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A very boozy Christmas

Gerold Permoser



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Who doesn't know it – sitting together in a boisterous atmosphere, with a glass of champagne in your hand. Or two. Christmas is the celebration of joy, of Christmas markets, and of excessive alcohol consumption: a good reason for us to dedicate this ESG Letter to the topic of alcohol.

When you talk to someone about sustainability, the answer is often that an investor has to forego a certain amount of yield for sustainable forms of investments, with the *Vice Fund* almost inevitably serving as evidence: a US fund that invests exclusively in tobacco, gambling, arms, and alcohol companies. The message behind it seems clear: an investment in alcohol is obviously the exact opposite of a sustainable (responsible) investment.

What are the main issues in terms of sustainability when it comes to alcohol? The first one is definitely the issue of the social responsibility of companies as they are handling alcohol. The company faces the question of responsibility from a multitude of angles.

Alcopops and binge drinking

Let's discuss the issue of alcohol marketing. Who is the target? How is alcohol portrayed? Are there products that target certain groups in particular who should actually not be drinking alcohol or who are at risk of developing a problematic consumer pattern? Just think of the intensive discussion about alcopops and binge drinking a few years ago, which was all about those questions.

Another issue is the access to alcohol. In Austria, the law stipulates who has access to alcohol. How compliant are companies? This question concerns more the retail sector and the hotel, gastronomy, and leisure industry rather than the producing sector. This is not simple at all, given that one has to weigh social against corporate responsibility. Even better if companies succeed in this tightrope walk and take responsibility.

Alcohol is challenging to businesses also because many are directly affected by alcohol abuse. According to estimates, 4 to 6% of the Austrian population suffer from alcoholism. This means that statistically, more than 10,000 enterprises have at least one alcoholic among the staff. That, too, is a challenge for businesses from a social and economic perspective.

This adds to the challenges in production. 200 years ago, working on a sugar cane plantation was tantamount to a death sentence. Hardly anyone would survive that sort of work for more than a few years. While we are luckily past those days, the sugar cane harvest is still not exactly a walk in the park (N.B. sugar cane is one of the most important raw materials for the production of alcohol). On top of that, there are classic environmental questions that range from the carbon footprint to water consumption and the cultivation of monocultures.

The good thing about alcohol, from a sustainable investor's point of view, is that one does not need it. Just compare the performance of the Vice Fund over the past five years with our Erste Responsible Stock America, and you will see that vice has not paid off. I hope you will find this ESG Letter informative and exciting, and that it will lift your spirits without the use of spirits.

Gerold Permoser

Read more articles from this issue of our ESG letter [here](#).

*ESG stands for Environmental, Social and Governance" – These are the three broad categories according to which companies are examined in sustainable investment.

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He began his career as a fixed-income analyst at the Creditanstalt in Vienna. He moved to asset management at Innovest KAG in 2000. He made significant contributions in the investment field there and advanced to CIO (director of asset allocation and research). Gerold Permoser studied at the University of Innsbruck and is a CFA charter holder. He offers training at the University of Vienna and at various post-graduate institutions for analysts and portfolio managers (i.e., at VÖIG, the Association of Austrian Investment Fund Companies).