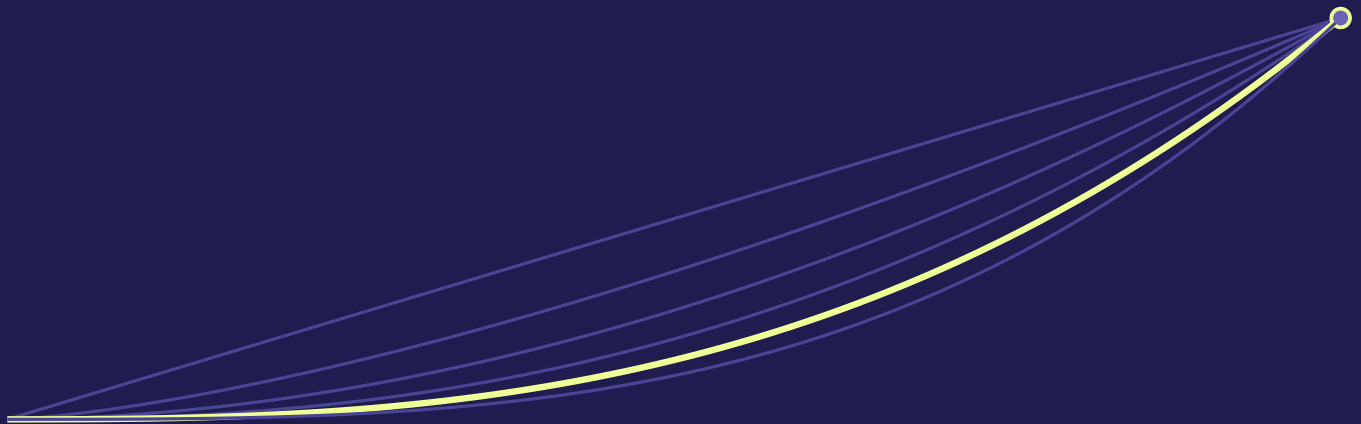


The Board Guide to Reputation Risk

What boards should know before reputation becomes governance risk



ARTEFACT91 BRIEFING 09

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What boards should know before reputation becomes governance risk

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HOW TO READ IT

A briefing, not a report: the executive brief carries the argument, the numbered sections carry the evidence and the method, and every external figure is attributed to its source.

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Executive Brief

Reputation is often discussed at board level after something has gone wrong. By then, the board may be reviewing media coverage, stakeholder anger or a crisis response rather than the decisions and conditions that produced the exposure.

Reputation risk becomes a governance issue when stakeholder response can affect the organization's ability to operate, retain talent, access capital, maintain partnerships, secure regulatory confidence or execute strategy.

A 2025 BDO board survey reported that only 28% of directors believed boards and management teams were highly effective at crisis-management preparation. Only 41% considered themselves highly effective at setting risk tolerance and appetite, and 41% rated management highly effective at identifying and mitigating risks. These are not communications statistics. They are governance signals.

SECTION 01

Reputation Risk Does Not Belong to Communications Alone

The communications function can identify, interpret and respond to signals. It cannot independently fix:

- unsafe operations;
- weak controls;
- leadership misconduct;
- contradictory policies;
- poor stakeholder treatment;
- unsupported public claims;
- inadequate cyber practices;
- regulatory failures;
- flawed governance.

Boards should therefore ask what operational condition sits underneath a reputational concern.

SECTION 02

The Board Reputation Risk Dashboard

Artefact91 recommends five categories.

Exposure

Which strategic decisions, leaders, operations and issues could trigger material stakeholder response?

Signal

What early evidence suggests expectations, narratives or stakeholder behaviour are changing?

Consequence

What could stakeholder response affect: revenue, workforce, regulatory position, partnerships, financing, licence to operate or strategic execution?

Readiness

Are decision rights, evidence, escalation protocols and spokesperson logic established?

Response

When an issue is active, are communications commitments aligned with operational action?

The dashboard should contain thresholds, not simply sentiment trends.

SECTION 03

Questions a Board Should Ask Management

What are our five most consequential reputation exposures?

Which stakeholder behaviours would make each one material?

What would we see before the issue becomes a crisis?

Which public claims are most difficult to evidence?

Where could operations contradict our stated position?

Who owns escalation?

When was the last simulation?

What did the simulation change?

What appears when our organization and executives are queried through AI/search systems?

Which issues are being managed through communications that actually require an operational decision?

SECTION 04

Reputation Appetite Is Not “No Negative Coverage”

Organizations make legitimate decisions that some stakeholders will dislike. A mature board distinguishes between:

- criticism the organization is prepared to withstand;
- uncertainty that requires additional evidence;
- stakeholder response that threatens strategic execution;
- conduct or operational failures that require remedy.

The goal is not universal approval. It is informed risk-taking with clear boundaries.

SECTION 05

Crisis Preparedness Should Be Board-Testable

Boards do not need to approve every crisis statement. They do need confidence that the system can make decisions under pressure.

Test:

- escalation thresholds;
- board notification criteria;
- CEO and chair roles;
- evidence verification;
- regulatory and legal interfaces;
- stakeholder sequencing;
- business continuity;
- correction protocols;
- recovery governance.

FTI Consulting has argued that boards are increasingly scrutinized for risk-governance failures, reinforcing why oversight should focus on risk architecture rather than retrospective messaging.

SECTION 06

The Board Should See Leading Indicators

Lagging indicators include negative articles, declining sentiment and public criticism after exposure.

Leading indicators may include:

- increasing stakeholder inquiries;
- employee questions around a disputed issue;
- recurring claims in search or AI answers;
- changes in regulator attention;
- activist or coalition formation;
- contradictions between public commitments and operational data;
- rising executive concentration in issue coverage;
- decision latency on emerging risks.

SECTION 07

The Quarterly Reputation Risk Conversation

Quarterly board reporting should answer:

What changed?

Which exposure increased or decreased?

What evidence supports that assessment?

What stakeholder behaviour matters?

Which scenario is becoming more plausible?

What decision may the board face?

What management action is required before the next meeting?

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Artefact91 Point of View

Boards do not govern reputation by approving messages. They govern the decisions, controls and accountability systems from which reputation emerges.

Reputation oversight should connect:

ARTEFACT91 WORKING MODEL

STRATEGY → EXPOSURE → SIGNAL → CONSEQUENCE → DECISION → EVIDENCE → OVERSIGHT

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Questions for Directors

Which reputation risk could materially affect our strategy?

What would we see early?

What are we willing to withstand?

Where are our public claims ahead of our evidence?

Could we explain our crisis decision rights in five minutes?

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Sources & Research Base

BDO (2025), Board Survey, summarized by Harvard Law School Forum on Corporate Governance — board risk and crisis-preparation effectiveness.

FTI Consulting (2025), Is Your Board Asking the Really Tough Questions about Risk?

Edelman (2025), Trust Barometer — institutional trust and grievance environment.