

Church of England Ethical Investment Advisory Group

Tobacco Policy

November 2018

The National Investing Bodies of the Church of England have decided to adopt this policy on Tobacco on the advice of the Ethical Investment Advisory Group (EIAG). This policy codifies and updates a *de facto* restriction that has been in place since 1962.

The National Investing Bodies will exclude from their investments:

Tobacco

- Any company that derives more than 10% of their revenue from the production, distribution, or retail of tobacco products.
- Companies that manufacture and supply key products necessary for the production of tobacco products, such as flavouring, filters, roll-paper, machinery and packaging fall under this restriction.

E-Cigarettes

- Any company that derives more than 10% of their revenue from the production, distribution, or retail of e-cigarettes.

Discretionary inclusion/exclusion

- The NIBs may request further advice from the EIAG on an ad hoc basis, on whether a specific company should be added to or removed from the restricted stocks list. This will be in the light of bespoke consideration of that individual company. The EIAG may also advise on investments in other asset classes, such as private equity.

Church House, Great Smith Street, London SW1P 3AZ
Chairman: +David Walker. Secretary: Stephen Barrie
Email: eiag@churchofengland.org

Website: <https://www.churchofengland.org/about/leadership-and-governance/ethical-investment-advisory-group>

POLICY REASONING

1. There is some scriptural basis for 'healthy living', though this has not traditionally been associated with strong prohibitions on tobacco and alcohol (other than among the Puritans), e.g. 1 Corinthians 6:19, 20:
"Do you not know that your body is a temple of the Holy Spirit, who is in you, whom you have received from God? You are not your own; you were bought at a price. Therefore honour God with your body." (NIV)
2. The use of tobacco is addictive (nicotine), and harmful (carcinogenic), and it has been associated with a concern around 'excess' among Christian communities.
3. There are few bible passages that are specifically applicable to tobacco smoking (unlike e.g. alcohol consumption), however passages that relate to wisdom, ethics and prudence are apposite. Smoking would be worse in some circumstances than others, e.g. if young children stand to be affected by 'second hand smoke'.
4. Tobacco has not always been associated with medical/public health harms. In 17th Century Virginia, Anglican clergy were paid in tobacco rather than currency (the going rate established by legislation was 16,000 pounds of tobacco per annum¹). However, organised Christian opposition to smoking has origins in the temperance movement of the 19th Century², and gathered momentum in the 20th Century as the addictive properties and public health impacts became more widely known.
5. The National Investing Bodies have excluded investment in tobacco companies since 1962³. In 1964, an account was given that this decision was made "following the campaign regarding smoking and lung cancer"⁴, and a 1983 review of ethical exclusions stated that "Many thousands of people die prematurely because of diseases associated with smoking...the Committee believes that the case for retaining this category is clear cut."⁵
6. Tobacco remains a serious public health concern. There is a "global tobacco epidemic"⁶, that is an "avoidable tragedy"⁷. Tobacco kills up to half of its users; around 6m people *per annum*. Over 600,000 of these deaths are the result of non-smokers being exposed to second hand smoke (a quarter of these are children).

¹ See e.g. http://archive.tobacco.org/History/Tobacco_History.html and

https://www.encyclopediavirginia.org/Church_of_England_in_Virginia [Accessed October 2017]

² The USA's Women's Christian Temperance Movement published a "Leaflet for Mothers' Meetings" titled "Narcotics", by Lida B. Ingalls in 1880. Discusses evils of tobacco, especially cigarettes. Cigarettes are "doing more to-day to undermine the constitution of our young men and boys than any other one evil" (p. 7).

³ Church Commissioners' Policy Unit (2006) *Commissioners' Ethical Policies 1948-2006* – Historical Background

⁴ A(64)34

⁵ CC(83)72

⁶ http://www.who.int/tobacco/global_report/2015/en/

⁷ <http://www.who.int/mediacentre/commentaries/early-tobacco-death/en/>

Church House, Great Smith Street, London SW1P 3AZ

Chairman: +David Walker. Secretary: Stephen Barrie

Email: eiag@churchofengland.org

Website: <https://www.churchofengland.org/about/leadership-and-governance/ethical-investment-advisory-group>

The impact of tobacco falls disproportionately on low- and middle-income countries, which are home to 80% of the world's smokers⁸.

7. The tobacco industry has also been subject to concerns over political lobbying (that resists public health initiatives), and unethical marketing practices.
8. Risk-focussed ESG integration strategies tend to view tobacco exposure as a long term risk⁹, as regulations and public sentiment move against it. Our motivation for this exclusion is a desire not to derive profit or benefit from a product that so clearly damages public health, and we note that mounting regulatory pressure indicates overlapping financial reasons to question these business' sustainability over the long term.

E-Cigarettes

9. E-cigarettes are seen as having 'strategic' importance by major tobacco companies¹⁰, though their use declined in 2016 and they face regulatory pressure¹¹.
10. Public Health England reports that they are 95% safer than cigarettes, can help smokers to quit, and do not undermine the long term decline in smoking¹².
11. As a "healthier alternative" that can help smokers to quit, e-cigarettes could be supported. However, at this time it is still too early to have an academically robust view of their long term health effects¹³. We therefore take a precautionary approach to investment in e-cigarettes and other apparently 'less harmful' tobacco products, such as heated-tobacco. We are not alone in considering that the balance of risk indicates caution. The WHO, for example, urges countries "to consider banning or restricting advertising, promotion and sponsorship of [electronic cigarettes]"¹⁴. We will keep tobacco alternatives under review.

⁸ <http://www.who.int/mediacentre/factsheets/fs339/en/>

⁹ MSCI Tobacco, *a practical guide for institutional investors* (September 2017)

¹⁰ See e.g. <http://www.bat.com/ecigarettes>

¹¹ MSCI Industry Report: Tobacco (January 2016)

¹² UK Government *E-cigarettes, An Evidence Update*

¹³ <https://hansard.parliament.uk/Lords/2016-07-04/debates/16070434000128/TobaccoAndRelatedProductsRegulations2016#division-4543>

¹⁴ [http://apps.who.int/gb/fctc/PDF/cop6/FCTC_COP6\(9\)-en.pdf?ua=1](http://apps.who.int/gb/fctc/PDF/cop6/FCTC_COP6(9)-en.pdf?ua=1) (2014)

CONFIDENTIAL

NATIONAL INVESTING BODIES

Implementation Note – Tobacco.

The terms of the Tobacco Policy of the National Investing Bodies (NIBs), recommended by the Ethical Investment Advisory Group (EIAG), require a company to be considered a restricted stock if it generates 10% of its revenue from tobacco or e-cigarettes.

Our current ethical screening data-provider counts e-cigarette revenue as tobacco. It would therefore restrict a company that derives 8% of its revenue from conventional tobacco products and 8% from e-cigarettes. This approach is more restrictive than the current letter of the EIAG's Policy Advice. However, the NIBs are content that this approach is appropriate.

Agreed by the CEOs of the National Investing Bodies on 1st October 2018.