

Investment in alcohol related companies

1. **The Biblical background**

- 1.1 Biblical writers recognise the dual nature of alcohol: its capacity not only to give pleasure but also to cause harm.
- 1.2 The Bible's teaching on alcohol would seem to indicate a consistent theme that the production and consumption of wine in moderation is a good, rather than a bad, thing.
- 1.3 The Bible is also full of examples where alcohol is seen as a demonstration of God's good gifts: *"Go, eat your food with gladness, and drink your wine with a joyful heart, for it is now that God favours what you do."* (Ecclesiastes 9 v7) and *"you cause the grass to grow for the cattle, and plants for people to use, to bring forth food from the earth, and wine to gladden the human heart, oil to make the face shine, and bread to strengthen the human heart"* (Psalm 104 v14-15).
- 1.4 Alcohol was also seen in the Bible as having medicinal purposes: *"No longer drink only water, but take a little wine for the sake of your stomach and your frequent ailments"* (1 Timothy 5 v23).
- 1.5 However, there are also clear warnings against alcohol misuse. For example in the Old Testament we see *"Ah, you who rise early in the morning in pursuit of strong drink, who linger in the evening to be inflamed by wine"* (Isaiah 5 v11), whilst in the New Testament Paul writes: *"So do not be foolish, but understand what the will of the Lord is. Do not get drunk with wine, for that is debauchery; but be filled with the Spirit"* (Ephesians 5 v17-18). Indeed he goes further in his letter to the Galatians, contrasting the 'self-control' given by the 'work of the Spirit' with what we might call the 'moral anarchy' released if our lower natures are unleashed: *"Now the works of the flesh are obvious: fornication, impurity, licentiousness, idolatry, sorcery, enmities, strife, jealousy, anger, quarrels, dissensions, factions, drunkenness, carousing, and things like these. I am warning you, as I warned you before: those who do such things will not inherit the kingdom of God."* (Galatians 5 v19-21). Paul seems to argue that excessive drinking should be condemned, not just as something bad in itself, but as something liable to encourage other ills such as violence or promiscuity.
- 1.6 The Bible also includes references to the practice of abstinence and self-denial. Priests, for example, should not drink during their period of service: *"They shall not shave their heads or let their locks grow long; they shall only trim the hair of their heads. No priest shall drink wine when he enters the inner court. They shall not marry a widow, or a divorced woman, but only a virgin of the stock of the house of Israel, or a widow who is the widow of a priest"* (Ezekiel 44v20-22). Abstinence is also associated with seeking God's strength to undertake specific activities: *"When either men or women make a special vow, the vow of a Nazirite, one separated or one consecrated to separate themselves to the Lord, they shall separate themselves from wine and strong drink; they shall drink no wine vinegar or other vinegar, and shall not drink any grape juice or eat grapes, fresh or dried"* (Numbers 6 v2-3).
- 1.7 Jesus advocated fasting, *"the days will come when the bridegroom is taken away from them, and then they will fast"* (Mark 2: 18-20) but also participated in feasting where wine was served, performing his first miracle at the wedding feast at Cana: *"Now standing there were six stone water-jars for the Jewish rites of purification, each holding twenty or thirty gallons. Jesus said to them, 'Fill the jars with water.' And they filled them up to the brim. He said to them, 'Now draw some out, and take it to the chief steward.' So they took it. When the steward tasted the water [it] had become wine."* (John 2 v6-9).

- 1.8 Paul also makes it clear that Christians have a duty to consider the effect their conduct may have on others, particularly the weaker members of the community: *“Do not, for the sake of food, destroy the work of God. Everything is indeed clean, but it is wrong for you to make others fall by what you eat; it is good not to eat meat or drink wine or do anything that makes your brother or sister to stumble.”* (Romans 14 v20-21).
- 1.9 Given the many references to vineyards throughout the bible, from likening Israel to one: *“The vineyard of the LORD Almighty is the nation of Israel, and the people of Judah are the vines he delighted in.”* (Isaiah 5 v7) to the parables of Jesus: *“For the kingdom of heaven is like a landowner who went out early in the morning to hire workers for the vineyard”* (Mathew 20 v1) it might be safely inferred that working in the production of wine is not an inappropriate activity.
- 1.10 The biblical approach to alcohol appears to be one which embraces the paradox of it being a gift from God to be consumed and enjoyed whilst recognising that when used inappropriately it can cause great damage and harm. Therefore emphasis is placed on:
- the need for self control and;
 - the responsibility we bear to one another in relation to its use.

This gives rise to the argument that products or locations which actively encourage heavy drinking and the consequent loss of self control that may accompany it, are unacceptable.

2. The Methodist tradition

- 2.1 Although John Wesley did not object to the drinking of wine or ale, indeed he encouraged a married man’s wife in Llanelli to open a brewery, he did campaign against strong drink and profiting from the sales of spirits. In the eighteenth century there was explosive growth of the urban poor and for the first time cheap mass-produced spirit became available. Public health suffered, immorality increased and children were neglected as gin was used to seek a temporary escape from the miseries of everyday life. This provided the social context for Wesley’s stance.
- 2.2 The Rules for the United Societies (1743) instructed members to avoid “drunkenness and selling spirituous liquors or drinking them”. And in his sermon, The Use of Money, Wesley gave two reasons to abstain from profiting from alcohol:
- *“We may not gain by hurting our neighbour in his body. Therefore we may not sell anything which tends to impair health. Such is, eminently, all that liquid fire, commonly called drams, or spirituous liquors”.*
 - *“We may not gain by hurting our neighbour in his soul, by ministering, either directly or indirectly, to his chastity or intemperance ... it concerns all those who have anything to do with taverns.”*
- 2.3 Like Paul, Wesley appears concerned that heavy drinking leads to the loss of self-control and to further ills such as violence and sexual licence. As in Isaiah, there is an awareness of social justice issues. For example, ‘tavern-keepers’ may exploit the weakness of the poor to make themselves richer, whilst putting the poor further into penury. Methodism was, at the time, well known for helping the people climb out of dire poverty through self-improvement programmes. Wesley warned against profits made from ‘taverns,’ which from the context seem to be places whose main function was to encourage drunkenness rather than ‘inns’ which had a more general purpose.

- 2.4 Methodism is closely associated, in many people's minds, with the temperance movement. Enthusiasm for temperance varied greatly between the different Methodist churches. The main emphasis of the temperance movement was on personal abstinence until the mid-nineteenth century, but from then on it shifted to legislative controls. It was at this point that Methodist churches became more involved in the call for controls on the sale of alcoholic drinks.
- 2.5 In 1974 the Methodist Conference Declaration on the Non-medical Use of Drugs was passed. This stated that *"the judgment of the Methodist church has always been that to transform the practice of total abstinence into legal precept would be a false step ... the sincerity and integrity of those who take differing views on whether they should drink or abstain is fully recognised."* The 1987 Conference report, *Through a Glass Darkly*, continued the theme of personal responsibility alongside Government efforts for harm reduction. The 1999 Conference Report, *Methodist Attitudes to Alcohol*, argued that the issues of concern were around our *"barbaric drink culture"*, with binge drinking and people drinking, principally, to get drunk.

3. Other church traditions

- 3.1 From early in the Christian era, sects had appeared advocating abstinence from alcohol, but by the late fourth and early fifth centuries, the Church responded by asserting that wine was an inherently good gift of God to be used and enjoyed. While individuals may choose not to drink, to despise wine was heresy.
- 3.2 With the collapse of the Roman Empire and decline of urban life, religious institutions, particularly monasteries, became the repositories of closely guarded brewing and winemaking techniques. Throughout the Middle-Ages, the best vineyards belonged to the monasteries, producing not only the wine necessary to celebrate the Mass, but also to finance their activities.
- 3.3 The Roman Catholic and Orthodox Churches have never seemed to have much problem in relation to alcoholic drinks. Indeed the credit for discovering the distillation process in the Middle-Ages has been given to monks based at Salerno in Italy, who heated wine in closed vessels to produce brandy. At this time distilled spirits were extremely expensive and used for medicinal purposes for headaches, stomach trouble, and as a general painkiller. Indeed it was for medicinal purposes that many monastic drinks were first produced, a tradition that continues to flourish today.
- 3.4 Following the Reformation, the views of Protestant leaders such as Luther, Calvin, the Anglican Church in general and even the Puritans did not differ substantially from the teachings of the Catholic Church in relation to alcohol, regarding it as a gift from God, created to be used in moderation for pleasure, enjoyment and health, whilst drunkenness was viewed as a sin.
- 3.5 It was not until the eighteenth century that alcohol became a major ethical issue for Christians and even then it was based on public health issues rather than a change in theological thought.

4. Other church policies

- 4.1 A review of the policies of Church Investors Group members reveals a number of common threads:
- A desire to avoid undermining the credibility and witness of the Church by profiting from or providing capital for activities judged to be contrary to Christian principles. This would include anything that exploits, demeans or corrupts people.
 - A desire to engage constructively to encourage responsible business practices and a high standard of corporate behaviour.

However, there is not universal agreement on how these relate to investment in alcohol related businesses.

- 4.2 All Protestant denominations seek to exclude alcohol, although the level at which this occurs ranges from 5% to 25% of revenues or profits derived from alcohol, where a specific figure is used. Some explicitly link exposure to other excluded products (notably tobacco) to produce a composite exclusion level.
- 4.3 Non-denominational charity members take varying positions guided by their underlying charitable purpose. For example, Christian Aid does not list alcohol as an excluded business sector, but makes specific reference to alcohol in relation to inappropriate business practices such as unethical marketing practices aimed at exploiting developing countries. In addition abuse or exploitation of any persons is considered inappropriate, which could be judged to include the sale of alcohol.
- 4.4 The majority of policies of Catholic members make no specific mention of alcohol from which it can be inferred that the production and sale of alcohol is not considered contrary to the ethos and teachings of the Catholic Church. However, some religious orders do exclude alcohol out of solidarity with the poor, powerless and oppressed.
- 4.5 The most detailed policy is that of the Church of England, which was revised by the Ethical Investment Advisory Group (EIAG) in June 2011. The preamble to the report states: *“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.”*
- 4.6 This new policy was introduced because of awareness that, with the previous threshold of 25%, some of the worst offenders in terms of responsible behaviour, for example supermarkets, fell well below the threshold because of the size of their business. On the other hand, more ‘specialist’ companies, which might have more ethically developed practices around alcohol, would be automatically excluded from investment because of the level of their exposure. The new 5% threshold would allow supermarkets to be excluded if their practices raised concerns, whereas if, after appropriate engagement, it was decided that a company enforced responsible practices, investment could be possible up to an exposure of 25%.
- 4.7 Wespath, the investment management division of the General Board of Pension and Health Benefits of The United Methodist Church, states that it will not invest in *“any company producing, as its core business, alcoholic beverages (beer, wine, distilled liquor) or receiving 10% or more of gross revenues from selling, distributing or marketing alcoholic beverages.”*¹ Similarly UCA the fund management arm of the Uniting Church in Australia, Victoria and Tasmania Synod avoids companies if their exposure to alcohol exceeds 5%².

5. CFB precedent and policy

- 5.1 The 1999 Position Paper *‘Investment in Alcohol Related Companies’*³ reached two key conclusions deriving from both Biblical teaching and the teachings of John Wesley:
- that alcohol was not a bad thing in itself;
 - but it was crucial to consider the ways in which it was used.

¹ Investment Strategy Statement, December 2011 revision.

² Ethical Investment Policy, June 2009 revision

³ <http://www.cfbmethodistchurch.org.uk/ethics/index.php> accessed 7 June 2012

5.2 It also stated that there had been two important precedents:

- *“the CFB divested from a food retailer on ethical grounds when the proportion of its sales from alcohol rose above 20%”;*
- *“although a transport group was placed under review when alcohol sales were believed to be approaching 20%, the holding was retained.”*

5.3 The CFB Policy dated March 2002 stated that the CFB would:

- consider involvement in spirits and alcopops more negatively than that for beer and wine;
- continue to avoid investment in companies with a significant exposure to the production and sale of alcohol;
- continue to avoid companies which control licensed premises whose commercial success is mainly linked to increased drinking. Investment in hotel chains or restaurants where alcohol is served as an ancillary function to their main business should not be ruled out on this ground alone.

6. Current issues around alcohol

6.1 Excess drinking

The intention behind the Licensing Act 2003 was partly to change UK drinking culture, moving from rapid drinking in ‘vertical drinking establishments’ (pubs where there are few seats, encouraging people to drink more) to a more continental culture, where there are longer opening hours and less pressure to drink quickly. However with many establishments using larger ‘standard’ glasses as well as still being designed to encourage excessive and rapid consumption, binge and chronic drinking are clearly still serious problems. A YouGov poll commissioned by the Methodist Church and its partners in November 2011 found that 61% of adults felt that excessive drinking was a problem in their neighbourhood. Town centres can become no-go areas on Saturday nights⁴.

6.2 Finance

It is estimated that the total societal cost of alcohol misuse in England is £55.1 billion⁵. This includes £21 billion to individuals and families (e.g. loss of income), £2.8 billion for public health services, £2.1 billion to other public services and £7.3 billion cost to employers (e.g. absenteeism). On the other hand, taxes on alcohol are a major source of Government revenue, raising £9bn in 2009/10.

6.3 Health

During 2011, in England alone there were 1 million hospital admissions due to alcohol abuse, and alcohol cost the NHS £2.7 billion pounds⁶. Alcohol is the third largest lifestyle risk factor for disease and death in the UK, after smoking and obesity.

6.4 Crime

A significant proportion of police arrests and dangerous driving incidents are linked to excessive alcohol consumption. It is estimated that there were almost 1 million alcohol-related violent crimes in 2010/11.⁷

⁴ Review of Alcohol Taxation, HM Treasury November 2010

⁵ The National Social Marketing Centre, quoted in the Health Select Committee Report on alcohol (2010)

⁶ Department of Health 2008 report *The Cost of Alcohol Harm to the NHS in England*

⁷ Chaplin et al (2011): Crime in England and Wales 2010/11. Home Office Statistical Bulletin 10/11.

6.5 Effect on children

Between 1.3 and 2.6 million children in the UK are adversely affected by parental problem drinking⁸. Young people are dying of drink related diseases. In 2009/10, 3,700 children were admitted to hospital due to alcohol⁹. There is also concern about products, such as alcopops, seemingly designed to appeal to and encouraging consumption by children.

6.6 Alcoholic content

It is worth noting that until the invention of closed fermentation in the twelfth century, wine and beer were much weaker in strength than their modern equivalents. Beer and wine have been available since antiquity and in the unsanitary cities of Tudor and Stuart England weak beer was often drunk in preference to polluted water, even being given regularly to children. However, in recent years growth in the consumption of premium beers has meant an increase in the alcohol content of much of the beer that is drunk. The alcoholic content of wine has also increased significantly over the past few decades, with the median content rising from 12.7% in 1992 to 13.8% in 2009.¹⁰

6.7 Pre-loading

This means drinking significant quantities of cheap alcohol before a night out, so increasing levels of drunkenness. 'Pre-loaders' are two-and-a-half times more likely to be involved in violence than other drinkers¹¹.

6.8 Role of the industry

In 2011 the Government established a '*Responsibility Deal*', under which the industry made a series of voluntary pledges designed to tackle big health issues like alcohol abuse and obesity. However health bodies, including Alcohol Concern, the British Medical Association and the Royal College of Physicians, walked away from the deal, arguing that the pledges were not specific enough, insufficiently measurable and that the industry had been dictating policy. Companies tend not to be keen on pledges that are effective in reducing problem drinking as they would also be likely to reduce sales and/or profitability. Accusations of tokenism aimed at industry efforts to raise awareness of the widespread problems related to drinking are given credence by aggressive industry lobbying against initiatives, such as minimum pricing, aimed at reducing the harm from alcohol and the promotion of products such as alcopops aimed at children.

6.9 Location

There is a fundamental change in the location where drinking takes place. The British Beer & Pub Association calculates that almost twice as much alcohol is now bought from off-licensed premises as from pubs and other licensed premises¹². An estimated 50 pubs are closing each week¹³ and supermarkets often discount alcohol heavily as 'loss leaders' which appears to contribute to the practice of 'pre-loading'.

⁸ 2010 Health Select Committee report on alcohol

⁹ Department of Health 2009/10 Hospital Episode Statistics

¹⁰ Alston et al (2011): *Splendide Mendax: False Label Claims About High and Rising Alcohol Content of Wine*

¹¹ Hughes et al (2008) 'Alcohol, nightlife and violence: the relative contributions of drinking before and during nights out to negative health and criminal justice outcomes', *Addiction*, 103 (1), pp 60-5

¹² <http://www.ias.org.uk/resources/factsheets/consumption-uk.pdf> accessed 30 May 2012

¹³ <http://www.closedpubs.co.uk/> accessed 7 June 2012

6.10 Minimum pricing

Alcohol has become cheaper (estimated to be 44% more affordable than in 1980), stronger and more widely available over the past couple of decades. This has led to calls, supported by health bodies, charities and faith groups including the Methodist Church, for a minimum price per unit of alcohol to tackle the availability of chronically cheap drink. Consumption is linked to price, higher consumption is linked to greater harm and price is of most interest to young people and to heavy or problem drinkers. The Government has indicated that it intends to introduce a minimum price for England and Wales¹⁴. The Scottish Government introduced a Bill to impose a per unit price of 50p on all alcohol sold in Scotland. Food retailers are divided on the question of minimum pricing, with Tesco, for example, being supportive and Asda hostile¹⁵.

6.11 Labeling

Including health information with all alcohol sold can contribute to people making responsible decisions about alcohol consumption. In 2003 the Methodist Church called on the Government to require health information, including unit contents, to be included on packaged drinks and in retail outlets. A voluntary code was introduced in 2007, but this was not widely observed. In 2011 the industry, through the Portman Group, pledged to have labels on 80% of all drink containers by volume by December 2013. Label claims on average understate the true alcohol content by 0.39% to 0.45% depending on the country of origin¹⁶. Some winemakers admit to understating deliberately the alcohol content on a wine label, within the range of error permitted by the law, because they believe it to be advantageous for marketing.

6.12 Advertising

The advertisement and marketing of alcohol is governed by various codes of practice. The broadcast and non-broadcast codes administered by the Advertising Standards Authority, for example, state that *“advertisements for alcoholic drinks should not be targeted at people less than 18 years of age and should not imply, condone or encourage immoderate, irresponsible or anti-social drinking”*. The industry funded body, the Portman Group, operates a code of practice on the *“naming, packaging and promotion of alcoholic drinks”*. There is a link between advertising and people’s alcohol consumption, particularly those under the age of 18¹⁷ and the amount and nature of advertising, including sponsorship and tie-ins, has a particular impact on their subsequent drinking behavior¹⁸. Public health experts have called for the advertising of alcohol, like tobacco, to be banned on television and in cinemas.

7. Revised CFB position

7.1 This Position Paper recognises that since the CFB articulated its ethical investment policy on alcohol in 2002, much has changed, principally:

- Trends in consumption away from traditional licensed premises towards pre-loading and vertical drinking establishments.
- The emergence of the major food retailers as the main location for consumers to buy alcohol and where it is often sold below cost price as a ‘loss leader’.
- The significant increase in the alcoholic content of wine over the past few decades, and the growth in the consumption of premium beers with a consequent increase in the alcohol consumed per measure suggests that the previous distinction between spirits/alcopops and beers/wines, though still relevant may have become less significant.

¹⁴ www.homeoffice.gov.uk/drugs/alcoholstrategy

¹⁵ For more information on minimum pricing and the Methodist Church’s position see <http://www.jointpublicissues.org.uk/alcohol/>

¹⁶ Alston et al 2011

¹⁷ Booth et al. (2008): Independent review of the effects of alcohol pricing and promotion, Department of Health.

¹⁸ Smith et al (2007): The effect of alcohol advertising and marketing on drinking behaviour in young people: A systematic review, Alcohol Education and Research Council.

- The cost to society in terms of violence, crime and the health consequences of excessive alcohol consumption has continued to grow.
- The impact of alcohol on children is of particular, and growing, concern.
- The failure of producers and retailers adequately to accept their own complicity in or attempt to curb the worst excesses of alcohol consumption via the policing of sales or via pricing and health awareness campaigns.

7.2 Given the increasing concern about the impact of alcohol misuse to individuals and to society:

- There is a clear need for CFB to increase the level of proactive engagement with those companies with a reasonable exposure to alcohol.
- As exposure rises, concerns around a company would grow and there would need to be increasing engagement around corporate practices, marketing and the promotion of responsible drinking.
- If a company has a significant exposure to alcohol but refuses to engage on these issues, then there may be a question of whether it is suitable for investment.

7.3 Consequently:

- Previous CFB decisions to disinvest from companies with material exposure to alcohol remain important precedents;
- Exposure to alcohol is not considered in isolation from other product lines which raise ethical concerns such as tobacco, pornography and gambling;
- The CFB will continue to be increasingly concerned with maintaining an investment in a company whose exposure to alcohol is material and growing;
- The CFB will continue to avoid investment in companies on the grounds of its exposure to the production and sale of alcohol;
- The CFB will continue to avoid companies which control licensed premises whose commercial success is mainly linked to increased or excessive 'volume' drinking;
- Where applicable, companies exposed to high alcohol content products such as spirits, liqueurs and premium beers will be looked on less favourably than those involved with wine and beer with lower alcohol content;
- Investment in hotels or restaurants where alcohol is served as a secondary activity may be viewed as generally acceptable, whilst public houses, off-licenses and licensed bars where it is the primary activity, may not;
- Particular engagement with large retailers for whom alcohol is a significant, but not major, part of their business is required to ensure the criteria below are satisfactorily observed;
- Products, such as alcopops, designed to encourage drinking by the young or vulnerable are discouraged;
- The CFB should continue to focus its engagement with companies on business behaviour and responsible drinking practices, particularly:
 - Supporting public and industry health awareness campaigns
 - Supporting responsible drinking and awareness
 - Ensuring advertising and marketing, including labelling, meets regulatory and responsibility 'best practice'
 - Retailing alcohol in a responsible way that does not encourage excessive consumption
 - Not targeting sales, advertising and offers at the under-aged or vulnerable.

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