



Asian Tsunami: Best Practice Response

ASrIA Brief 001

By David St. Maur Sheil & Melissa Brown, Jan 2005

The Asian tsunami disaster has raised pressing questions about how to define a 'best practice' response to humanitarian crises, in terms of both corporate governance and corporate social responsibility. In particular, how should corporates move beyond the initial need for a philanthropic response and adopt a more accountable, engagement-oriented approach? How should a company reach out to the community, its employees and customers while ensuring that financial, resource and management resources are brought into alignment in the most efficient possible way?

What follows is a quick review of a complex subject. Our goal is to draw attention to the hard work that lies ahead and to stimulate discussion via our related forum. Please post your comments to the forum, or via direct email to david@asria.org, on suggestions for best practice, examples of corporates practicing best practice and also non-profit organizations (NGO's) that stand out as potential long-term partners.

Overview of Initial Corporate Response

There has already been a broad global and regional corporate response to the Asian Tsunami disaster. The obvious visible aspect of this response has been the active donations and provision of services by corporates large and small. However there has also been an active dialogue developing between corporates, NGOs, governments and the media on how best to continue responding to this and other disasters both in the immediate and longer term.

The challenge now is ensure that this disaster leads to long-term reconstruction and capacity-building as well as the most effective allocation of resources.

Corporate contributions have primarily been financial and the provision of 'in kind' services. Certain sectors have actively co-operated and pooled resources. For instance hotel chains in Thailand have offered free accommodation to guests from rival but effected hotels and



transport and courier operators have coordinated services and warehouse space to assist aid agencies.

The finance industry has focused more on making capital available for longer term reconstruction, as well as facilitating the collection of donations. For instance, Indian Banks rapidly set up accounts to collect donations and direct them to a central 'Prime Ministers relief fund'. Regional banks have also been taking action to offer a range of easier credit terms to businesses and individuals to facilitate reconstruction. In line with these initiatives, governments in affected countries have also been offering tax breaks and other financial incentives. The Thai financial industry has also acted quickly to set up a three billion baht (USD 76.5 million) venture capital recovery fund to assist small businesses hit by the tsunami. This new fund will complement an earlier commitment totaling two billion baht (USD 51 million) made by the SME Bank. This positive initiative from Thailand highlights questions as to what the global financial industry, and in particular the SRI sector, can provide in terms of resources and expertise to assist management and investment of the huge sums being gathered for longer terms reconstruction purposes. It is also an opportunity to ensure that reconstruction processes are transparent and oriented towards sustainable development.

Among the earliest examples of best practice response by global corporations were the following, though many more from global and regional corporations can be identified:

The [Citigroup](#) Foundation announced on 29/12 that it will provide USD 3 million in support of disaster relief efforts. Ashok Vaswani, CEO of the Global Consumer Banking, Citigroup Asia Pacific, noted: "Given the scale of this tragedy, we will fund programs on both a regional and a country level as the specific needs of the stricken communities become clear, including initiatives involving employees, customers or our businesses. Citigroup has been active with NGOs in each of the affected countries and we plan to work with other community partners around the region engaged in relief and eventually rebuilding efforts."

[Nike, Inc.](#) and Nike Foundation announced the donation of USD1 million in immediate aid to the tsunami relief effort (12/29). Nike is also encouraging its employees to make immediate cash donations to four first response organizations and has developed an employee intranet site with daily updates and to solicit employees for ideas about a further response.

[Abbott](#) Laboratories has committed USD 4 million in health care funding and in-kind donations of prescription medicines and nutritionals via two global relief agencies. Abbott states that its product donation is expected to help approximately 60,000 people.

Establishing 'Best Practice'

One immediate reaction of corporate management towards events such as the tsunami disaster is to consider philanthropy. However, in terms of good corporate governance listed corporations have to consider certain boundaries and restrictions on what they can freely do with shareholders' money. For instance, Stephen Matthews, deputy chairman of the Australian Shareholders Association took a strict governance perspective when he noted in response to the tsunami issue that, in principle, his association "would not sanction either political or

charitable donations, because it is shareholders' money." However, he said there were caveats on the policy. "In the event that companies do make charitable donations—we don't make allowance for political donations at all--there are some circumstances where the program can be linked to the marketing or promotion of the donor's products," he said. "As long as it is fully disclosed, that is the best we can hope for." (from "Private donors assume role of good corporate citizen" by Ian Porter, Jan 1 2005, The Age.com.au.)

This raises two critical issues at the heart of integrating CSR into a company's core business as opposed to linking it with philanthropy. The first is the importance of transparency and disclosure to shareholders as well as all other stakeholders including the public. The second is the issue of creating a fit between the services and products a company produces or provides and its CSR program, of which its contribution to the tsunami disaster would be an extension. Mr Matthews noted, as examples, companies such as BlueScope Steel, and Ansell, which will donate 'a lot' of medical gloves made in Malaysia and Thailand.

An organization which provides a blue-print for best practice CSR, taking into account the points made above, is the [London Benchmarking Group](#) (LBG), which consists of leading international corporations which have come together to manage, measure and report their involvement in the community. As its name implies, the LBG is primarily a resource for companies to compare their own community involvement with other similar organizations, and to share best practice. The Group has published a practical 'model' for adopting best practice on its website, which places a strong emphasis on the importance of establishing and benchmarking CSR programs off measurable and achievable goals in order to ensure the highest possible value is gained from all activities.

Another benchmarking strategy is to examine best practice examples by corporates in each industry sector. An effective starting point for such a review would be the recent [report](#) *Risk & Opportunity: Best Practice in Non-Financial Reporting*, SustainAbility's sixth benchmark survey of corporate non-financial reporting with UNEP and their first in partnership with Standard & Poor's, which also ranks what they consider to be the top 50 companies in terms of sustainability reporting against a range of criteria.

In summary, therefore, CSR programs should to be developed based on a clear awareness of the core motivational values of businesses, which includes:

- Profit
- Reputation, risk management and license to operate
- Building people and markets and developing stakeholder relationships
- Exploiting unique corporate resources

Corporate responses to community disasters and community engagement will be most effective, and, strictly speaking, most in line with good corporate governance, if they are not considered as additional to normal corporate operation but directly integrated with these core corporate operational values and the 'good' business of the corporate.



Identifying the Best Partners

The media helps to stimulate immediate public interest and reaction to disasters, but interest typically dissipates after an intense initial period of examination. However, effective recovery and reconstruction work demands long-term commitments once the media spotlight has shifted elsewhere. The most effective way to achieve this is to build long-term relationships with NGOs and other caring groups in the communities most affected. Here the question is to distinguish between 'first responders' vs. groups with longer term community and economic development capability. The key issue is to identify as quickly as possible which groups can become partners and to treat them as key stakeholders in the development of on-going CSR programs.

A comprehensive list of global and national aid agencies focused on the Tsunami disaster is available at: http://www.tsunamihelp.info/wiki/index.php/Aid_Agencies. However, motivated companies will need to identify the most effective agencies which are most in need of the specific assistance which can be provided. In addition to assessing partners with care, it is crucial that forward-looking disclosure and accountability norms are established at the outset.

The best known global agencies already active in tsunami relief include UNICEF, national Red Cross and Red Crescent societies, Oxfam, Medecins Sans Frontieres, Opportunity International, CARE, Project Hope, Global Hand and Mercy Corps. It notable, however, that some groups are limiting requests for donations until they can define projects which will be appropriate to the donor response. The initial aid organization lists are in the process of expanding dramatically, and we expect that a number of new, more project-oriented organizations may emerge. For example, groups like the Ceylon Chamber of Commerce have initiated a fund for longer term aid and reconstruction in Sri Lanka.

Microfinance and Community Business

Another avenue which should be of particular interest to the SRI community will be the potential for microfinance to help provide funding for community development. Microfinance is one of the most successful and effective approaches to investment and to sustainable development, where Asians have also been world leaders. One example that has emerged from the tsunami crisis is the potential of SMS messaging.

Note this example from a recent *International Herald Tribune* [article](#):

The way Asians use cellphones 'makes us look like amateurs', said Steve O'Rourke in Grass Valley, California, a director of Asia Pacific Research Group, which has studied cellphone use in Asia. Getting mobile phones into the hands of people living in remote, impoverished areas has been a major focus of economic development efforts for the 'microfinance' movement, which involves giving small loans to people in poverty throughout the world to help them start small businesses. The Grameen Foundation, a leader in that movement, helps many of those entrepreneurs buy cellphones to develop their businesses.



This disaster therefore does provide an opportunity and a stimulus to corporations (and in fact all agencies) to re-consider the very real intersections between their philanthropic instincts and what would be most appropriate and effective in terms of good corporate governance, CSR and the core values, goals and long-term interests and objectives of their organizations. It is crucial as corporates consider more systematic responses to the tsunami crisis that investors, NGOs, and the public stay alert to new and accountable strategies for sustainable community development in devastated areas.

[Back to the top](#)

[Overview of Initial Corporate Response](#)

[Establishing Best Practice](#)

[Identifying the Best Partners](#)

[Microfinance and Community Business](#)

Go to the ASrIA forum, Asian Tsunami: Best Practice Response

<http://www.asria.org/farchive1>

The Association for Sustainable & Responsible Investment in Asia

www.asria.org

ASrIA is a not for profit, membership association dedicated to promoting corporate responsibility and sustainable investment practice in the Asia Pacific region. As an association, ASrIA acts for and on behalf of its members. ASrIA's members include investment institutions managing over US\$2 trillion in assets, however membership is open to any organisations which have an interest in promoting sustainable investment practice.

ASrIA has taken a leadership role in promoting sustainable investment in Asia since our founding in 2001. In order to raise awareness about SRI, ASrIA has run conferences, seminars and workshops, and published wide-ranging research on SRI issues. ASrIA has also created a very wide network of people and organizations committed to developing SRI in Asia. ASrIA's website, www.asria.org, is the primary resource for SRI in Asia, attracting over 2,500 page views per day and over 5,000 subscribers to our regular [e-bulletin](#).