

Lessons from Christchurch: How should we invest for a safe world?

Amongst the concern about the survival of friends and family in Christchurch are some difficult lessons for how we invest and calculate risk. Our immediate priority should be to address the needs of those who are suffering. But it is important to learn from the earthquake.

Question: should Christchurch be rebuilt, and if so, where and how? Answer: only if it can be rebuilt in places and ways that are safe. Many people were still suffering the trauma of the September earthquake and its continuing aftershocks before the February quake. We suspect that given the chance to rebuild somewhere else other than Christchurch a number of Christchurch people will take that option. If you are not living in Christchurch, would you want to buy a property in Christchurch now? Our answer is 'Only if we can be reassured that it was safe and not subject to unreasonable risk'.

Question: how can an assessment be given about the future safety of Christchurch and its risks? Answer: seek the best engineering and scientific advice possible.

Question: is the building code adequate? One of us had parents were in the 1931 Napier earthquake. One of the responses to that event was a rewrite of the building code. One of the lessons from Christchurch should be to review the conditions of the code, and to shorten the time required to meet those codes, to provide the reassurance for Christchurch residents and visitors. This will be necessary to promote Christchurch to overseas students, tourists, visitors, and investors.

It is comforting to see the New Zealand and overseas response. We all (or nearly all) want to do our bit to help. This compares with our most recent disaster: the leaky homes crisis. This was where changes to the Building Act which came into effect about 1994, reduced controls and standards (such as allowing the use of untreated timber and monolithic claddings) under the assumption that building quality would be mostly assured by market-driven forces. Scientific advice was ignored. This decision is now estimated to cost \$11.5 billion by some. Others say closer to \$23 billion ([//en.wikipedia.org/wiki/Leaky_homes_crisis](http://en.wikipedia.org/wiki/Leaky_homes_crisis)). The response by New Zealanders to this tragedy, in comparison to the outpouring now, was to basically ignore the people affected and some committed suicide. Others have suffered enormously.

So the lessons from Christchurch should include recognition that investment has values other than profit making that should guide investment, in this case, safety. If safety is an important value then investment needs to take a longer term perspective, and this means that investment should be care for rather than destroy the ecosystems that provide the basis for life. We ignore the advice of scientists at our peril. A further lesson is that the codes and standards are critical. If our investments are to be as safe as possible, and promote a safe world, we need a proper risk analysis.

There is no world or investment that is completely risk free. Part of the fiduciary role of board members and trustees is to identify and calculate risk. For safer investment a risk analysis is needed to take account of the factors that will significantly influence future conditions and events, both positive and negative term. The major global drivers will include population change; climate change; price increases for hydrocarbons; water; food; toxins; geopolitical shifts; wide swings in economic

activity and technological advances. Ideally, companies have calculated their ecological impact, are living within it and have incorporated the major global drivers into their strategic planning. There will be complex interactions amongst all of these drivers that will cause abrupt and radical shifts in human living and work, creating risks and opportunities.

There is general scientific agreement about the threat of climate change and ecological degradation (goto the Prime Minister's Chief Science Advisor, Professor Sir Peter Gluckman, http://www.pmcsa.org.nz/issues/climate_change/#more-579). There will be a future for the world of increasing incidents of severe disruption due to such things as extreme storms, droughts, floods, cyclones, and heat waves. We are not aware that earthquakes are usually included in this list. But the warnings given are that the need for responses we are experiencing in Christchurch, will increase significantly in the future. We have entered a world which will become much more turbulent, with major consequences for our economy and way of life. Our resilience will be tested in ways we have not as a nation yet acknowledged, because we are in denial about the science. Our response to date has been an emission trading scheme that is simply incapable of doing anything constructive about this (goto <http://publicaddress.net/system/topic/2586/>). Will an earthquake shake us out of our comfort zone?

Many of the international codes and standards for ethical investing are like inadequate building codes. The UN Principles for Responsible Investment are a case in point. They are too general and are equivalent to identifying risk at 2 or 3 on the Richter scale. They are used by many funds that invest in companies that are destroying rather than caring for our planet. The New Zealand Superannuation Fund is an example, where it has adopted the UNPRI but is invested in companies that have little regard for the damage they are doing to the environment.

If you are interested in investing to promote living within a finite biosphere in a safe and just way, then there are limited options in New Zealand. There are choices about what one could exclude, how to engage and how to invest positively. Our website gives guidance in more detail about the steps and choices that one needs to go through, and the funds that you could consider here and overseas. We hope that reflection on the lessons to be learned from the Christchurch earthquake will lead to a useful review of your investments and their criteria.

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