



# Disaster and CSR

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## I . Natural Disaster – Out of Sight(1)

Natural disasters are traditionally not a main problem which Korean corporation want to tackle. Only 1% of corporate CSR program budget in 2009 is spent in natural disaster relief.

### Program Budget Spent in 2009

(Million won, %, 189 Korean companies)

AREA	EXPENDITURE	%
Social Welfare	485,208	46.6
Education, Academic Research	97,642	9.4
Art & Culture, Sports	46,520	4.5
International Relief	27,615	2.6
Environment Protection	6,686	0.6
Rural Areas Support	35,885	3.5
Disaster Relief	10,389	1
Medical, Health	4,276	0.4
Other	326,096	31.4
Total	1,040,317	100

## I . Natural Disaster – Out of Sight(2)

Also, very small percentage of corporate donations are given to NGOs which are involved in natural disaster reliefs in 2009.

### Avg. Corporate Donation in 2009

(Million won, %, 189 Korean companies. )

AREA	EXPENDITURE	%
Social Welfare	3,058	53.9
Education, Academic Research	1,445	25.5
Art & Culture, Sports	491	8.7
International Relief	27	0.5
Environment Protection	144	2.5
Rural Areas Support	2	0
Disaster Relief	8	0.1
Medical, Health	333	5.9
Other	162	2.9
Total	5,670	100

## I . Natural Disaster – Out of Sight(3)

Virtually no corporate foundation is allocating their budget to disaster reliefs.

### Areas of Corporate Foundation Budget Spent

(%)

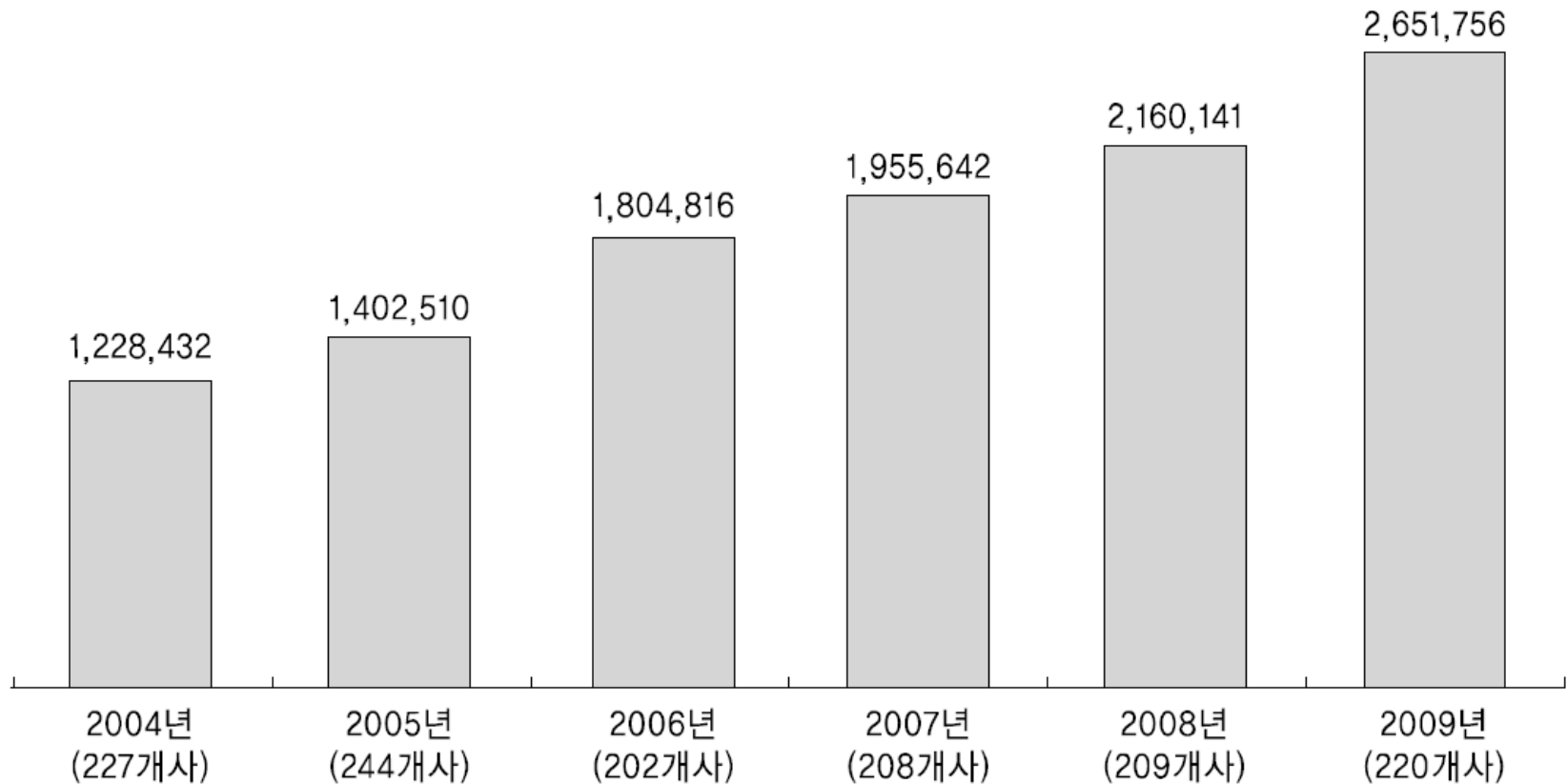
AREA	%
Social Welfare	3.2
Education, Academic Research	3.7
Art & Culture, Sports	2.3
International Relief	0.0
Environment Protection	0.6
Disaster Relief	0.0
Medical, Health	90.0
Other	0.2
Total	100

## II. Corporate Social Responsibility – Booming(1)

Korean corporations are increasing their total expenditure on CSR programs year by year.

### Total Expenditure on CSR Programs

(Million Won)

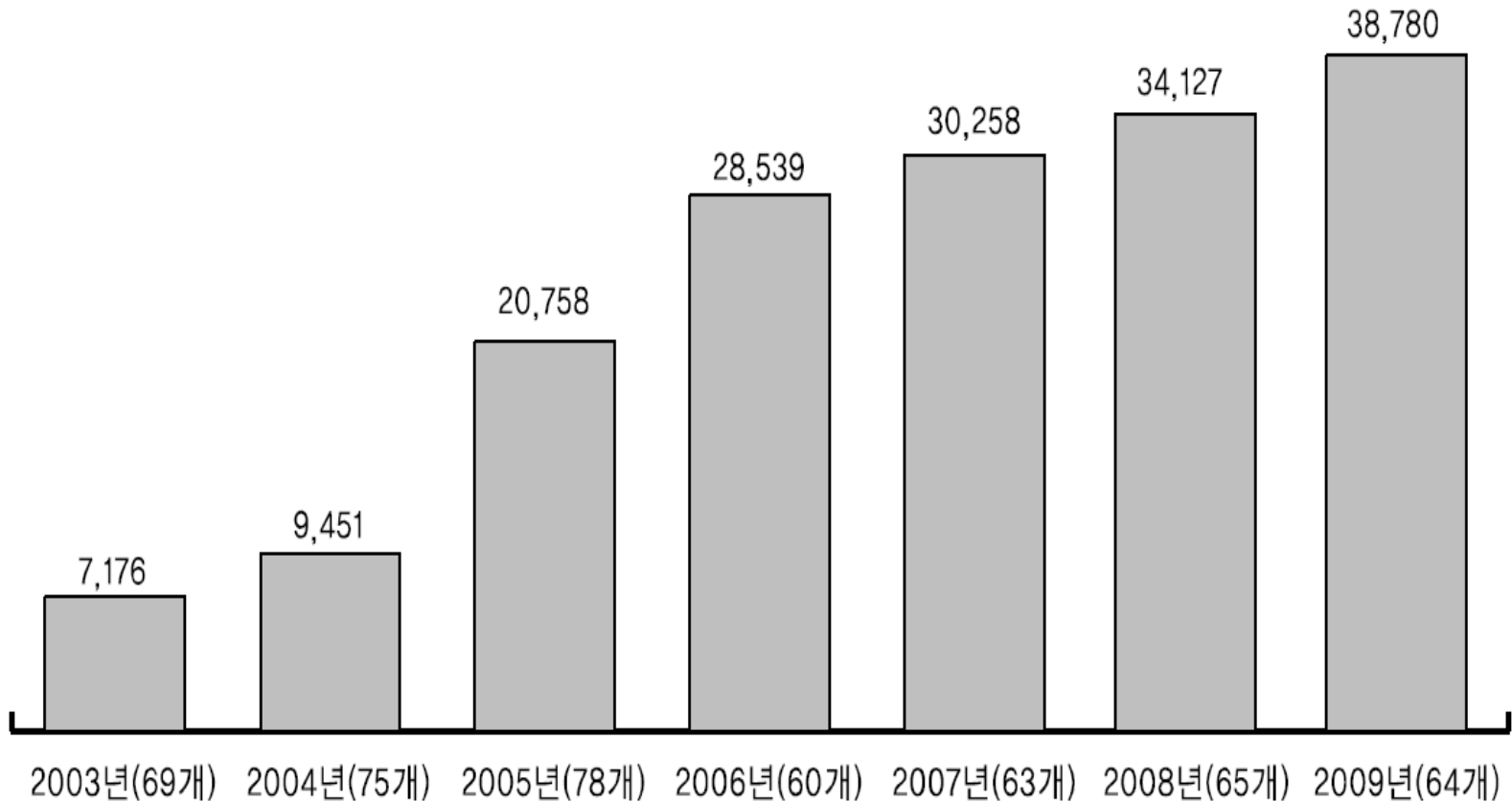


## II. Corporate Social Responsibility – Booming(2)

Corporate Foundations in Korea are increasing their budgets year by year.

### Avg. Expenditure of Corporate Foundations

(Million Won)



### III. Corporate Social Responsibility – Social Pressure(1)

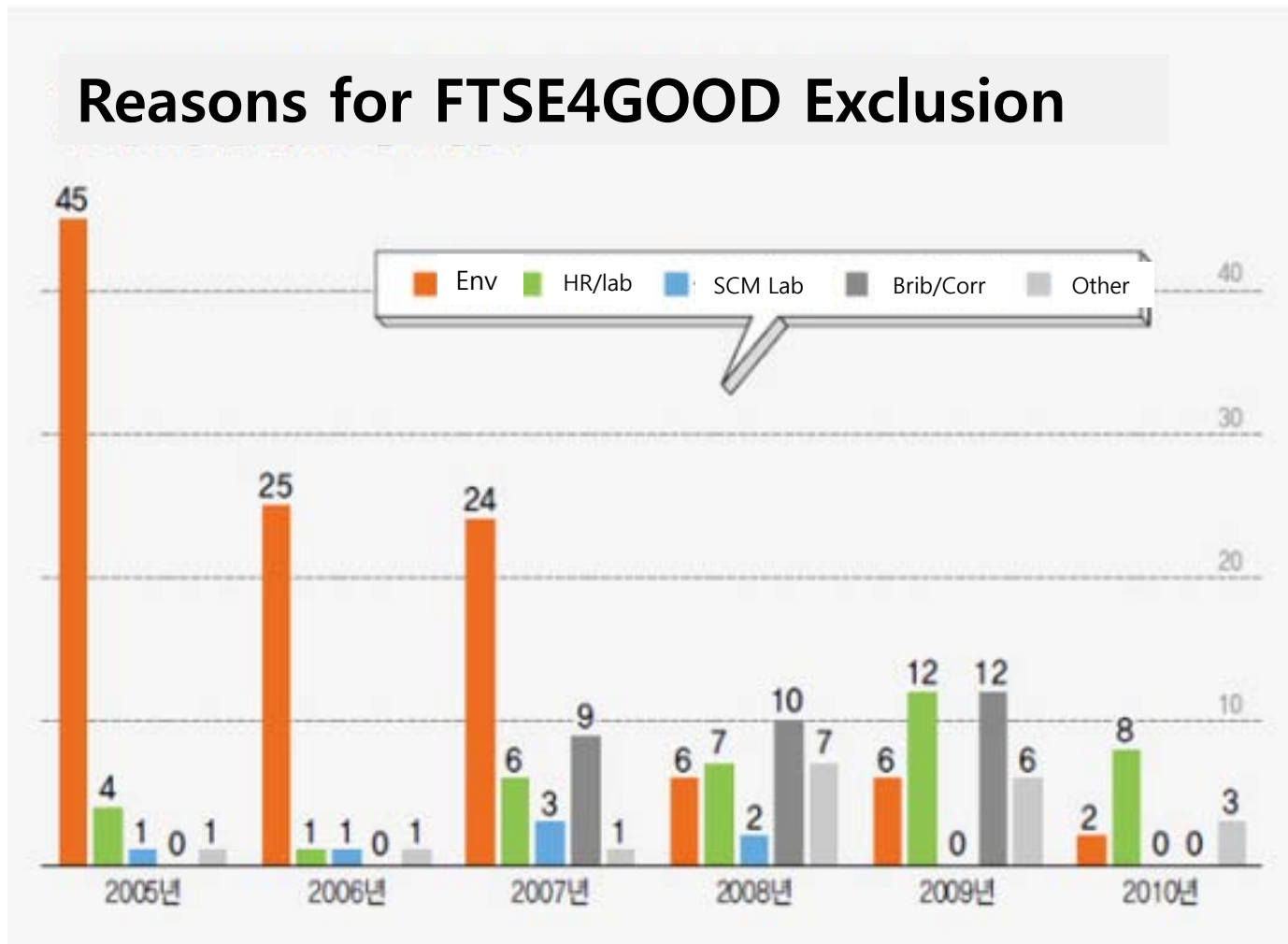
Korean companies are already expected to recognize their responsibilities for social disasters – temporary workers, supply chain fair trade, and increasing poverty.

#### Recent social issues which are deemed to have CSR involved

Job Creation	2,000 Largest Korean companies doubled(110% increase) their total revenue during 2000-2010. Number of jobs of the 2,000 companies increased by 2.8% during the same time frame
Job Security	Income gap between permanent-temporary workers increase.
Large E-SME Gap	Sum of net profits of 526 listed Korean SMEs is only 17% of that of Samsung Electronics. But in Korea, over 80% of jobs are in SMEs.
Business Domain	Large corporations are harshly criticized when they entered MRO(maintenance, repair, operation) business. Large retail stores are criticized when they started SSM(super supermarket) or pizza business.

### III. Corporate Social Responsibility – Social Pressure(2)

International standards are putting more emphasis in human rights and labor recently. John Ruggie's report, GRI guidelines 3.1 and FTSE4GOOD criteria are examples.





## IV. Adam Smith's Fallacy and CSR

Adam Smith said there are 'invisible hands' to distribute resources to market participants. It revealed that those hands does not or only partially exist. Direct action to distribute resources from the corporate side is requested recently.

Q: Korean corporations were very active in donations to help Japan revive from the Tohoku earthquake and tsunami, while their normal expenditure for disaster reliefs is virtually none. Why?

Samsung 1.4B(Won)  
 LG 1.4B  
 KB Financial 1B  
 Woori Bank 0.7B  
 Hana Bank 0.7B  
 Shinhan Financial 1.4B  
 NC Soft 7B

**A:**

### **Motivation of CSR**

(Dr. Xiaojune QIAN - CaiNing, ShenqiTaisong, and Wu Jiebing)

- 1.Economic Rationality**
- 2.Social Contract**
- 3.Institutional Regulation**

Hypothesis:

Korean companies are still in 2. They recognized their implicit contract with society to help on "Social Disasters". Japan earthquake had a huge impact in Korean society through the media, so it is counted as part of a contract.

## V. Possible Implications to Researchers

CSR must go beyond merely publishing a sustainability report.

1. More emphasis on corporate governance & stakeholder issues
  - Better board structure to engage larger stakeholders to recognize and react to social contracts.
2. Less reliance on sustainability report text
  - Better research methods should be developed
3. Better legal framework to improve disclosure
  - More sophisticated third party verification
  - Stronger mandatory information disclosure framework



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## THANK YOU!

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