Alcohol Healthwatch
Whakatūpato Waipiro

Submission to the review of KiwiSaver default provider arrangements

18 September 2019

Alcohol Healthwatch is an independent charitable trust working to reduce alcohol-related harms and inequities. We are committed to working in accordance with the principles of the Treaty of Waitangi and the cornerstones of the Ottawa Charter. We are contracted by the Ministry of Health to provide a range of regional and national health promotion services. These include: providing evidence-based information and advice on policy and planning matters; coordinating networks and projects to address alcohol-related harms, such as alcohol-related injury and fetal alcohol spectrum disorder; and coordinating or otherwise supporting community action projects.

Thank you for the opportunity to provide feedback on the review of KiwiSaver default provider arrangements.

If you have any questions on the comments we have included in our submission, please contact:

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Section 6 Responsible Investment

1. Alcohol Healthwatch has chosen to submit only on matters that relate to Section 6: Responsible Investment.
2. We consider that the evidence demonstrating the harm from alcohol is compelling. For reasons outlined in our submission, investment in alcohol companies contradicts the Government's approach to improving the well-being of all New Zealanders.

a) Alcohol is no ordinary investment commodity

3. Alcohol is a cause of over 200 health conditions[1], and as a Group 1 Carcinogen[2] it is a causal factor for seven types of cancer.[3] This includes New Zealand's common cancers – bowel cancer and female breast cancer.
4. Of all legal and illegal drugs available in society (including tobacco, cannabis, methamphetamine, etc.), alcohol causes the most harm (to the user and to others).[4]
5. Every year, as many as 800 New Zealanders die prematurely from their drinking. Of these deaths, 43% are due to injuries, 30% are due to cancer and 27% are due to other chronic diseases.[5] Among all women drinkers in New Zealand, breast cancer is the leading cause of alcohol-attributable death. More than one-third of alcohol-attributable breast cancer deaths result from an average consumption of less than two standard drinks per day.[6]
6. The direct and indirect harms from alcohol affect the well-being of every New Zealander and continue to place significant strain on our health and justice systems.
7. Alcohol consumption is well-known to exacerbate family violence and mental health issues (including suicide), increase the risk of crime and traffic crashes, and cause Fetal Alcohol Spectrum Disorder. Many of these harms are not experienced equally across our society: Māori, women, children, and those living in socio-economically deprived communities bear the greatest burden of alcohol-related harm.
8. Alcohol is also an addictive substance, with almost half of all cases of dependence in New Zealand being developed by the age of 20 years.[7] Our environment plays a major role in enabling heavy drinking – particularly the high availability of alcohol in our communities, coupled with low prices and ubiquitous advertising and promotion. These characteristics drive consumption and make it harder for New Zealanders to cut down their drinking.

b) The majority of New Zealanders want to avoid investing in alcohol companies

9. Public opinion polling has shown that almost two-thirds (63%) of New Zealanders want to avoid investing in companies that sell alcohol.[8]
10. However, Mindful Money's analysis shows that only 1% of all KiwiSaver funds have a policy of excluding alcohol; the remaining 99% of funds have $428 million invested in alcohol. Of the 265 KiwiSaver funds that are available to the public, only 12 clearly exclude investments in alcohol.
11. This demonstrates that there is a clear gap between savers' preferences and their investment choices, akin to the gap identified in the Discussion Document between savers' tendency to remain in conservative funds by default and what would likely be in their best financial interests. In both instances, this gap justifies changing the default settings so as to better help savers to achieve their goals. The case for changing the default settings for

alchol investment may in fact be stronger: it is known that people wish to avoid investing in companies that sell alcohol, whereas it is merely thought that fewer people should wish invest in conservative funds than at present.

c) Responsible / ethical investment aligns with a well-being framework

12. We strongly believe that responsible investment aligns with the current well-being approach adopted by the Government.

13. Alcohol consumption (particularly at hazardous levels), causes significant harm in communities. Of concern, more New Zealanders are harmed by the drinking of others, than from their own drinking.[9] The direct and in-direct harms from alcohol negatively impact the well-being of all New Zealanders.

14. As such, efforts to reduce consumption across the population will improve the well-being of New Zealanders, particularly those that experience the greatest harm from their drinking or from that of others.

d) Current KiwiSaver investments benefit multi-national alcohol companies

15. The alcohol market in New Zealand, and internationally, is dominated by multi-national alcohol companies. Every year, corporations are consolidating more and more.

16. The top ten alcohol producers in New Zealand represent 80% of the alcohol market in terms of turnover.[10] The majority of the top ten are internationally-owned alcohol companies.

17. Companies commonly invested in KiwiSaver funds include the following (with their respective revenue figures in 2018-19 brackets, in USD[11]).

Company	Country	Turnover
Anheuser-Busch InBev	Belgium	$54.6 billion
Heineken	The Netherlands	$26.5 billion
Kirin Holdings	Japan	$17.5 billion
Diageo	UK	$16.7 billion
Molson Coors Brewing	USA	$10.8 billion
Pernod-Ricard	France	$10.7 billion
Carlsberg	Denmark	$9.9 billion
Constellation Brands	USA	$8.1 billion

18. However, do note that company sales may include products other than alcoholic beverages. For example, Asahi Group Holdings also sells non-alcoholic products like soft drinks.

19. Of the total revenue made by alcohol producers in New Zealand in 2010, only 20% of revenue was gained by New Zealand wholly-owned companies.[10] Many New Zealand companies are subsidiaries of multinational conglomerates, including Pernod Ricard (Brancott Estate, Stoneleigh and Church Road), Lion (Speight’s, Steinlager) and Asahi (Woodstocks, Boundary Road, Wild Side ciders). In relation to wine, over one-half of annual turnover was generated foreign-owned companies.[10]

20. We recommend that New Zealand-owned alcohol companies should also be excluded from investment by default (and all other) KiwiSaver providers. Currently, for example, Delegats Wine is included in the KiwiSaver schemes and this is a wholly-owned New Zealand company.

21. Wine drinkers are not immune to alcohol harm and this is concerning given that the popularity of this beverage has been rising steadily. Between 2000 and 2018, consumption of wine in New Zealand increased by 56%, from 69 to 108 million litres per year.[12]

22. The increase in wine consumption has been accompanied by a steady decrease in its real price over time[13], as oversupply or gluts in wine production spill into the New Zealand domestic market. Today, cask wine (68c per standard drink) and bottled wine (85c per standard drink) are, by far, the cheapest alcoholic products in the New Zealand domestic market.

23. Further, many members of the New Zealand wine and beer sector (through the New Zealand Wine Growers Association and Brewers Association) continue to be an active industry partner in promoting ineffective (and potentially harmful) education-based approaches to reduce alcohol harm. This includes industry-delivered programmes delivered to young (Year 9) students in New Zealand about drinking and harm.[14]

e) Responsible investment can assist to reduce alcohol harm

24. The less money that is available to alcohol companies in debt or equity financing, the more expensive it is for them to raise money.

25. Divesting from alcohol companies makes is harder for them to:
    1. invest in capital assets (e.g., manufacturing facilities);
    2. increase their alcohol advertising and sponsorship spend;
    3. expand their public relations and attempts to delay strong alcohol policies; and
    4. fund and deliver ineffective educational campaigns and programmes.

26. Reducing the ability of alcohol companies to implement the above strategies can assist to reduce the harm from our drinking culture in New Zealand.

f) Responsible investment aligns with New Zealand's commitment to the UN Sustainable Development Goals

27. In September 2015, the United Nations signed up to 17 Sustainable Development Goals[15] and 169 targets. New Zealand is a signatory to these goals, that bring together three aspects of sustainable development: economic, social and environmental.

28. The Ministry for Foreign Affairs and Trade has noted that "Achieving the SDGs will require a cross-Government effort."[16] We suggest that this includes the Ministry of Business, Innovation and Employment's approach to investment exclusions for default providers in KiwiSaver.

29. Divesting from alcohol companies can support global alcohol control initiatives to succeed and increase international awareness of the dangers of alcohol. In particular, several United Nations Sustainable Development Goals (SDGs) are unlikely to be met unless we can reduce the harms caused by alcohol and other drugs. Our achievement of these goals

will not happen while the alcohol industry continues to have the resources to market its products to the world's most vulnerable populations.

g) Divesting from alcohol companies doesn't equate to supporting prohibition

30. The goal in New Zealand is to minimise the harm from drinking, not eliminate it.

31. Reductions in the short and long-term health risks from alcohol requires more New Zealand drinkers to adhere to the daily and weekly limits specified in the low-risk drinking guidelines.[17] This means not exceeding 10 standard drinks per week for females, and 15 standard drinks per week for males. Drinkers are advised to have at least two alcohol-free days per week. Drinking no more than 4 (females) or 5 (males) standard drinks on a single occasion reduces the risk of short-term harm, e.g. injury.

32. Consuming above this level places a drinker at an increased risk of alcohol-related death or injury and is likely to impose greater costs and risk of harm to others.

33. Buying an alcohol product to consume (within the limits specified in the low-risk drinking guidelines) is very different to choosing to invest in alcohol companies. Whilst individuals may be able to moderate their own drinking, investing in alcohol companies provides them with resources to market and sell their products to those who are less able to moderate or cut back, including young people and people suffering from dependence or addiction.

34. Exclusions relating to alcohol company investment should not be perceived to be supporting prohibition, rather enhancing public health and well-being. Further, as these exclusions would apply only to default KiwiSaver providers, if people wished to invest in companies that produce alcohol, they would still be free to do so.

Recommendations

35. We recommend Option 1 requiring default providers to meet certain standards, and that one standard be that they do not invest in alcohol companies. We suggest that mandatory disclosure of exclusions will be less effective in changing the investing behaviour of New Zealanders (as demonstrated in the Review Discussion document).

36. Should specific exclusions not be required by default providers, we do not recommend the use of the UN Principles of Responsible Investing (PRI) standards. Rather, we recommend that the Government should determine the exclusions itself, rather than leaving another entity to set the standard.

37. Alcohol Healthwatch supports greater transparency for all providers (and potentially minimum standards for responsible investing) as this would complement stricter rules for default providers.

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