Reputation Risk Guide

Contents

HELP OUR SCHEME

What is Reputation Risk?

Reputation risks are those that can have a material impact on the operations and financial position of a Community Scheme because of a loss or breakdown in, confidence, trust, integrity, ethics, governance, controls, conduct, non-compliance, failure to act, and association.

Reputation risk management starts with a review of the level of governance in the Community Scheme, its code of conduct, ethics, and values, and the robustness of procedures and controls throughout the Community Scheme.

These impacts can be immediate and significant or happen over a period but will have a lasting effect on the Community Scheme and its appeal to potential owners, investors, lessees, and visitors.

Why is reputation important?

Reputation can be viewed as the most important intangible asset possessed by a Community Scheme as it represents the extent to which the Community Scheme is meeting the expectations of its stakeholders (owners, suppliers, employees, customers, and the community). A good and strong "reputation" can add significant value to the sale price of units or interests on exit or sale.

On the one extreme, reputation is of no consequence and can have very little bearing and be of no importance. On the other hand, it can be of critical importance to the success and sustainability of a Community Scheme.

What can hurt reputation?

A "reputation risk" can occur when adverse publicity is triggered by certain events which compromise the Community Scheme's reputation and result in a loss of value for the Community Scheme. Reputation damage can be caused by the Community Scheme itself due to specific actions or inactions of the Office bearers, key estate management personnel or staff, or the actions or lack thereof by outsourced or third-party service providers. Operational incidents can quickly give rise to a negative reputation and perception of a Community Scheme. Poor handling of a crisis e.g. crime incident/accident/fire, bad publicity in the press/media, poor health/safety, poor service levels, regulatory non-compliance, loss of confidential owner data, alleged criminality by employees and Office bearers, disregard for the environment, cybercrime and social media incidents have now become major focus points of reputation management.

Policies and Practices, Values and Conduct

Where reputation is an important component of the Community Scheme, you need to put in place a reputation policy and formulate a plan for its protection of it going forward. All strategic decisions should be made considering the value of the retention of the Community Schemes' image and reputation. Many larger Community Schemes build up brands over long periods which are everything to these Community Schemes.

There are some key elements and disciplines that need to be in place to ensure that a reputation and/or brand can be sustainably managed. The most important elements of these are a code of conduct and the setting and maintenance of ethical standards and values.

Regulatory Compliance and Reputation

Having a high level of compliance with the broader regulatory requirements and the use of fair /reasonable conduct rules and contractual terms and conditions and treating everyone fairly, will enhance the reputation of the Community Scheme as a "good citizen".

Non-compliance with laws, regulations, registration and licensing requirements, taxation laws, the rule of law, and by-laws can have a significant impact on the reputation of a Community Scheme.

Confidentiality

Cybersecurity threats affect all businesses, regardless of size or industry and this is also a threat to Community Schemes. Cybercrime and social media have become major focus points of reputation management, given the massive and rapid impact they can have. This has become even more critical in an age of "fake" news, data theft, information leaks, phishing, hacking, and scamming.

The reputation of a Community Scheme can be materially impacted if the data of owners/visitors, were to be compromised whether through internal or external theft. This can extend from confidential information to personal and banking details.

Should the Community Scheme suffer a cyber-attack that results in a loss of data or sensitive/confidential owner details/information, website downtime, lost revenue, misuse of hacked data, and/or ransom demands, these need to be disclosed and made public as soon as possible. Delaying these disclosures can result in even greater reputational damage once these come out.

Cyber insurance to cover as many of these risks as possible becomes essential.

Conflicts

A conflict of interests is one of the biggest factors that can influence the behaviour or actions of Office bearers thereby impacting the reputation of a Community Scheme.

Once a Community Scheme is tainted with corruption, it can undermine its ability to be a party to future contracts, supply agreements, and funding.

A Community Scheme needs to undertake ongoing lifestyle checks on employees and obtain declarations of interest from all employees and Office bearers regularly. This is to act as a check and balance, a mitigant and deterrent to the risk of corruption, bribery, and fraud and the impact this could have on the reputation of the Community Scheme.

A zero-tolerance for fraud, theft, and criminality needs to be in place.

Managing social and electronic media

Office bearers need to proactively manage their actions, behaviour, and comments on social media, the use of the Community Scheme’s website/Facebook site, and e-mails emanating or originating from the Community Scheme or on its behalf or in its name.

You need to also monitor all media to counter negative feedback and adverse comments to ensure that confidentiality and potential

HELP OUR SCHEME

reputational damage to the Community Scheme are proactively managed. Given the extent of fake news, this aspect has taken on an increasing degree of importance.

All Community Schemes run the risk that comments, tweets, or opinions of Office bearers are deemed the views or opinions of the Community Scheme itself. This extends to comments or opinions which are deemed hate speech, racist, sexist, leftist, rightist, political opinions, homophobic, xenophobic, and/or having a sexual orientation bias.

You need to have very clear policies in place and only the Office bearers as a collective body should be allowed to release formal comments on social media, on your website, or give comments to the media or press.

HR policies and terms of employment should also be very clear in these areas and any breach of these should be subject to a disciplinary process.

Services

The quality of products and service delivery forms a key element of reputation management. It doesn't matter if services are provided by the Community Scheme itself or by outsourced/contracted third parties e.g., gardening, security, etc., a bad reputation can have implications.

It is important that where services and private chargeable facilities are made available, the Community Scheme understands its vulnerability to the impact on sales and profitability, because of a drop in the standards of services/facilities offered e.g. if quality and/or service falls below the required standard expected by owners/residents/customers, this reputation can be extremely harmful.

The Community Scheme needs to have a quality measurement and assurance process as part of its operational and service delivery processes. These need to be measurable by inclusion in service level agreements (SLAs), contract performance measurements, or key performance areas. "Customer" satisfaction measures and feedback need to form an integral part of this assessment.

Health and Safety

Ensuring the physical safety and well-being of the Community Scheme residents, employees and visitors is a critical component of your reputation. A good safety, security, and accident record can form a key factor that differentiates the Community Scheme from others in the area. There should be no compromise in this area with safety controls and procedures being strictly enforced. You need to display the required signage, monitor high-risk facilities like swimming pools, ensure compliance with safety protocols, and hold the necessary insurance in case of accidents or claims.

IT/Technology Failure

The prolonged failure or unavailability of technology systems including telephone systems, access control systems, CCTV, and/or websites can quickly have a major impact on the reputation of the Community Scheme. The inability of owners/residents/visitors to be able to undertake interactions, make use of services, access information, report issues/incidents, or contact Estate Management, can materially impact customer relations and reputation.

You need to have disaster recovery procedures and a comprehensive crisis management plan in place to mitigate any material reputational damage to the Community Scheme because of these failures. These should include which key individuals are nominated to assume the relevant backup roles and duties should the need arise.

In some extreme cases, backup infrastructure and alternative operational sites might need to be established to counter this impact and ensure continuity.

Financial and Admin

You need to ensure that the Community Scheme's accounting and admin service delivery, administration, backup, maintenance, and support responsiveness, are all at a level and standard to ensure that its reputation is not adversely affected by a service failure. This is as applicable where the services of a Managing Agent are used as it is where the Community Scheme is self-managed. Consistency in attitude and culture across all areas of the Community Scheme is critical.

Environmental Impact

The Community Scheme needs to focus on ensuring that the impact of its environmental footprint (e.g. use of scarce natural resources, emissions, water usage, waste disposal, recycling, deforestation, alien plants, use of non-biodegradable materials or renewable resources, damage to environmentally sensitive areas, etc.) is being minimised and that this is being pro-actively managed. Being an environmentally sensitive Community Scheme is becoming essential.

A positive reputation in this area can be achieved by focusing on emission controls, the use of clean energy, rehabilitation of areas, making use of biodegradable and sustainable raw materials, having a recycling policy, and adopting 'green' policies that are sustainable.

Crisis management plan

Crisis management is the formalised process that is engaged to minimise the impact of a major reputation breach. This needs to be focused and managed and coordinated by the Office bearers.