

**Church of England Ethical Investment Advisory Group**

**Alcohol investments policy**

**June 2011**

*The EIAG recommends that the national investing bodies should exclude from their investments any company deriving more than 5% of its turnover from the production or licensed sale of alcoholic drinks, unless the EIAG has assessed the company's policies and practices with regard to the responsible production and sale of alcohol and judged that these meet EIAG-specified minimum standards.*

The EIAG will work to specify minimum standards of corporate responsibility policy and practice in agreement with experts in alcohol misuse and associated health and social harm. The EIAG will participate in engagement with companies producing and retailing alcoholic drinks in order to refine the standards and encourage compliance. Finally the EIAG will participate in and support the collection of data to facilitate the implementation of the recommended policy.

The EIAG expects to be in a position to advise the investing bodies which UK-listed companies should be excluded from their investments under the recommended policy in 2013 at the earliest.

*Until this approach is implementable for any individual market, the EIAG recommends that the national investing bodies should continue to exclude from their investments any company deriving more than 25% of its turnover from the production or licensed sale of alcoholic drinks.*

## **POLICY THEOLOGY, ETHICS AND REASONING**

### Introduction

1. The investing bodies' traditional approach to the alcoholic drinks sector, last reviewed and endorsed by the EIAG in 2005, has been to exclude from investment companies involved in the production and retail of alcoholic drinks if their turnover derived from alcohol exceeds 25% of total turnover.
2. This approach has in recent years begun to sit less well with the way the alcoholic drinks sector operates. In many developed markets, retail of alcoholic drinks is now dominated by general retailers, like supermarkets, who fall outside the scope of traditional policy because their alcohol revenues, while huge in financial terms, are not a sufficiently high proportion of their overall turnover. Production of alcoholic drinks by general retailers has also grown. On the other hand, producers and retailers of alcoholic drinks, including specialist ones, may now have corporate responsibility policies and practices that mitigate alcohol misuse. The EIAG's traditional ethical investment policy has become more a penalty for specialisation than a reliable way of screening out of portfolios the companies whose business activities are likely to be contributing to alcohol-related harm – the core objective of the policy.
3. The EIAG therefore recommends a new approach with two new elements. The first is a lower threshold at which alcohol-related revenues become material for ethical investment policy – 5% of turnover rather than 25% – so that general retailers are brought within the scope of the policy. The second element is the introduction of an assessment of companies exceeding this turnover threshold to determine whether they meet strict EIAG-specified standards for the responsible production and sale of alcohol and whether they should, as a consequence, be allowable or ineligible for investment.
4. The result is a policy that focuses on corporate complicity in alcohol misuse as a ground for exclusion from investment, based on an assessment of *all* major players in the alcoholic drinks sector, rather than just specialised players. The EIAG believes that this policy is more robust biblically and more consistent with the ethical views – of which there are naturally a range – held in the Church of England. It also believes that this new approach, which takes a tough approach on all producers and retailers of alcohol and holds out the carrot of investment and stick of exclusion from investment equally, will do more to promote responsible corporate practice aligned with Christian values.

### Biblical guidance

5. Both the Old and the New Testament have a positive view of alcohol, celebrating it as a gift of God in creation. The Old and New Testaments use several words, variously translated as 'wine' or 'strong drink' but they are all treated the same. Bread and wine are celebrated as blessings from God, as in Isaac's blessing of

Jacob: 'May God give you of the dew of heaven, and of the fatness of the earth, and plenty of grain and wine.' (Gen. 27.28; see also Is. 55.1; Hos. 2.8-9, 22; Joel 2.19, 24). The words of the Psalmist are still used regularly as a grace by Jews and Christians alike: 'You...bring forth food from the earth, and wine to gladden the human heart.' (Psalm 104.14-15). Wine was also used as a drink-offering to God (Exod. 29.40; Lev. 23.13; Num. 15.5; 28.14). The future restoration of Israel would be a time when 'the mountains shall drip sweet wine, and all the hills shall flow with it' (Amos 9.13; cp. Is. 25.6). This positive attitude continues in the New Testament, as Jesus turns water into wine as the first of his miracles at the wedding at Cana (John 2.1-12); the superabundance of this provision (the six stone water jars would hold around 150 gallons, or 800 bottles of fine wine!) is probably best interpreted as a foretaste of the eschatological outpouring of God's grace, but Jesus clearly enjoyed having a drink at meals and parties both with his friends and with all sorts of people, giving rise to the criticism that he was 'a glutton and a drunkard, a friend of tax collectors and sinners' (Matt. 11.19; Luke 7.34). Timothy is advised to 'take a little wine for the sake of your stomach' (1 Tim 5.23), and it was also used for pain relief (Luke 10.34; Mark 15.23).

6. On the other hand, both Testaments also agree about the misuse of alcohol, right from the beginning when Noah became drunk (Gen. 9.20-27). Proverbs warns readers 'Wine is a mocker, strong drink a brawler, and whoever is led astray by it is not wise' (Prov. 20.1). The effects of drinking too much are clear and to be avoided: 'Wine and new wine take away the understanding' (Hos. 4.11; see also Prov. 23.29-35; 31.4-7; Is. 5.11-12; 28.7). Similarly, in the New Testament, Paul instructs his congregations, 'Do not get drunk with wine, for that is debauchery; but be filled with the Spirit' (Eph. 5.18; cp. the effects of the Spirit at Pentecost, Acts 2.13-15). The leaders of the early church were not to drink too much (1 Tim. 3.3, 8; Titus 1.7), and this was applied also to older women (Titus 2.3) and everyone (1 Peter 4.3).
7. Abstinence, both temporary and permanent, is also recognised throughout the Bible. Priests were not allowed to drink while serving God (Lev. 10.9; Ezek. 44.21), nor a Nazirite during the time of a vow (Num. 6.3-4; Jdg. 13.1-14; Amos 2.12). Meanwhile, the Rechabites abstained permanently from alcohol as part of their protest against Israel's adopting agricultural ways, rather than the simplicity of the wilderness wanderings (Jer. 35.5-9; see Deut. 29.6). Unlike Jesus' enjoyment of wine, John the Baptist never drank it (Luke 1.15), while Paul says that 'it is good not to eat meat or drink wine' if that causes a fellow Christian to stumble (Rom. 14.20-21).

### Theological reflections

8. This combination of a positive view of alcohol as a gift of God with the negative condemnation of its abuse is also reflected in a systematic theological consideration of the major Christian doctrines. Thus the doctrine of Creation suggests that alcohol, like other food and drink produced from the earth and upon which human work has taken place, should be viewed as a gift from God for which we are to be

grateful: 'For everything created by God is good, and nothing is to be rejected, provided it is received with thanksgiving; for it is sanctified by God's word and by prayer.' (1 Tim. 4.4-5). This is reaffirmed by the doctrine of the Incarnation: in being fully divine and fully human, Jesus entered into our human experiences, including drinking alcohol and sanctifying it sacramentally as his blood at the institution of the Eucharist at the last supper (Matt. 26.27-29; Mark 14.23-25; Luke 22.17-20). These human experiences of alcohol, like all of Jesus' life, are then assumed into the Godhead through the Ascension.

9. On the other hand, the Christian understanding of our sinfulness recognizes that, like all of God's gifts, alcohol can be abused and become a source of human misery, enslavement, exploitation and violence. Therefore, some Christians have expressed theological doubts about the appropriateness of the consumption of alcohol by Christians. They have argued that drinking alcohol is not necessary for, and may impede, human flourishing. They note that alcohol addiction prevents a person from being in touch with who they are and offering themselves freely to God, that it causes a loss of moral control, and that an addicted person is enslaved to a god of their own. While this can be redeemed in Christ, abstinence may still be freely chosen by some people and even physically necessary for others in their new life of faith, and the church needs to recognize and support them in this.
10. Finally, whichever view is taken, eschatological considerations remind us that while a superabundance of wine is often used as an image of the messianic banquet at the end of the ages, alcohol will eventually pass away as the bliss of the eternal vision of God in heaven will surpass all such created things.
11. These biblical and theological considerations provide a clear and consistent message that there is nothing wrong with alcohol itself, but rather that it is a gift of God in creation to be received gratefully. Where there is concern about alcohol, it is not with its production or consumption *per se*, but with the misuse of alcohol. Thus, while God's people are free to produce, sell and consume alcohol in its various guises, we must always be careful to avoid abuse. Temporary abstinence, perhaps for periods of prayer or fasting (as in Lent), can often be beneficial, while those who never drink out of consideration for others are to be commended and supported.

#### The approach of the Christian Church

12. Institutions of the Christian Church – for example monastic institutions – have themselves often been involved in the production of alcoholic drinks, and some are today.
13. Alcohol consumption and abuse became a prominent ethical issue for Christians in the eighteenth and nineteenth centuries. Improved public water supplies turned alcoholic drinks into drinks of choice rather than – as had often been the case in the absence of safe drinking water – drinks of necessity. Alcohol consumption became a recreational activity and at the same time technological developments in industrialising societies made cheap spirits widely available. The growing

prevalence and visibility of alcohol abuse in the second half of the nineteenth century led to a strong Christian temperance movement in the UK and US centred upon, but not confined to, the Nonconformist churches. This was a tactical response to specific social problems.

14. Principled total abstinence from alcohol remains the approach of some Christian denominations and a significant minority of Christians as a way of expressing the concern that almost all Christians will share about the potential of alcohol, and its misuse, to cause harm.

#### The Church of England today

15. Alcohol is not regarded as unacceptable within the Church of England today. Alcohol is routinely served at Church social occasions. The Anglican rite of Communion uses alcoholic wine.
16. At the same time the Church of England is involved pastorally in the consequences of alcohol misuse and in its contributions to public policy debate is supportive of regulation to reduce alcohol-induced harm. The Church commented favourably for example on the 2010 report by the House of Commons Select Committee on Health which recommended, amongst other things, minimum pricing of alcohol units, mandatory labelling and restrictions on the availability of alcohol.

#### The ethical context – health harm

17. There can be health benefits – particularly a reduction in the risk of coronary heart disease – from drinking very moderate amounts of alcohol. But according to the British Medical Association ‘these are insignificant compared to the dangers of excessive intake’.<sup>1</sup>
18. Alcohol, as it is in practice consumed, does a great deal more harm than good to health in the population overall. According to the UK Department of Health, 10 million adults in the UK drink more than the recommended alcohol consumption limits and these 10 million drink 75% of all alcohol consumed in the UK.
19. The UK’s Chief Medical Officer said in 2009 that ‘alcohol is virtually akin to smoking as one of the biggest public health issues we have to face in this country’. The President of the Royal College of Physicians estimated in 2009 that alcohol is probably a significant factor in 30-40,000 deaths per year in the UK. UK deaths from liver cirrhosis increased more than five fold between 1970 and 2006 (although the European picture is not uniform – in France, Italy and Spain the number of deaths from cirrhosis of the liver fell between two and four fold between 1970 and 2006).

---

<sup>1</sup> All quotations and statistics in this policy are taken from the House of Commons Select Committee on Health report on alcohol, published in January 2010, unless otherwise indicated.

20. Alcohol misuse has other negative consequences for societies, including violence and domestic violence. In 2003 the UK Prime Minister's Strategy Unit estimated the total annual cost of alcohol to society to be £20bn.
21. The World Health Organisation (WHO) annual World Health Report in 2002 focused on the main risk factors globally to human health. The WHO uses 'disability-adjusted life years' (DALYs) as its measure of damage to human health. The measure covers both potential years of life lost due to premature death and years of healthy life lost by virtue of being in states of poor health or disability. The report stated that alcohol causes 4% of worldwide DALYs, only 0.1% less than tobacco which causes 4.1% of global DALYs. The report stated that, worldwide, alcohol causes 1.8 million deaths a year. It noted that the main damages to health globally caused by alcohol consumption are oesophageal cancer, liver disease, epilepsy, road traffic crashes, homicides and unintentional injuries.
22. According to HM Revenue and Customs data, overall UK per capita consumption of alcohol (measured in litres of pure alcohol) rose by 27% between 1995 and 2004 but fell by 3% between 2004 and 2007.

### The commercial context

23. In most developed economies, alcohol production is dominated by publicly listed companies – usually very large ones – seeking to grow profits for their shareholders. They have a commercial interest in stimulating demand for their particular products, either through consumers switching from competitors' products, or through consumers drinking more alcohol. Similarly alcohol retail is dominated by publicly listed companies. They have a commercial interest in consumers buying alcoholic drinks from them rather than competitors, or buying and drinking more alcohol. As well as serving responsible drinkers, alcoholic drinks producers and retailers will be serving the needs for alcohol of dependent drinkers and those who misuse alcohol.

### *Irresponsible product development*

24. Companies producing and retailing alcoholic drinks often take great pride in the quality and cultural heritage of the traditional products they produce or sell. However, producers and retailers may also design and market new alcoholic drinks products that target certain groups of consumers and may contribute to increased abuse of alcohol by these groups (e.g. 'alcopops' and 'shots' targeted at young drinkers).

### *Discounting by supermarkets*

25. In developed economies supermarkets are major retailers – and significant producers – of alcoholic drinks and may use low alcohol prices to attract customers. This is a particular problem in the UK at present. It has been estimated that between 1980 and 2007 alcohol became 69.4% more affordable, relative to household incomes. Teenagers drink twice as much as they did in 1990. The Halifax pocket money

survey indicates that 12-15 year olds' average weekly pocket money can buy over 50 units of alcohol in the form of a major supermarket's basic cider. Special offers and promotions that may increase consumption (e.g. three bottles of wine for £10) are common practice.

#### *Positive corporate responsibility developments*

26. In most developed economies, companies generally acknowledge that their alcoholic drinks products should be produced and marketed responsibly, and have corporate responsibility policies and procedures in place because of the potential of their product to cause harm. In the UK, the Portman Group has existed since 1989 as a collaborative venture by the UK industry's leading alcoholic drinks producers to promote responsible marketing. Its Code of Practice is policed by an independent panel. The DrinkAware Trust, also funded by the industry – both producers and retailers – promotes responsible drinking. Information printed on alcoholic drink packaging about units of alcohol contained and responsible drinking is improving. Retailers tend to have strict procedures to prevent the sale of alcohol to under 18s and some remove from sale products known to be subject to widespread local abuse. Business practice is being shaped and changed by developments in opinion in the public space.

#### *Industry lobbying*

27. Notwithstanding these positive corporate responsibility developments, companies typically strongly resist new regulatory measures proposed by governments and the more stringent measures favoured by health and other professionals with experience of the consequences of alcohol misuse.

#### *Developing countries*

28. In developing economies, the commercial context and ethical issues can be very different. Informal alcohol production can be bigger than formal production by companies. Informally produced alcohol can be more harmful than formally produced alcohol. It may be adulterated or inappropriately high in alcohol content, and its sale and marketing will not be regulated. In developing economies the capturing of market share by formal companies can therefore have relative public health benefits. Alcoholic drinks, particularly beer, can still also have a role as trusted 'safe' drinks where safe drinking water is unavailable. Major alcoholic drinks producers in low income markets are often doing important work developing local agricultural supply chains and distribution networks, bringing economic benefit. Companies have also helped to establish public health policies on alcohol where there were none.

#### Policy reasoning

29. The ethical investment policies recommended by the EIAG are biblically and theologically grounded. Policy advice is intended to ensure that the Church of

England's national investing bodies do not invest in, or derive profit from, activities which are inconsistent with ethical values generally held in the Church of England. The EIAG has formulated this advice in line with these principles.

30. The EIAG has also formulated its advice to take account of the increasing practice in ethical and responsible investment of engagement with businesses (in order to advance ethical business practice) and the exclusion from portfolios only of companies with the worst corporate practice (rather than the exclusion of all companies in an area of ethical concern regardless of whether the companies have strong corporate responsibility policies and procedures or not). On issues where it is not completely inappropriate for the Church investing bodies to devote capital or derive profit, these techniques can help to improve standards of ethical practice in business.
31. The EIAG was keen that the policy it recommended on alcoholic drinks investment should have a positive impact on standards of ethical practice in the production and retail of alcoholic drinks, especially because there is currently active public policy debate and business engagement on reducing alcohol-related harm. The EIAG observed, however, that responsibility for avoiding alcohol misuse is shared between producers, retailers, governments and individuals. The facilitation and practice of responsible alcohol consumption is the responsibility of all these parties, not just business.
32. The EIAG considered whether the improving standards of corporate responsibility in the alcohol production and retail sector are now high enough to justify the complete removal of restrictions on investment. While the EIAG welcomed the upward trend in responsible practice, it concluded that standards of corporate responsibility policies and practice across the sector, against the backdrop of ongoing extensive health and social harm, are not high enough to remove restrictions on investment.
33. The EIAG's outstanding concerns about corporate practice in relation to the production and retail of alcoholic drinks include:
  - a lack of adequate recognition of the potential of alcoholic drinks products to cause harm (usually manifested by an insistence that harmful consumption is confined to a 'tiny minority' of customers);
  - lack of labelling fully complying with official advice or good practice (e.g. in the UK, the Department of Health's labelling guidelines);
  - lack of initiatives to make it easier for consumers to stick to recommended limits (e.g. through innovation in product size or strength);
  - business models predicated upon excessive consumption of alcohol (e.g. bars designed to discourage moderate social consumption of alcohol through the removal of seating);
  - aggressive lobbying against official proposals to reduce alcohol harm (such as minimum pricing of alcohol units);



- irresponsible products (such as alcopops, shots, and cheap beers and ciders with high alcohol content);
  - irresponsible pricing and promotions (e.g. loss leading, defining below cost sales only as sales below the cost of duty and VAT, and promotions involving lower prices the more one buys);
  - tokenism of some initiatives (e.g. educational websites being set up that in practice have very little impact because they are not widely known about or used, educational campaigns carried out without proper outcome targets or evaluation, inadequate financial contributions to initiatives like DrinkAware).
34. The EIAG was very concerned about the lack of investor engagement with producers and retailers of alcoholic drinks about these issues. This is because, traditionally, ethical investors' alcohol policies have excluded these companies from ethical investment portfolios, and responsible investors have given little attention to responsible alcohol production and retail. The EIAG wishes to take a lead in using investor influence to promote responsible corporate practice.

### Policy conclusions

35. In the light of all the above considerations, the EIAG has decided to recommend that the national investing bodies should exclude from their investments any company deriving more than 5% of its turnover from the production or licensed sale of alcoholic drinks, unless the EIAG has assessed the company's policies and practices with regard to the responsible production and sale of alcohol and judged that these meet EIAG-specified minimum standards. The EIAG has recommended a low turnover threshold of 5% specifically to capture within the remit of the policy general retailers with significant alcohol turnover.
36. The intent of the policy recommendation is, first, that the national investing bodies should avoid investment in companies whose policies and practice are assessed to be inadequate to avoid complicity in the misuse of alcohol; and, second, that the EIAG should use its position of influence to encourage, support and advance ethical business practice in the production and retail of alcoholic drinks.
37. The new policy recommendation will be challenging to implement. The first step will be launching a standard-setting and UK engagement programme. The end product of this will be advice to the investing bodies on which UK-listed companies should be excluded from their investments under the recommended policy. The next step will be to extend the application of the policy to other markets. Until the new policy is implementable in an individual market, the EIAG's previous policy

recommendation of excluding from investment any company deriving more than 25% of its turnover from the production or retail of alcoholic drinks should continue to be operated.

Church of England Ethical Investment Advisory Group  
June 2011

Church House, Great Smith Street, London SW1P 3AZ  
Chairman: James Featherby. Secretary: Edward Mason  
*Email:* [eiag@churchofengland.org](mailto:eiag@churchofengland.org)  
*Website:* <http://www.churchofengland.org/about-us/structure/eiag>