

HAS YOUR COMPANY THOUGHT ENOUGH ABOUT RISK?

Disaster Risk Reduction: What, Why, How

Natural disasters are on the increase. The cost of restoration, globally, will be at least US\$200 billion in 2011, almost twice the annual average for the past decade. The private sector will bear a substantial percentage of that burden.

In light of this, does your company have sufficient risk measures in place? Should a crisis impact any locations where you have operating facilities, suppliers or customers, how badly will your business be disrupted and your constituents affected?

Corporations often get caught short by the multi-faceted impact of disasters.

- *A manufacturer with an assembly process in the UK is paralysed when a disaster interrupts vital supplies from locations at risk, such as tsunami prone areas of Japan.*
- *A US company marketing in South America faces product pile-ups, and loss of revenue, when a hurricane devastates entry port facilities preventing it from reaching its customer base.*
- *Multinationals with bases in vulnerable areas find operations severely interrupted because staff are unable to return to work following damage to their local communities.*

There is no indication that the increase in disasters will slow down in the foreseeable future, with climate change, and other factors, destabilising weather patterns.

Forward-looking corporations are now, therefore, exploring Disaster Risk Reduction. In the past, companies have been active following catastrophic events, in disaster response and recovery. Today, however, a growing number of companies are taking strategic action before a disaster strikes, to reduce its impact in the first place. They use tools such as business continuity planning, risk training, improved structural design, enhanced supply chain management, community awareness/education, strategic partnerships, early warning systems and more.

These companies are seeing greater resiliency: operations more rapidly reinstated, staff continuity more stable, supply chains less disrupted, customer bases less vulnerable, stakeholders in the wider constituency more confident, and overall loss alleviated.

Disaster Risk Reduction pays off. The massive burden of disaster impact can, indeed, be reduced.

This brief has been prepared for the private sector by the United Nations' International Strategy for Disaster Reduction and the NGO Global Hand, in conjunction with corporations and NGOs with expertise in the field. (List at end of document.)

1. WHAT? *What types of natural disasters?*

These vary, but, typically, the list includes the following:

- *Drought & famine*
- *Earthquakes*
- *Pandemics and epidemics*
- *Extreme temperatures*
- *Floods/tsunamis*
- *Industrial accidents*
- *Landslides/avalanches*
- *Storms – cyclones, hurricanes, typhoons, tornadoes*
- *Volcanoes*
- *Wildfires*

2. WHY? *Why should companies consider Disaster Risk Reduction?*

2.1 Core business considerations

- **Long term cost benefit** Studies show that US\$1 invested in Disaster Risk Reduction may save between US\$4 and US\$7 in response costs. (Source: California Emergency Management Agency/UNDP).
- **Business continuity**
Disasters:
 - disrupt business operations regardless of sector: manufacturing, trade, financial services or more.
 - interrupt supply and distribution chains.
 - threaten workforce security, disrupting affected businesses in their recovery.
 - undermine broader stakeholders' interests as the value of the business is reduced.
 - weaken brand value as reliability of business is undercut at local, regional or international levels.
 - can see social license forfeited, or challenged.Disaster Risk Reduction focusses on continuity planning to mitigate these factors and more.
- **Insurance cover** By definition, investment in Disaster Risk Reduction infrastructure results in a lower risk environment which, in turn, gives business access to lower cost insurance products, broader coverage and more sustainable risk transfer solutions.
- **'Value add'** Disaster Risk Reduction measures result in a 'value add' for investors and lenders: representing a fundamental commitment to security over their long term advances and equity investments.
- **Business opportunities** Engagement in Disaster Risk Reduction can generate business opportunities for certain industries. Resultant innovation in products/services may give companies a competitive edge and increased access to funding.
- **Liability concerns** Stakeholders increasingly consider Disaster Risk Reduction efforts, by companies, to be part of responsible business practice. This especially applies to companies operating in high risk locations. Failure to apply reasonable disaster risk management procedures will increasingly open a company to liability issues, including those arising from legislated requirements.

2.2 Broader business considerations

Some companies choose to take Disaster Risk Reduction measures a step further through programmes that some may term Global Citizenship, Corporate Social Responsibility or similar. They argue that these initiatives are also advantageous to business: increasing staff motivation and retention, enhancing social license and strengthening corporate reputation/brand value, locally and internationally. (More in 3.2, below.)

3. HOW? *How can the private sector engage?*

3.1 Core business implementation

- **Business continuity planning** Disaster Risk Reduction should be factored into business continuity planning by consultation with a broad range of stakeholders: staff, customers and suppliers of both goods and services. It may also involve consultation with government (local, regional and international) as well as experts in fields of relevance to the company's core operations. 'Scenario Planning', 'Enterprise Risk Management' and similar tools can be of value. Through this process, companies:
 - identify their own risk exposure.
 - assess the extent of potential damage.
 - design and implement solutions to strengthen systems and infrastructure.
 - consider introduction of new business products or services to reduce disaster risk (and, potentially, enhance company stability).
 - exercise training for relevant personnel in disaster response strategies.

Continuity planning thus sees disaster management maximised and disaster risk minimised.

- **Marketing** Introduction of Disaster Risk Reduction measures may require a different business approach and/or increase operational costs. Market research, though, can help in assessing the viability of these measures and determining feasible strategies for implementation.
- **New business opportunities** Business engagement with Disaster Risk Reduction need not be limited to philanthropic activity. Companies may find new business opportunities that service disaster prone locations and people, thus creating a potential 'win-win' for both company and community. Industries of particular relevance are referenced in the appendix "Disaster Risk Reduction by Industry Sector". It includes agriculture, architecture, construction, engineering, extractive industries, finance, health care, insurance, legal, logistics, manufacturing/retail, media, renewable energy, technology, telecommunications, tourism, town planning and utilities.
- **Partnerships** New commercial partnership opportunities are being birthed by Disaster Risk Reduction. These can be of mutual benefit, proving profitable for business, while contributing to sustainable development in high risk communities.
 - Private/private partnerships. With the increased trend, globally, towards privatisation, new opportunities are arising for business participation at high levels.
 - Public/private partnerships. Governments around the world are increasing their expenditure on Disaster Risk Reduction products and services. Those companies working with governments at the policy and planning stages may help instigate new projects in which their businesses may participate.

Note: Coupled with increased national involvement is a trend for governments to have greater expectations of a company's public role and a greater regulatory say in its operations. In order, therefore, to maintain its presence and advantages within these countries, a company can expect to conform to Disaster Risk Reduction expectations.

- **'Do No Harm'/Best Practice** The private sector can itself play a key role in the creation or exacerbation of vulnerability in communities. Oil extraction, for example, brings the risk of spill hazards, and forestry slope denuding may aggravate landslide risk.
 - 'Do No Harm'. Analogous to the medical profession's Hippocratic Oath, responsible business explicitly commits to the principle of 'Do No Harm'. These companies are willing to examine their operations and, if self-generated risk is discovered, take steps to terminate, modify or counter it.
 - Best Practice. Coupled with the above, some companies mandate compliance with best practice and industry standards. They may commit, for example, vigilant adherence to code so that all activity is undertaken in ways resistant to known hazards. Choosing 'Do No Harm' and best practice adherence can help protect companies from legal claims, accusations of negligence, harm to reputation and serious loss of social license.

3.2 Broader business implementation

(See also appendix on industry specific implementation.)

As above, some companies, when implementing Disaster Risk Reduction, choose to go beyond core business in fulfillment of their Corporate Responsibility activity, Global Citizenship programmes, or similar.

While these activities are often philanthropic in nature, they are not necessarily without benefit from a business perspective. Participating companies report strengthening of brand value, marketing opportunities for goods/services and, more fundamentally, a contribution to a safer environment from which they, along with their constituents, benefit.

- **Disaster preparedness vis-a-vis mitigation** Business can engage at different points along the Disaster Risk Reduction scale.
 - Disaster preparedness/recovery. There is much that members of the private sector can do to prepare, in advance, for disaster recovery. They can, in particular, leverage key strengths which they commit to, on a 'standby' basis, and activate should disaster strike. They may make their expertise, core services and/or product available to rush appropriate help to those affected. They can also aid communities in rehabilitation and recovery. Being 'pre-positioned' to respond in these ways, prior to an event, can make a profound difference to the saving of lives and livelihoods.
 - Disaster mitigation. While it is of critical importance to assist people following a disaster, it can be even more strategic to invest in mitigation strategies so that the impact of the hazard is itself reduced and far fewer lives and livelihoods are affected in the first place. While companies have, traditionally, targeted disaster recovery and reconstruction, they

have been less active in targeting disaster mitigation. There is much the private sector can bring to the table.

- **Strengthening Codes/Best Practice** As companies increasingly understand and implement Disaster Risk Reduction practices, the knowledge and experience they gain can be shared for the greater good. Where appropriate, lessons learned can help establish best practice, or even codes/standards, that will reduce risk. Business can also bring a pragmatic grounding to this process so that any codes recommended are practicable, rather than onerous: contributing to a safer environment without unnecessarily burdening business practitioners.
- **Data sharing** Key data sharing across industry sectors can alert relevant parties to risk and better mitigate it. While it is understood that companies may need to protect certain information for competitive advantage, there is a case to be made for the sharing of appropriate data to strengthen Disaster Risk Reduction initiatives.
- **Pro-bono partnerships** In addition to the commercial partnerships referenced above, pro-bono partnerships, both public/private and private/private, are likewise effective tools for Disaster Risk Reduction. Collaboration of this kind has the advantage of being able to focus on the strategic without the constraints of a direct commercial outcome. It may, therefore, be better able to identify underlying disaster causes and mitigate future impact. Such engagement can include provision of intellectual property, expertise, services, product and cash and may range from one-off donations to long term, strategic partnerships.
- **Participation in national/regional strategies**
 - National Platforms. Forward thinking corporations can play a strategic role in multi-stakeholder engagement for Disaster Risk Reduction. In 2005, following the Indian Ocean Tsunami, 168 country representatives established the Hyogo Framework for Action: a ten year plan to make the world safer from natural hazards. Embedded in it are 'National Platforms': forums in which multi-stakeholders gather to bring different sectors' perspectives and actions. This approach helps ensure that initiatives are effective and sustainable. Business leaders play a vital role.
 - Regional engagement. Because of the non-discriminatory nature of disasters, there is also a case to be made for corporate involvement to include regional strategising, rather than limiting their thinking to rigid state boundaries. Multinational companies can have a key role in developing a wider, integrated approach and in addressing the underlying causes of vulnerability.
- **Awareness raising, training and education** Companies have 'reach', at local, regional and even international levels, which can be leveraged to increase awareness and expand community education regarding Disaster Risk Reduction.
 - Community workshops and training. Companies may offer written information, disaster simulations, scenario planning, drills and more. They can target the community at large along with particularly vulnerable sectors that include, for example, those in remote areas, people with special needs and migrant labour. Companies may also choose to create incentives for employees' wider involvement in these campaigns and consider appointing a staff 'champion' to drive momentum.
 - Sponsorships, advertising and marketing. Companies can influence consumer awareness, through advocacy tools, as part of their broader advertising/marketing campaigns. Recent years have, for example, seen success in corporate advocacy for 'green' environmental awareness. Disaster Risk Reduction awareness, however, rarely features, at present, in consumer decisions and corporate advocacy could highlight this very important topic.

As well as impacting disaster mitigation and preparedness, companies have found education programmes provide a direct marketing opportunity for their products/services, along with providing a platform for face to face interaction with their public. Additionally, such programmes help build goodwill for the company, locally and internationally, and strengthen social license. More profoundly, business itself benefits, together with its constituents, in an environment which has stability and sustainability.

Please see a detailed list of industry specific suggestions for Disaster Risk Reduction implementation in the appendix.

4. NEXT STEPS FOR DRR

Following is a series of possible next steps. The sequence is suggested only. Take those of greatest interest to you and in your preferred order.

STEP 1: READ MORE

Read more about Disaster Risk Reduction at the following:

UNISDR: The UN's International Strategy for Disaster Reduction <http://www.unisdr.org/partners/private-sector>

Global Hand: <http://www.globalhand.org/en/search/resource?search=disaster+risk+reduction>

STEP 2: TALK TO A DRR EXPERT

Talk directly with an expert at UNISDR.

Contact Ms Kiki Lawal

Tel: +41 22 917 8908

Email: isdr@un.org

STEP 3: FIND PARTNERS IN DRR INITIATIVES

Partner with a UN group to enhance community risk reduction at: business.un.org

Partner with a non-profit organisation working in disaster resilience: www.globalhand.org

STEP 4: SIGN YOUR COMPANY UP

Your company can sign up for the Private Sector Partnership (PSP) initiative.

Companies participating in the PSP sign up to the [Private Sector Statement](#), and agree to report annually on their progress in Disaster Risk Management. If your company is interested in signing up to the Private Sector Partnership initiative, please [contact UNISDR](#).

Further information: Forward-looking businesses are leading the way in Disaster Risk Reduction. Many met to address the issue at the Global Platform for Disaster Risk Reduction in Geneva, May 2011. At this event, hosted by the United Nations and the World Bank, a core group of businesses launched the Private Sector Partnership initiative: a statement of commitment to Disaster Risk Reduction. The Private Sector Partnership offers an opportunity for similar-minded private sector entities to network, promote best practices and discuss ways forward in reducing disaster risk. Disaster Risk Reduction issues are complex problems that no one entity, whether public or private, can address alone. Through multi-sector collaboration, such as the Private Sector Partnership, more avenues for Disaster Risk Reduction solutions are being created.

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The International Strategy for Disaster Reduction is the United Nations body mandated to work with countries and communities to save and protect lives as well as assets from disaster losses associated with natural hazards.

Global Hand is a non-profit matching service facilitating public/private partnerships, including Disaster Risk Reduction. Global Hand has also built the United Nations' business partnership website: www.business.un.org. Both offer Disaster Risk Reduction partnerships.



UNISDR, Geneva

Tel: +41 22 917 8908/8907

Fax: +41 22 917 8964

isdr@un.org

www.unisdr.org



Global Hand

2 Castle Peak Road

Tuen Mun, Hong Kong

Tel: +852 2272 9390

dr@globalhand.org

www.globalhand.org