

2013
TOP
LEADERS
FORUM

INCENTIVES FOR
RESILIENT INVESTMENTS



UNISDR

The United Nations Office for Disaster Risk Reduction

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Overview

Following last year's successful Top Leaders Forum in Manila, Philippines, another private sector conference organized by SM Prime Holdings Inc., in partnership with the United Nations Office for Disaster Risk Reduction (UNISDR), led by Ms. Margareta Wahlström, Special Representative of the Secretary General for Disaster Risk Reduction (SRSG), was held last November 22, 2013.

While the Top Leaders Forum in 2012 focused on the concrete measures that would make Asian businesses more resilient against disasters, this year's Forum aimed to discuss possible approaches to increase private sector resilience *by optimizing and developing incentives for risk-informed business practices and resilient investments.*

With the growing number of global disasters and the disturbing effects of climate change, it has indeed become crucial for business owners to invest in disaster resilience—not only to protect commercial interests, but also

to contribute to the economic sustainability of the communities beyond their corporate walls. Mr. Hans Sy, President of SM Prime Holdings Inc. and member of the UNISDR Private Sector Advisory Group, has called this the private sector's "humanitarian imperative."

More than 150 business leaders and top managers from all over the Philippines attended the Forum, which was held on the heels of the devastation brought by Typhoon Yolanda in early November 2013. In her opening remarks, Ms. Margareta Wahlström, Special Representative of the Secretary General for Disaster Risk Reduction (SRSG), stressed the importance of the 2013 Top Leaders Forum, as it is "linked to the global efforts of building the resilience to disasters of communities and of nations." Ms. Wahlström added that the Forum is part of the UNISDR's "very intensive consultative process" with the business and private sector, which would eventually shape the global post-2015 risk management framework.



Ms. Sandra Wu, Wen-Hsiu. Chairperson and CEO of Kokusai Kogyo Co. Chair, Private Sector Advisory Group

The Private Sector

According to the UNISDR, the private sector plays a very important role towards disaster risk reduction. The private sector can make communities safer and more resilient by setting standards and quality assurance criteria for safer structures in urban areas, investing in programs or individual country and community risk reduction efforts, providing expertise to help with administration, internal business processes, and external disaster risk assessments, and acting as a wellspring for socially responsible volunteers and funding.

UNISDR assists and partners with the members of the private sector who are taking the lead in ensuring sustainable investments and planning to protect industries and societies from disasters and economic disruptions, ensuring business continuity.

The Private Sector Advisory Group (PSAG) represents the wider private sector and works with the UNISDR to address disaster risk reduction in the sector. The Top Leader's

Forum was graced by the presence of Ms. Sandra Wu, Wen-Hsiu, Chairperson and Chief Executive Officer of Kokusai Kogyo Co. Ltd, and Chair of the Private Sector Advisory Group and Mr. Hans T. Sy, President of SM Prime Holdings Inc., and member of the Private Sector Advisory Group.

Ms. Wu enjoined the business leaders to join the Private Sector Partnership's five working groups: the first working group focuses on working with local governments; the second on working on a system to help the private sector develop a resilience benchmarking system for businesses; the third on reaching out at the global level through organizations such as the World Economic Forum and the UN Global Compact; the fourth on crafting the private sector input to the post-2015 Hyogo Framework for Action; and the fifth working group on getting more private sector support for UNISDR, building up membership and membership benefits.

// We aim to see that change radically for 2015, and we're working hard to make sure that business puts its foot forward and say: we are a part of this, this is what we need, this is what we intend to contribute, this is how we intend to act in order to contribute to that collective effort **//**

-Margareta Wahlström,
Special Representative of the Secretary
General for Disaster Risk Reduction (SRSG)



// The point is that investing resiliently, which often means investing above code, needs to become the new norm, rather than just the exception. That is the true meaning of resilient investment **//**

-Aris Papadopoulos,
CEO of Titan America and former Chair of the
Private Sector Advisory Group



Bohol Earthquake

On October 15, 2013, the Central Visayas region of the Philippines experienced a magnitude 7.2 earthquake. An undiscovered fault line transecting

Bohol, a province of the region, was the epicenter. In totality, more than 73,000 structures were damaged including historical sites such as churches. 14,500 were totally destroyed.

Typhoon Haiyan

On November 8, 2013, just a few weeks before the Top Leader's Forum and not a month after the Bohol earthquake, Typhoon Haiyan devastated the Philippines. Reported to be one of the strongest tropical cyclones to ever made landfall, Typhoon Haiyan destroyed cities, communities and displaced millions of people across the Visayas Region of the Philippines.

In his welcome remarks, Mr. Sy described the disaster response and disaster preparedness through resilient investment in Asia and in developing countries such as the Philippines as a "continuous challenge." Stressing that the total cost of typhoon-related destruction in the country since 2002 has amounted to more than P10 billion, Mr. Sy said that there is indeed a need to discuss possible incentives for business investments in resilience.

Hyogo Framework for Action and Post-2015

In her opening message, Ms. Margareta Wahlström, Special Representative of the Secretary General (SRSG) for Disaster Risk Reduction, stressed the importance of the 2013 Top Leaders Forum, explaining its linkage to the current global efforts of building resilience to disasters of communities and of nations "as it says in our leading framework at the Hyogo Framework for Action." She added that the business and private sector play a very significant role in the creation of the UN's post-2015 disaster risk reduction framework.

The Hyogo Framework for Action (HFA) is the first plan to explain, describe and detail the work that is required from all different sectors and actors to reduce disaster losses. The HFA outlines five priorities for action, and offers guiding principles and practical means for achieving disaster resilience. Its goal is to substantially reduce

disaster losses by 2015 by building the resilience of nations and communities to disasters. This means reducing loss of lives and social, economic, and environmental assets when hazards strike.

// No country, no government, no civil society on its own will be able to manage, reduce risks and strengthen resilience; it takes the engagement by business and private sector. //

Ms. Wahlström pointed out: "Business and private sector represents a very large portion of investments in literally all countries in the world. No country, no government, no civil society on its own will be able to manage, reduce risks and strengthen resilience; it takes the engagement by business and private sector."

Incentives for Resilient Investments

As a stepping-stone towards the post-2015 disaster risk reduction framework, the 2013 Top Leader's Forum, entitled *Incentives for Resilient Investment*, focuses on three main discussion topics. These topics seek to increase private sector resilience through risk informed business practices and investment.

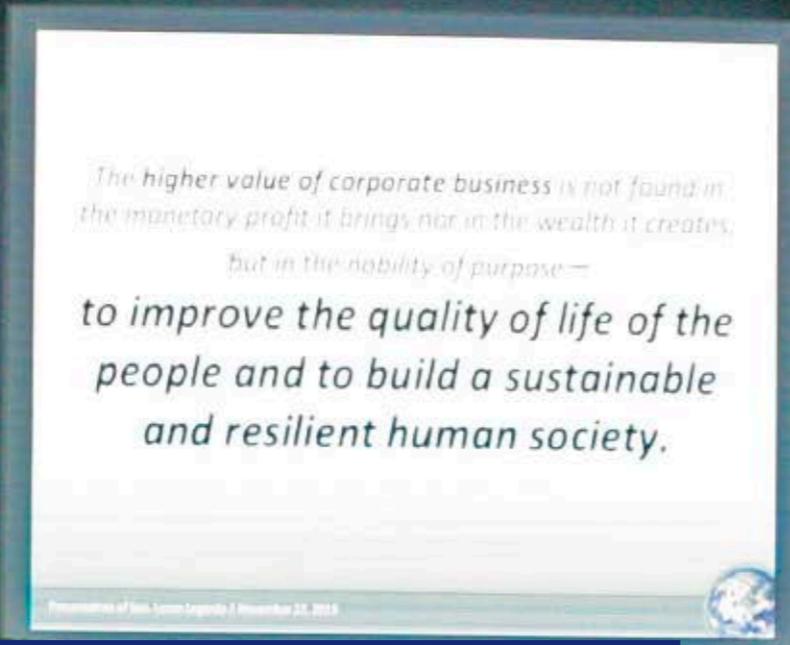
The participants were tasked to discuss and provide solutions the following questions:

- 1) For metrics and standards: What are the existing metrics and benchmarking tools for business resilience? What standards already exist?
- 2) For the rating systems for resilient buildings: How do we develop a resilient building rating system? Which entity should issue this system?
- 3) For the potential of sustainability reporting: How can we promote sustainability reporting by companies? In what ways can corporate risk and resilience be incorporated in this?

Metrics and Standards



Senator Loren Legarda



UNISDR and PwC have since started moving to Phase 2 of their collaborative work, aiming at transforming the way sectors and industries approach the disaster risk management process by providing concrete actions and practical guidelines.

Challenges

Business leaders through the round-table discussion, headed by Mr. Jerry Velasquez, UNISDR Chief of Advocacy and Outreach, shared how Typhoon Haiyan affected their businesses. For example, Mr. Ernest Cu, President and CEO of Globe Telecom, recalled how Typhoon Haiyan destroyed over 80 of their telephone towers despite the fact that they were above code.

Practical Solutions

Business leaders proposed that the private sector should first understand existing and ongoing good practices and the opportunity to replicate.

should complement and do its share to move faster. Businesses owe it to their consumers and the general public to do so.

It was widely recognized that there is an immediate necessity and urgency for companies to over prepare in light of recent events and evidence of climate change Initiator of the Top Leader Forum, Mr. Hans Sy, stressed that the private sector should step up. Though the government is doing their efforts towards resiliency, the private sector

The good practice from SM Mall of Asia, one of 48 malls of SM Prime Holdings Inc., lies right beside Manila Bay. This mall is built in excess of +1.5meters MLLW of what was required by the building code because of the possible adverse effects of climate change on the sea level: "I don't think I would do it just right, I'll do it 50 percent more."

Action Points

Group members unanimously agreed that they would use all available information from both government and private sector to provide the mapping of exposures whenever they would do business. It was proposed to emulate present good practices on building standards (e.g. installation of flood barriers, retrofitting buildings, making foundations stronger), and to continue creating awareness on the importance of these standards.

Through a template that has been developed, business can now capture their good practices. After capturing these good practices, UNISDR will disseminate these examples as case studies of the success of the Hyogo Framework for Action. This dissemination online and offline will give recognition to those companies who took bold steps and will inspire other companies in the Philippines and abroad on how disaster risk reduction looks in practice.

In the presentation on metrics and standards, Mr. Gene Alfred Morales, Executive Director of PricewaterhouseCoopers Financial Advisors Inc. or PwC (a multinational professional services firm based in London, United Kingdom), mentioned the present challenge to leverage on private sector capabilities amid a "new environment of uncertainty."

When disaster strikes, the leaders of an organization caught unaware or unprepared may find themselves with no company or organization to manage at all. This challenge called for an initial

response from UNISDR and PwC. Since 2012, UNISDR and PwC have developed collaborative initiatives and frameworks for public-private sector action on building resilience.

In phase 1 of the collaborative work, PwC and the UNISDR conducted workshops with leading global companies using the Disaster Risk Management Framework that the two organizations developed.

The said framework involves three important elements:

- 1) UNDERSTAND the impact (of disasters) and potential threats to companies.
- 2) RESPOND by choosing appropriate actions on how to deal with the risk (e.g. natural hazards).
- 3) Consider the ENABLING ENVIRONMENT's external forces (i.e. government regulations and policies) and internal forces (i.e. capability and skills of people within the organization).



Ratings for Resilient Buildings

The presentation on ratings and resilient buildings was done by Mr. Richard Sanders, Senior Catastrophe Risk Analyst of the Willis Re and Mr. Kevin Snowden, Executive Director of the Willis Group (a global insurance brokerage company heavily involved in resilience).

The presentation focused on applying science to learning more about and better understanding natural disasters. Science has been key in the development of global models such as: the global flood model, tropical cyclone laboratory, global landslide model, and the annual clustering of typhoons model.

These models help assess natural catastrophe vulnerability and risk in areas worldwide where otherwise we would have no way of understanding vulnerability and risk.

In addition to these models, on the ground visits of risk engineers is one of the only ways to get a true indication of building structures.

Resilience is a multi-discipline, multi-functional approach classified into four areas:

- 1) Building and construction
- 2) Protection and control of the building and early alarm systems.
- 3) Building operations and maintenance
- 4) Recovery mechanisms in place to be able to recover quickly. Underpinning all these areas is an effective audit and monitoring program.

“...Have a risk engineer visit and assess the buildings and structures on the field.”

Challenges

Concerns were expressed about the extra costs that disaster preparation may entail and the need for partnering industries (e.g. the insurance industry or a supplier) to step in. For example, the insurance industry could bring down the premiums of a particular company that invests in resilience. The need for business to business collaboration was understood as an essential precondition for profitable and sustainable business practices.

Some of the business leaders expressed concern that SMEs (Small and Medium Entrepreneurs) or small businesses may not have the budget for resiliency building, unlike big companies. The participants asked how these smaller companies could participate in the “resiliency project,” considering their limited resources. Many big companies are “already converted” to the idea that resiliency is important to businesses, SMEs may have different concerns.

Practical Solutions and Action Points

The business leaders stressed the importance of resilience “incentivization,” based on the methods of the life insurance industry. They also suggested lowering the insurance premium rates and property taxes, and improving insurance penetration and education in the country to make people understand its importance. As to the issue of policing resilient building, the group members suggested that a private organization—such as an insurance association—could do it.

The need for increased insurance penetration in the Philippines was one of the key issues that emerged during the discussion. As concrete actions, UNISDR and SM Prime will roll out a campaign to explain what insurance can do for SME’s. Increased insurance penetration will ultimately lead to lower premiums.

On a national level, UNISDR will collaborate with the Office of Senator Legarda and partners from the insurance industry to organize a risk-financing workshop.

Sustainability Reporting

Mr. Karthik Subburaman, the Country Manager of ECCI Philippines (a process improvement solutions provider focused on process consulting, automation solutions, and learning outsourcing activities), pointed out in his presentation on sustainability reporting, that while reporting has advanced in the last 10 years, the topic of disclosing information on disaster risk reduction or disaster risk management “has not been at the fore when it comes to reporting itself.”

Sustainability reporting is defined as the practice of *measuring, disclosing and being accountable* to internal and external stakeholders for organizational performance toward the goal of sustainable development. The most important thing to do in sustainability reporting is to make sure that it is balanced—highlighting both the positives and the negatives—and material, only reporting the aspects that will impact the organization’s performance.

Challenges

Sustainable reporting has been trending; from 30 companies two decades ago to 5,000 companies at present are doing it. Though trending, many are still asking why there’s a need to do a sustainability report. What are the incentives for doing a sustainability report?

Requirements outlined by business leaders (e.g. senior management trust, budget) are similar to

the requirements of other standards (e.g., ISO). But why should a company do ISO 1401 reporting, for example, and not resiliency reporting? What is the incentive for ISO?

Within the UNISDR Private Sector Partnership (DRR-PSP) and Private Sector Advisory Group (PSAG) Working Groups, a Working Group will focus on the issue of Sustainability Reporting in order to follow up on the initial discussion during this Top Leader Forum.

Practical Solutions and Action Points

Tied to reporting is the sharing of good practices that would create awareness about the importance of resilience building. Mr. Hans Sy and Ms. Sandra Wu Wen-Hsiu, both members of the Private Sector Advisory Group or PSAG, emphasized the need to share awareness to further promote the important role businesses could play in making communities all over the country resilient to disasters and calamities.

In order for sustainability reporting to reach a lot more companies and become a must for all. Four action points must be executed. First, business leaders propose that there should be senior management trust to ensure the continuous commitment to conduct sustainability reporting. Also, there should be a budget allocation of resources needed for sustainability reporting. Benchmarks such as GRI should be made more familiar and available.



Way Forward

Together, we must strive to understand and embrace our role in building resilient businesses and buildings and also to share our good practices and efforts through sustainability reporting. The Top Leaders Forum, led by SM Prime Holdings Inc., has paved the way to increased awareness and education to the nation. This is evident in various proposed legislation by Philippine public servants. In the following years, the Top Leaders Forum will target other business sectors and organizations particularly the Small and Medium sized Enterprises (SMEs).

As we face a growing issue of climate change, we as one world must work together to build more resilient communities. We must all be advocates, in partnership with the United Nations International Strategy for Disaster Reduction, for greater investments in risk reduction actions to protect people’s lives and assets including climate change adaptation, more education on disaster risk reduction and increased participation of the population in the decision making process. We are looking forward to the 3rd Top Leaders Forum this coming September of 2014 as we continue this commitment towards disaster risk reduction

Forum Outcomes

Months after the 2013 Top Leaders Forum, groups from different sectors utilized a wide array of initiatives to further share and develop good practices and efforts of disaster resilience. The Top Leaders Forum has gathered a lot of attention including the Philippine Government.

Re provided insight and points of discussion to participants from both the public and private sector about strengthening disaster risk insurance in the country.

Last January 21, 2014, a high level forum on strengthening disaster risk insurance in the Philippines was held at the Philippine Senate led by Senate President Franklin Drilon and Senator Loren Legarda. Disaster resilience experts Rowan Douglas of the Willis Group and member of the UNISDR-Private Sector Advisory Group and Ernst Rauch of Munich

To complement the forum, Mr. Jerry Velasquez of the UNISDR met with various leaders of Philippine insurance companies to discourse “incentivization” for disaster resilient investments in the private sector especially for small and medium enterprises. The Philippine Insurers and Reinsurers Association (PIRA) have committed and responded to Mr. Velasquez’s call. PIRA is now looking into drafting possible incentives for small and medium enterprises to invest in disaster resiliency.

HOTEL READY WORKSHOP



The day prior to the Top Leaders Forum in Manila on 21 November 2013, SM Prime Holdings Inc., in partnership with the United Nations Office for Disaster Risk Reduction, held a Hotel Ready Workshop, highlighted the importance of disaster risk reduction in the hotel industry. Participants included representatives from the hotel industry, UNISDR, donor agencies and tourism associations and the Philippine government attended the Tourism Side Event.

Ms. Elizabeth Sy, the President of SM Hotels and Ms. Margareta Wahlstrom, the United Nations Special Representative for the Secretary General for Disaster Risk Reduction (SRSG) emphasized the need to ensure the safety and security of customers, staff and the surrounding community and the sustainability of the fast growing industry vis-à-vis climate change. Ms. Sy stated that “disaster can strike any time, so it’s important our hotels are ready” and also highlighted the competitive

advantage of a resilient hotels. Ms. Wahlström reinforced this, noting the international efforts underway to improve disaster resilience, including the development of the next Hyogo Framework for Action, the AMCDRR in 2014 and upcoming World Conference in Sendai in 2015.

Alexander Kesper presented his experience working on Tsunami Ready, a scheme designed to encourage hotels in Bali to be prepared for disasters. He provided examples of how this has been implemented in Bali, highlighting that the scheme isn’t scaring people, but supporting the message that their hotel is caring for them. He noted that Tsunami preparedness means preparedness for other hazards also. Part of the program encourages hotels to work with the communities surrounding them, which has led to stronger community relationships. The project costs approximately \$700 US per year and includes personal support and requires a dedicated staff

member on site and to ensure quality and effective, ongoing implementation.

In response to questions asked by participants, Alex commented that the tool can be designed to address specific hazards, that the costs include everything from training to signage, that it worked for a range of hotels (including one with 2500 occupancy and challenges such as low density) and that the training was tailored so the time required varied depending on the needs of the hotel and existing capacity. In regards to the relevance of this tool to smaller hotels, Alex commented that the basics such as communications didn’t vary but for other issues, there were some creative approaches and partnerships were being used to address these gaps.

All the hotel participants supported the idea and showed their interest. The level of enthusiasm for the program was demonstrated by questions from hoteliers regarding discounts for ‘early adopters’ or bulk accreditations. Participants noted that this would be of particular interest for their larger corporate accounts, and that by

implementing this it would lead to a competitive advantage and hopefully have a trickle down affect to smaller hotels. Consistency across the industry was also seen as a benefit, while CSR was not seen as a key driver. It was noted by a number of people that for the tool to be useful it would need to be regionally relevant and internationally accredited.

Some of the challenges noted included the need to make this relevant and adopted by SMEs - who are most vulnerable and have limited capacity. Some of the hoteliers felt that without industry leaders adopting there would be little adoption by SMEs. Balancing the needs of SMEs and multinationals was recognized as a challenge, and a progressive rating system (star) could be used to overcome this.

Integration of the program into familiar existing systems was also suggested (e.g. HAZAP, green certification programs and the ASEAN safety and security program).

It was announced that the next meeting with be in January in Phuket and attendees were made welcome to attend.

The United Nations Office for Disaster Risk Reduction

Palais des Nations
CH1211
Geneva, Switzerland
+41 229178907-8
isd@un.org

SM Prime Holdings Inc.

10th Floor, Mall of Asia Annex
Coral Way cor. J.W. Diokno Blvd.
Pasay City, Metro Manila, Philippines
(+632) 862-7052 [UTC +08:00]