. Are independent directors prepared to engage with investors directly, and do they understand how to navigate reputational and governance risks in doing so?

7. Activist playbook. Do we have a playbook that includes both strategic and reputational response options—including escalation, settlement, and narrative control?

Board and Leadership Accountability

1. Board involvement. What is the board mobilization and decision-making protocol for dealing with reputational crises? How is the board evaluating its own role and effectiveness in overseeing reputation risk? How are we upskilling the board on reputation risk oversight and governance?

2. RACI Matrix. In addition to the CEO, who are the responsible parties on the executive team and how are they anticipating, mitigating, and managing reputation risk together and apart? Chief Risk Officer? Chief Communications Officer? Chief Operating Officer? Chief Financial Officer? General Counsel?

3. Management skills. Is our executive team battle-tested, educated and trained on high stakes, high consequence crises and moments? Are leadership actions and messaging aligned with transparency, integrity, and trust? How are we upskilling executives?

4. Media & communications. How does the executive team test major decisions through a reputational lens before they go public? Have potential spokespersons been trained on realistic scenarios? What is our communications plan for each internal and external stakeholder group?

5. Transparent dialogue. What can be done to increase transparency and dialogue between the board and executive team on risk and reputation? What's the quality and frequency of reporting to the board on risks?

6. Outside experts. How are we bringing the outside world in to stress-test our readiness to manage risk? What experts are identified and on-boarded to advise the board and management proactively or in the event of a reputational crisis?

7. Reputation acid test. If a non-public decision, action, or message were to appear on the front page of a major news outlet or go viral on social media, would we be comfortable with the reputational risk?

8. Duty of care. As board members, are we comfortable with our duty of care on this issue? Do we have the right board members to challenge and support management?

Intelligence & Indicators

1. Listening. What formal and informal listening mechanisms—across employees, customers, partners, and regulators—are helping us surface early reputation risks or misalignments? How are we tracking shifts in sentiment?

2. Threat intelligence. What intelligence are we monitoring (threat, digital, cyber, narrative, operational, financial, competitive, geopolitical, government, etc.)?

3. Reputation measures. What methods are used to measure reputation risk—and on which topics or issues would we benefit from better intelligence?

4. KPIs. What metrics track our reputation across stakeholder groups relative to peers? What are the leading and lagging indicators of reputation risk for our business?

5. Public & private data. What public or private data, past or present, can be weaponized against our company or executives, and how are we mitigating against this potential?

6. Customer-employee. How are we tracking the health of the customer-employee relationship and its impact on our business (i.e., employee turnover, customer complaints, grievances from stakeholders)? Are there any other business or stakeholder metrics that correlate with it?

Crisis Preparedness and Decision-Making

1. Protocol & practice. Do we have a well-understood and well-practiced response and communication plan for incidents and crises? How have our plans been stress-tested?

2. Roles. What are the pre-defined roles and responsibilities for incident management and communications, and how do we ensure swift, coordinated action in the event of a reputational crisis?

3. Escalation. What is our protocol for escalating issues and decisions for resolution in line with our stated accountabilities?

4. Speed & agility. What is our decision-making and escalation process in high-pressure moments—and is it equipped to handle the unexpected? What technologies and processes enable our company to act with speed on a crisis and reputation risk?

5. Message clarity and relevance. What inputs and facts are shaping company messages? Have we tested our messaging and narrative for clarity and relevance across our stakeholders?

6. Communications. What is the crisis communications plan for key scenarios and stakeholders and how has it been tested? What are the parameters for privileged and confidential exchanges agreed upon with the legal team?

7. Stakeholder interfaces. How skilled are our internal and external communications, marketing, government affairs, investor relations and HR teams in managing crises and related communications? Finance and legal?

8. Omission of information. Is there anything potentially damaging that we have overlooked or not disclosed, intentionally or inadvertently? Is there anything that, if we disclosed it later, would ruin our credibility or delay our ability to recover?

9. Misinformation. What systems or partnerships are in place to detect and respond to misinformation, disinformation, or manipulated narratives that could impact our reputation or stakeholder trust?

10. Digital and data footprint. Are we actively managing and monitoring our digital footprint and narrative landscape—including legacy content, third-party data, and stakeholder perceptions across platforms?

11. Narrative intelligence. What is our company narrative, and what are other narratives playing out in offline and online communities that represent reputation risk or opportunity?

12. Recovery. What are our recovery plans, messaging, and communications for the short, mid-, and long-term?

Technology and Data Stewardship

1. Digital risk posture. How is management surfacing and reporting technology-related risks that intersect with trust—across AI, cybersecurity, digital operations, and third-party ecosystems?

2. Cyber and reputation. What would reputational harm look like in the event of a cyber breach or data compromise—and how is the company preparing to prevent, detect, and respond?

3. Artificial intelligence. Are we using artificial intelligence ethically and transparently? How are bias, misuse, explainability, and regulatory risk being addressed—across both internal tools and public-facing products?

4. Trustworthy AI. How are we using AI in ways that could affect reputation, trust, culture, or risk? Where are the guardrails—and where are the opportunities?

5. Data responsibility. How are we managing sensitive data, consent, and discoverability—especially in high-risk geographies, cross-border data transfers or sectors with elevated scrutiny?

6. Tech oversight. Does the board have the visibility and expertise it needs to oversee fast-moving technology risks and their reputational implications?

REDEFINING REPUTATION AND ITS INFLUENCERS: A MORE DETAILED LOOK

While many definitions of reputation exist, our working definition and mental model are grounded in industry insight and tailored to the context of risk governance and enterprise value.

> **Reputation is the result of what a company or brand does and says, how stakeholders perceive it, and how they respond. Stakeholder beliefs and responses drive financially-relevant choices—such as buying, advocating, investing, regulating, protesting, or leaving—that ultimately impact financial performance and enterprise value.**

Company and Brand Behavior →	Stakeholder Perception →	Action by Stakeholders →	Potential Impact
(what the company does and says, over time and in real time)	(how company actions are judged by external and internal parties)	(buy, join, advocate, invest, regulate, protest, criticize, leave)	(license to operate, short- or long-term shifts in financial performance, enterprise value)

Not all behaviors, perceptions, or actions are material. And not all business and financial consequences of reputation risk are immediate or visible. This tangible ambiguity reinforces the need for early, integrated sensing so that boards can distinguish noise from signal, and act before risks and consequences are amplified.

Company Behavior Shapes Reputation

Reputation is shaped in large part by how a company performs, operates, and delivers on its commitments. The following drivers consistently influence how reputation is built and sustained. Their importance varies by industry, strategy, and stage of growth.

- **Operational Reliability** → Dependable systems, functions, performance, and risk mitigation
- **Innovation and Market Fit** → Responsiveness to trends, change, and strategic relevance
- **Leadership and Culture** → Tone from the top, internal trust, and credible communication
- **Governance** → Oversight, transparency, and long-term value creation
- **Conduct and Compliance** → Ethical conduct, regulatory adherence, and integrity in action
- **Performance and Resilience** → Sustained financial performance, value creation and adaptability under pressure
- **Technology and Data Stewardship** → Digital trust, privacy, and responsible innovation
- **Brand and Societal Alignment** → Authenticity and connection to shared brand and corporate values

Stakeholder Perception Shapes Reputation

Different stakeholders do not experience the company the same way. Each group applies its own lens— interpreting company behavior through specific expectations, interests, and exposures. Every organization must understand where these lenses converge, and where they diverge.

Investors and Creditors	→	Governance, financial performance, and leadership credibility
Customers and Clients	→	Product trust, service consistency, brand authenticity
Employees and Talent	→	Culture, opportunity, purpose, leadership tone
Supplier, Partner and Third-Party	→	Shared alignment and accountability across the value chain
Regulators and Lawmakers	→	Conduct, internal controls, systemic risk
Policy Leaders and Influencers	→	Intersection of company actions and policies with public interests
Communities and the Public	→	Local impact, presence, and long-term contribution
Peers and Competitors	→	Benchmarks, differentiation, and market influence
Activists, Critics, and Detractors	→	Vulnerabilities, inconsistencies, and symbolic missteps

Stakeholders Impact Financial Resilience

Boards should understand reputation as a dynamic force shaped by company actions, the perceptions they generate, and the choices of internal and external stakeholders—choices with real business consequences and potential financial impact.

Stakeholder actions are not abstract—they manifest in measurable ways that affect revenue, cost, and value. The table below links common stakeholder behaviors to specific financial outcomes and line items. Some impacts (e.g., investor backlash, protest escalation) may trigger disclosure thresholds or affect valuation depending on scale, visibility, or timing.

Stakeholder Action	Potential Business Impact	Potential Financial Impact
Buy	Increased sales and revenue	Revenue (Income Statement)
Join	Talent attraction or attrition costs	Compensation Expense (Income Statement)
Advocate	Growth in customer base	Sales and Marketing Efficiency (Income Statement)
Invest	Shift in valuation or capital access	Market Capitalization; Cost of Capital
Regulate	Fines, delays, compliance burden	Revenue, Legal & Compliance (Income Statement); Liabilities (Balance Sheet)
Protest	Disruption, brand damage, crisis spend	Sales; Expenses (Crisis Response)
Criticize	Reputation drag, increased scrutiny	Brand Equity; Customer Churn (Footnotes)
Leave/Cancel	Lost revenue, productivity, or partnerships	Revenue; Employee or Partner Turnover Costs; Cost of Customer Acquisition

> **Boards should ask:** Will our decision or action prompt any of our stakeholders to change their choices about us: buy, join, advocate, invest, regulate, protest, criticize, leave?

Note: Reputation risk often acts as a force multiplier—accelerating existing risks in operations, compliance, capital markets, and talent. It rarely appears alone, but it can.

Reputation's Role in Value Creation and Risk

Reputation has financial and non-financial significance—but its role can differ by industry, company, and business cycle. Understanding the role reputation plays in driving your business can point to areas where board members can surface discussions on resilience, downside risk and upside opportunity.

1. Crown Jewel – your competitive advantage
2. Shadow Asset – hidden source of value
3. Dorsal Spine – giving structure and alignment
4. Immune System – culture that detects threats early
5. Iceberg Risk – hidden danger below the surface
6. Achilles' Heel – small issue, major exposure
7. Double-Edged Sword – polarizing strengths, mixed returns
8. Echo Chamber – belief unchecked by realities

Strategic Value: What reputation is worth—and why it must be protected

1. *Crown Jewel Advantage*
   - Reputation is a competitive advantage that attracts trust, talent, and capital—and invites attack.
   - *Board question:* Are we safeguarding our reputation like any other enterprise-defining asset?
2. *Shadow Asset*
   - Not shown as a line item on the balance sheet yet it drives value every day—until it doesn't.
   - *Board question:* What is it and how are we governing reputation as a material, long-term asset?

Structural Alignment: How deeply reputation drives decisions and culture

3. *Dorsal Spine*
   - Reputation reflects structural alignment—leadership, values, and execution under pressure
   - *Board question:* Is our organizational backbone strong, flexible, and aligned?
4. *Immune System*
   - A robust culture catches issues before they escalate. Silence is reputational compromise.
   - *Board question:* Can our culture detect and correct reputational threats early?

Vulnerability: Where risk hides—and how it strikes

5. *Iceberg Risk*
   - The visible threat is small; what lies beneath—culture, sentiment, behavior—sparks questions.
   - *Board question:* How are we equipped to detect and correct what's beneath the surface?
6. *Achilles' Heel*
   - An overlooked area—a toxic leader, a misaligned incentive, stakeholder critic—can accelerate risk.
   - *Board question:* What's our most exposed and unexposed weakness?

Split Reality: When internal and external truths diverge

7. *Double-Edge Sword*
   - Bold misalignment invites scrutiny and backlash.
   - *Board question:* How are we managing the tradeoffs in our current reputation?
8. *Echo Chamber*
   - When a company believes its own story too much, it stops hearing what others really think.
   - *Board question:* Are we attuned to how stakeholders experience us—not just how we see ourselves?

TAKE A STEP FORWARD

Learn to embrace risk

To learn more about taking a positive approach to risk at the individual level or board level, visit the DCRO Risk Governance Institute. For individuals, the DCRO can help you become a more strategic board director and contributor to corporate value with the globally recognized credentials. For boards, we can help you work more effectively and embrace the positive governance of risk-taking®.

- Schedule a consultation
- Become a Qualified Risk Director®
- Become a Qualified Risk Expert™
- Intelligent Guidance and Support
- Enroll in our programs

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