

Analysis Criterion

Alcoholic Beverages

Storebrand Sustainability Team



Storebrand aims to invest in corporations that contribute actively to sustainable development. We believe such practices – when integrated into core business – will be financially rewarded. Storebrand will not invest in companies that derive more than 10 percent of their income from the sale or production of alcoholic beverages, or from components used exclusively in such beverages.

Definition

Alcoholic beverages refer to all consumables containing more than 2.5 percent alcohol by volume.

Background

Investors that avoid placement in Alcoholic Beverage suppliers often do so on moral or religious grounds. However, there are additional and convincing arguments for steering clear of these types of investments.

Alcohol abuse and dependence result in a wide range of physical, mental and social problems. Over the years scientists have documented the effects of alcohol in the development of a variety of medical problems, including cardiovascular diseases, liver cirrhosis, and foetal abnormalities. There is also considerable evidence of the effect of alcohol consumption on the health of the consumer and those affected by them through road, fall and fire injuries, drowning, suicide, homicide as well as spouse and child abuse.

In 1999 WHO released the Global Status Report on Alcohol on consumption, related health and accident problems and trends from all continents. It showed that while recorded alcohol consumption among adults has continually declined in most developed countries since 1980, it has risen steadily in developing countries and countries of the former Soviet Union. The report also pointed out that there exists a close correlation between the availability of alcoholic beverages and incidences of dependency and problems related to alcohol.

Studies replicated across cultures and continents have found correlations between alcohol use and suicide, homicide and other violent crimes. In the US, almost one in four of all victims of violent crimes report that the offender was under the influence of alcohol and the National Crime Victimization Survey (NCVS) has consistently found that more than any other drug, alcohol is involved in substance-related violence. In Norway, according to police reports, 80 percent of all crimes of violence, 60 percent of all occurrences of rape, arson and vandalism, and 40 percent of all burglaries and thefts are committed while under the influence of alcohol.

Most countries curb alcohol consumption through restricting the sale of alcoholic beverages in stores, bars and nightclubs. Those measures proven most effective in reducing and preventing

alcohol-related harm include restrictions on physical availability (including prohibitions, minimum age laws, monopoly and licensing systems), alcohol taxes, restrictions on discounting, and policies such as maximum blood alcohol content (BAC) laws that seek to reduce the harm caused by drinkers.

Scope

The criterion applies to producers and distributors whose sale of alcoholic beverages exceeds 10 percent of total sales. Companies are not covered by this criterion if they are involved in advertising alcoholic products, or are other non-alcohol suppliers to the alcoholic beverage industry.

Methodology and data sources:

If a company is detected to generate revenues from production or have more than 5% of its revenues from distribution of alcohol as screened by either of the data providers Sustainalytics or ISS-Ethix, the company will be excluded.

Example of an excluded company

A large Japanese brewery is excluded based on this criterion. 56 percent of its sales are derived from Alcoholic Beverages; the remaining comes from its soft drinks, food and pharmaceutical businesses.

This screening of companies based on the Alcoholic Beverages criterion results in the exclusion of between 20-25 companies belonging to the MSCI World Index.

References

Secretary of Health and Human Services, 10th Special Report to the US Congress on Alcohol and Health, June 2000.
<http://www.niaaa.nih.gov/publications/10report/chap01.pdf>

Global Status Report on Alcohol. Geneva, WHO, 1999 (document WHO/HSC/SAB/99.11)
http://www.who.int/substance_abuse/pubs_alcohol.htm

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Criterion enforced since: 1997

Responsible for policy: Risk and Ownership Team, Storebrand Asset Management

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