

ethical fund screening process

guide for investors

The ethical investment criteria applied to the Skandia Ethical Fund are among the strictest around. Read on to find out more.



the ethical screening criteria

The screening process is applied to the proportion of the Fund managed by JPMorgan Asset Management (JPMAM), and also to the three retail funds, to ensure that all stocks held within the Ethical Fund satisfy the criteria. The criteria for screening are under constant review and will be adjusted to reflect changing circumstances and emerging concerns.

Please be aware that the Fund is unable to invest in certain stocks on ethical grounds and, as a result, may be more volatile than some more diversified funds.

negative criteria

Reasons for **excluding** a company from the portfolio:

Animal testing – companies which develop or manufacture animal-tested cosmetics, industrial or household chemicals, or pharmaceutical or healthcare products, or provide animal-testing services.

Factory farming – companies involved in the rearing of animals in intensive conditions.

Environmental issues – companies will be excluded where their activities have a significant negative environmental impact, such as mining, chemical manufacture and oil production, unless those companies undertake positive initiatives that effectively address those impacts (see positive environmental criteria).

Human rights – the portfolio will avoid companies with operations in developing countries and countries regarded as having oppressive regimes where evidence is held of their involvement, either by collusion or complacency, in abuses of human rights.

Armaments – companies that manufacture or sell weapons or weapons systems, or provide strategic components or services specifically for military use.

Banks – banks with commercial lending operations will be excluded if there is evidence that the bank has been involved in financing environmentally or socially controversial projects, particularly where such projects undermine stated environmental and/or social policies or objectives.

Gambling – companies whose primary activity is the operation of gambling facilities.

Nuclear – companies that are involved in the generation of nuclear power, or provide nuclear services to the military.

Pornography – companies involved in the production or distribution of pornographic material.

Alcohol – companies whose primary activity is the manufacture or sale of alcoholic drinks.

Tobacco – companies whose primary activity is the production or manufacture of tobacco products.

positive criteria

The positive criteria do not override the negative but are used to distinguish between companies if the negative criteria are passed. Reasons for **including** a company in the portfolio:

Employee relations – companies that operate equal opportunities policies or abide by codes of conduct regarding labour standards throughout their operations.

Social issues – companies that provide socially beneficial products and services, such as social housing, home care and nursing, or demonstrate outstanding commitment to the communities in which they operate.

Environmental management – companies that apply a systematic approach to the management of their environmental impact through, for example, environmental management systems, auditing and reporting.

Environmental products and services – companies whose products and services produce environmental benefit, such as pollution control systems, waste management and recycling services, renewable energy and public transport.

how it works

We employ a specialist firm, called Ethical Screening, to determine which companies meet the ethical criteria. With a team of dedicated analysts who research stocks worldwide on our behalf, Ethical Screening provides a list of permitted investments to us and JPMAM on a monthly basis.

If a company held within the Ethical Fund no longer meets the criteria, the stock will be sold in a timely and ordered manner.

The retail fund managers held by the Ethical Fund use their own ethical research teams and/or the Ethical Investment Research Service (EIRIS) to screen investments. In addition, Ethical Screening periodically reviews the retail funds to ensure compliance with our ethical screening criteria.

The screening process acknowledges that ethical issues are wide-ranging and it is impractical to list all issues of concern. The Fund is operated on the basis that additional exclusions may be made where a company's operations are judged to be unacceptable to the typical investor in the Fund. Examples include involvement in the fur industry, the sale of whale meat and significant involvement in genetic modification.

For further information on the Ethical Fund, including the latest factsheet, please ask your adviser.

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