



UNISDR

The United Nations Office for Disaster Risk Reduction



Photo Credit: GreenAether04 via Flickr

Risk-Sensitive Business Investment



In the coming years, trillions of dollars of investment will pour into hazard-exposed regions. With business accounting for about 85% of total global investment, how the private sector decides to allocate its funds will have a huge impact on the outlook for disaster risk. To influence more risk sensitive business investment, this programme will strengthen engagement with the private sector. It will draw on partnership with Pricewaterhouse Coopers (PwC), Economist Intelligence Unit, Florida International University, Willis, AECOM, IBM, and the UN Principles for Responsible Investment (PRI) Initiative.

Optimised disaster risk management strategies for business

UNISDR will build on the piloting of a disaster risk management framework for business developed in partnership with PwC. The framework will be refined and extended to enable companies to benchmark their disaster risk management. The initiative will allow senior managers to get an overview of their company's risk profile, identify gaps in how risks are being addressed, and facilitate shared practice between businesses and sectors. It is expected that this programme will have engaged with 40 global businesses by 2015.

Factoring risk metrics into business and country analysis and forecasts

UNISDR will develop tools that allow disaster risk metrics, such as Annual Average Loss and Probable Maximum Loss, to be factored into country and sector analysis and forecasting. Such reporting currently takes into account political, market, economic, legal and other risks but rarely considers disaster risk. It is expected that disaster risk metrics will have been systematically tested in 10 high-risk country analyses and forecasts by 2015.

Voluntary industry standards for disaster risk management

UNISDR will engage with leading businesses, industry associations, public sector regulatory bodies, as well as organisations producing rankings, indexes and indicators to develop voluntary certification and standards for disaster risk-sensitive investment. By 2015, UNISDR will have supported the development of standards for accompanying certification programmes in two industry sectors.

Incorporating disaster risk management into business education and training

UNISDR will engage with leading business schools in the Americas, Europe, Asia and Africa to introduce disaster risk management in the curriculum of MBAs as well as specialised masters and diploma programmes in risk management. In addition, the needs of small and medium enterprises will be met by working in partnership to develop short, practical courses about post-disaster survival and long-term sustainability. By 2015, the Programme will have engaged with at least one leading business school and relevant industry association in each region.

Responsible investing for risk-sensitive business

UNISDR will engage major institutional investors, such as sovereign wealth funds and pension funds to develop principles and metrics, which discourage investment behavior that increases disaster risk. A toolbox will be developed to guide investors on how to apply the principles to investment decisions. By 2015, recommendations on the inclusion of disaster risk metrics into existing investor standards and principles will have been developed and tested with 50 large asset owners and fund managers.

Insurance for risk-sensitive business

UNISDR will engage with the insurance and reinsurance industry to develop metrics and products that ensure that the pricing of insurance reflects the real cost of risk. Apart from business risk this activity will also address sovereign risk, particularly that of more vulnerable states. By 2015, at least 10 large businesses and 30 (re) insurers will engage in this component with the aim of developing sustainable and appropriately priced insurance products.

Promoting private sector partnerships

UNISDR's Private Sector Advisory Group and Private Sector Partnership will support the programme and continue to be the main drivers in developing opportunities and innovative mechanisms for collaboration between the public and private sectors towards and beyond 2015.

2014-2015 Resource Requirements (All figures in '000 US\$)

5. RISK-SENSITIVE BUSINESS INVESTMENT	3,910
5.1 Optimised DRM strategies for business	400
5.2 Factoring risk metrics into country and business forecasting	620
5.3 Industry sector voluntary certification and standards for disaster risk management	450
5.4 DRM in business education	600
5.5 Responsible investing for risk-sensitive business	310
5.6 Insurance for risk-sensitive business and national economies	330
5.7 Promoting private sector partnerships	750
Programme Support Costs (PSC)	450