



Values-Based Investment Questionnaire

Ethical Money Values-Based Investment Questionnaire

This questionnaire is intended to draw out your how you would like to balance your financial and non-financial concerns, and also to enable the fund manager to accurately reflect your non-financial concerns in the management of your portfolio. Please add any comments that you think relevant. You will probably find it helpful to refer to the notes which explain the questions and terms used in more detail.

SECTION 1: PRIORITIES

1. What is most important?

Please rank in order of importance (1 = most important, 4 = least important)

- Preservation of capital
- Maximum financial return
- Avoidance of ethically unacceptable activities even if this compromises financial returns
- Beneficial social/environmental impact

2. Financial Goals

(a) Income (please specify level of income required) _____

(b) Capital Growth nil / inflation / more than inflation*

* Please select appropriate level of capital growth

3. Which of the following best describes your ethical approach?

Please rank in order of importance (1 = most important, 4 = least important)

- Exclusion of socially unacceptable activities
- Thematic investment in positive activities
- Preference for 'best of class'
- Engagement on social and environmental issues

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4. What proportion of your portfolio would you like to invest in values-driven investments?

(a) High social impact investments which:

- Represent new capital funding for companies with the potential to make a significant impact on extreme poverty or environmental degradation
- May be very hard to sell
- May carry a very high risk of capital loss but may provide diversification for your portfolio
- Have the potential to deliver high financial returns

- None
- Up to 10%
- 10 to 25%
- 25 to 50%
- More than 50%

(b) Solutions-based Investments which:

- Provide solutions to major social or environmental challenges as a core activity
- Are quoted on a public stock exchange
- May carry a high risk of capital loss
- Have the potential to deliver high financial returns

- None
- Up to 10%
- 10 to 25%
- 25 to 50%
- More than 50%

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(c): Social Enterprise. Investments that:

- Fund small-scale, community-based developments with specific benefits for particular groups
- Are not quoted on a recognised stock exchange and may be difficult to sell
- May (or may not) carry a high risk of capital loss
- Offer modest financial returns, sacrificing potential financial return in pursuit of social aims

- None
- Up to 10%
- 10 to 25%
- 25 to 50%
- More than 50%

(d): Philanthropy. Use of capital that involves:

- Funding of charities and social change groups that rely on gifts
- The gift of capital and/or interest
- Tax benefits that may be set against income or capital gains

- None
- Up to 10%
- 10 to 25%
- 25 to 50%
- More than 50%

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SECTION 2: EXCLUSION CRITERIA

Please indicate the importance to you of the following:

	Most Important	Quite Important	Unimportant
Animal Welfare			
Environment			
Human Welfare			

For those areas that you regard as important, please indicate the *level* of exclusion which you would like to apply. Remember that your investable universe will reflect the stringency of your exclusions – the stricter you are, the bigger the impact on your portfolio. **Please complete only those questions that are relevant.** We will assume that you aren't concerned if no answer is given.

1. Animal Welfare

	Total Avoidance	Depends	Not Concerned
Animal testing - cosmetics			
Animal testing - chemicals			
Animal testing - health			
Animal products - production			
Animal products - retail			

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2. Environment

	Total Avoidance	Depends	Not Concerned
Air transport			
Genetically modified food - production			
Intensive farming			
Nuclear power			
Poor environmental management			
Tropical hardwood – unsustainable sourcing			

3. Human Welfare

	Total Avoidance	Depends	Not Concerned
Alcohol production			
Armaments – weapons systems			
Armaments – non-weapons related			
Gambling			
Human rights abuses			
Pornography			
Tobacco production			

SECTION 3: ATTITUDES TO SPECIFIC INDUSTRIES

Please indicate how you feel about the following:

1. Commodities & Energy

	Avoid	Best of Class	Not Concerned
Electricity			
Gold (not mining)			
Mining			
Oil & Gas (price)			
Oil & Gas – exploration & production			

2. Financial Services

	Avoid	Best of Class	Not Concerned
Banks – commercial lenders			
Banks – pure mortgage banks or with ethical lending policy			
Government borrowing			
Insurance & Investment			

3. Information, Communication and Telecommunications

	Avoid	Best of Class	Not Concerned
IT software			
Media			
Telecommunications			

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4. Manufacturing

	Avoid	Best of Class	Not Concerned
Cars			
Chemicals			
Electronic & electrical			
Engineering			
Paper & packaging			

5. Property & Construction

	Avoid	Best of Class	Not Concerned
Commercial property, e.g. offices, warehouses, shops			
Medical property			
Residential property			
Road construction			
Student accommodation			

6. Retailing

	Avoid	Best of Class	Not Concerned
Car sales/leasing			
General retailers			
Supermarkets			

SECTION 4: FOCUS ON SOCIAL & ENVIRONMENTAL SOLUTIONS

Please specify the industries in which you would most like to invest:

	Very keen	Quite interested	Not really interested
Air & water quality			
Carbon trading			
Education & learning			
Energy efficiency			
Energy storage			
Environmental consultancy			
Healthcare			
Organic food			
Renewable energy			
Resource management			
Safety & security			
Sustainable forestry			
Sustainable products			
Transport			

SECTION 5: HIGH SOCIAL IMPACT INVESTMENTS

Please identify those activities that you would like to support primarily on the basis of the social/environmental return.

	Very keen	Quite interested	Not really interested
Community business			
Community property			
Fair trade			
Micro-credit			
Organic food			
Poverty alleviation			
Renewable energy – community owned			
Social welfare			
Sustainable forestry			

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COMMENTS

Please provide any additional information which you think relevant.

Please return this form to your portfolio manager, financial intermediary or to Ethical Money Limited, Garnett Bridge, Kendal, LA8 9AZ. Tel. 0845 641 0674.

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NOTES

SECTION 1: PRIORITIES

1. What level of financial return do you seek, and are non-financial values secondary to this or are they a pre-requisite? Is there a level of financial return below which you will compromise your non-financial values? Are you looking to just do better than the building society or do you want more than this?

3. There are different approaches to incorporating non-financial values into investment portfolios. These are not mutually exclusive and are often used in conjunction with each other. However, it is likely that you will have a preference for one over the others and this will help to dictate how your portfolio is run. The different approaches can be summarised as:

Exclusion – Avoidance of companies engaged in activities about which you have serious concerns.

Thematic – Focus on investment in companies which provide solutions to social or environmental challenges.

Best of Class – Investment is made in fairly conventional companies, but the fund manager seeks out those companies that compare relatively favourably to other comparable companies on social and environmental grounds.

Engagement – Investments may be made in companies about which you have serious concerns, but the fund manager has a dialogue with those companies on social or environmental issues with a view to bringing about change within those companies.

4. The percentage of your portfolio which you indicate that you would like to dedicate to these investments should be mutually exclusive, ie. Percentage in (a) is in addition to percentage in (b), (c) and (d).

(a) Transformational investments are investments in companies that have the potential to regenerate or transform an area of significant poverty, environmental decay or social deprivation. These investments generate returns commensurate with the risk involved which may be high. Example investments include Africa Invest (agricultural development in Africa), Quadris (sustainable forestry in Brazil), Truestone Micro-credit Fund (micro-credit).

(b) These type of investments are multi-million pound companies quoted on the Stock Exchange, but the share price may be subject to large swings, both up and down. Investments would typically be made in companies providing social and environmental solutions such as resource management, energy efficiency, health-care and education.

(c) These type of investments are usually not quoted on a Stock Exchange and may therefore be difficult to sell. Although some investments may generate a competitive return, many will not. However, the companies seeking investment are usually small and of special interest to socially motivated investors. Examples include Café Direct (fair trade coffee) and Baywind (community owned wind energy). The percentage of your portfolio which you indicate that you would like to dedicate to such investments should be *in addition* to the percentage in (a), (b) and (d).

(d) Giving clearly means that you lose the capital and/or interest. One form of giving is an interest free loan in which case you would expect the capital to be returned. Giving is an important part of financial planning in that it breaks the cycle of self-accumulation and provides for the less fortunate and enables social and environmental innovation that might otherwise not take place. There are tax breaks that can enable capital gains, inheritance and income taxes to be offset.

SECTION 2: EXCLUSION CRITERIA

1. Animal Welfare

Animal testing – cosmetics

Animal testing is no longer conducted on cosmetics in the UK, but testing continues outside the UK. ‘Depends’ might be interpreted as allowing animal testing where a ‘3Rs’ policy is adopted: reduce the need for animal testing, replace animal testing with other methods and refine the testing to minimise both the suffering and extent of the testing.

Animal testing – chemicals

Chemicals including products such as paint are required by law to be tested for toxicity. This usually involves testing with animals. ‘Depends’ might be interpreted as allowing animal testing where a ‘3Rs’ policy is adopted: reduce the need for animal testing, replace animal testing with other methods and refine the testing to minimise both the suffering and extent of the testing.

Animal testing – health

New drugs and some healthcare products are required by law to be tested for their efficacy and safety. Most companies use animal testing to achieve this. ‘Depends’ might be interpreted as allowing animal testing where a ‘3Rs’ policy is adopted: reduce the need for animal testing, replace animal testing with other methods and refine the testing to minimise both the suffering and extent of the testing

Animal products – production

This includes meat and dairy products, leather and fur. ‘Depends’ would allow investment in meat and dairy producers if high standards of animal welfare are implemented.

Animal products – retail

This relates to the retail of meat and dairy products, leather and fur. ‘Depends’ is interpreted as allowing the retail of meat and dairy products where high standards of animal welfare are in place.

2. Environment

Air transport

The transport of people and freight by air is a major contributor to global warming. Total avoidance would exclude all airlines and logistics companies using air transport, whereas ‘depends’ would allow investment in companies which might be regarded as ‘best of class’ in terms of their environmental footprint.

Genetically modified food – production

There are significant concerns over the safety of genetically modified food as well as the ethics of the companies who are patenting the technology. GM production might be viewed as permissible if the company involved can demonstrate that it has not abused the patenting of its technology.

Intensive farming

Modern agriculture relies on intensive farming which has led to food surpluses and cheap food but at the cost of decreased variety, loss of biodiversity and polluted food. ‘Depends’ would allow investment in compan-

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ies that don't actually produce the raw food, but are secondary in the food production chain such as food processors.

Nuclear power

The global warming crisis has brought about a renaissance in nuclear energy, yet concerns remain over its safety and cost (storage issues still haven't been adequately addressed). 'Depends' means that companies providing strategic services to the nuclear industry such as safety and other engineering solutions would be deemed to be permissible.

Poor environmental management

This covers poor records of pollution, energy efficiency and use of resources. 'Depends' would allow investment in companies that have historically had a poor record, but demonstrate evidence of putting their house in order.

Tropical hardwood – unsustainable sourcing

Retailers of hardwood products such as furniture have historically purchased timber without reference to the sustainability of the supply, yet much of the hardwood has been derived from pillaging tropical rainforests which have been disappearing at a fast rate as a result. 'Depends' means that investment is allowed in companies which currently do not source the majority of their timber from sustainable sources but have implemented credible policies to address this.

3. Human Welfare

Alcohol production

Although most of us enjoy a tippie, there is no denying that alcohol is a major addiction with consequent health and social costs. 'Depends' would therefore be interpreted as allowing investment in producers that demonstrate leading socially responsible practice in terms of the way in which their products are marketed.

Armaments – weapons systems

Weapons systems would include any product that is used for killing other people, whether this be in defence of aggression. 'Depends' means that component manufacturers would be allowable if the military is not a core customer.

Armaments – non-weapons related

This includes contracts with the M.O.D. of a non strategic nature, such as soldiers uniforms, food or education facilities. 'Depends' would allow investment in companies which supply such services where the M.O.D. is not a key customer.

Gambling

Gambling is a major addiction which ruins people's lives. Many of us might have the occasional flutter, but gambling companies make their money out of people who gamble regularly. 'Depends' is interpreted as allowing investment in companies which retail lottery tickets or operate fruit machines as a minor part of their business.

Human rights

This covers rights of employees as defined by the United Nations and also the rights of indigenous peoples. 'Total exclusion' means that companies would be avoided if there is evidence of them not implementing the UN Charter on Human Rights, whereas 'depends' would allow investment in companies where there is evidence of isolated human rights violations but have well documented procedures in place for the company as a whole.

Pornography

‘Total avoidance’ of pornography would exclude the production, wholesaling and retailing of any form of pornography including subscription channels, magazines and films. ‘Depends’ allows investment in wholesalers such as newsagents where this constitutes a relatively minor part of the business.

Tobacco production

Tobacco is incontrovertibly linked with cancer and is a major drain on the health service. It is an addictive substance, where falling markets in the West are being replaced by growing number of smokers in China and less developed markets. ‘Depends’ would allow investment in tobacco manufacturers that have best addressed their social and environmental impact.

SECTION 3: ATTITUDES TO SPECIFIC INDUSTRIES

1. Commodities & Energy

We all use minerals, energy and metals in some form or other, so how these are extracted and processed is of key significance. You could argue that the companies that find and extract these natural elements are reliant on exploiting non-renewable resources, but you could also argue that we can’t do without these things and that it is essential to reward best practice in the industry amongst the major players.

Electricity

Electricity generators and distributors. ‘Best of Class’ is based on input fuel mix, efficiency of energy generation, commitment to renewable energy and biodiversity management.

Gold (price)

Gold Exchange Traded Fund. This is an investment which reflects the gold price and has nothing to do with the physical mining of gold.

Mining

Mining and quarrying. ‘Best of Class’ requires companies to demonstrate leading practice in terms of biodiversity management, human rights and environmental footprint.

Oil & Gas (price)

Oil and Gas Exchange Traded Funds. This is an investment in the price of the commodity, not the physical good itself or the production of that commodity. There is an argument that oil will become increasingly scarce and that the price will rise to reflect this.

Oil & Gas (exploration and production)

The exploration, refining and retailing of oil. This includes companies both directly and indirectly involved in these industries (including service companies). ‘Best of class’ means leading practice in terms of pollution management, human rights, efficiency of production and efforts to replace fossil fuels with renewables.

2. Financial Services

Almost everyone in the UK uses financial services in one form or another, yet for an industry which relies on trust, it is sadly mistrusted. Companies have responded with an avalanche of corporate responsibility statements to prove their worth in community endeavours, but at the heart of what financial services companies do, is how they use our money.

Banks – commercial lenders

High street banks, merchant banks, infrastructural banks, e.g. European Bank for Reconstruction & Development. 'Best of class' refers to banks that demonstrate leadership in environmental management, lending policies, putting the customer first, micro-credit and social banking.

Banks – pure mortgage banks or with ethical lending policy

Banks with no commercial lending (other than on property), or a rigorous ethical policy or that concentrate on social/environmental lending. 'Best of class' requires banks to demonstrate leadership in treating customers fairly, community investment and environmental management.

Government borrowing

Gilts and other national debt. Governments borrow for investment in infrastructure including hospitals, education and transport and the military. Gilts and fixed interest securities in other governments therefore represent an investment in all of these areas.

Insurance & investment

Life assurers, general insurers, fund managers, financial advisers. 'Best of class' requires that companies lead on socially responsible investment.

3. Information Technology, Media and Telecommunications

Information technology, telecommunications and the media are some of the most powerful influences on our lives. In themselves they might be viewed as ethically neutral and like many technologies or innovations, it is how they are used that matters.

IT Software

Software developers and retailers. 'Best of class' means that companies provide educational or business tools for social or environmental purposes.

Media

Newspaper groups, publishers, radio, TV, film and internet. 'Best of class' refers to groups which exercise editorial freedom, operate fair business practices and make information more freely available to all.

Telecommunications

Mobile phone equipment manufacturers & retailers, mobile and fixed line phone operators. 'Best of class' requires companies to exhibit best practice in their internal environmental management, especially energy usage, their human rights policies & customer relations.

4. Manufacturing

Our economy might be ever more dependent on services, but there's no getting away from it – we still need to make things. Yet, as we have become more aware of our environmental footprint, how we make more with less becomes increasingly important.

Cars

Car and vehicle manufacturers. 'Best of class' might mean manufacturers that minimise their use of resources or that have a pronounced focus on less polluting vehicles, especially electric, fuel cell, LPG or biodiesel vehicles.

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Chemicals

Chemical manufacturers. 'Best of class' means companies that have appropriate environmental management systems in place and that make products that have key environmental benefits.

Electronic & electrical

Producers of electronic and electrical goods including computer hardware, white goods and control devices. 'Best of class' requires companies to have a credible human rights policy and leading environmental management plans which reduce both energy and resource consumption.

Engineering

General engineers. 'Best of class' means companies that minimise their environmental footprint in terms of energy and resource usage, and if they use overseas labour either directly or indirectly, have a credible human rights policy.

Paper & packaging

Paper and packaging manufacturers. 'Best of class' infers that companies source paper from sustainable sources, and minimise their resource and energy usage.

5. Property & Construction

A growing population, more single people and an aging housing stock have created a need for more houses. As the economy changes, there's also an ever present need for commercial property like offices, industrial warehouses and shops. Furthermore, as more young people enter further education there's been pressure on accommodation for students and with more people seeing their doctor more frequently, there's a growing need for fit-for-the-purpose primary health care centres. And as we travel more and more, the roads fill up creating pressure for more road building. So all in all, there's more building going on with an increasing pressure on resources and the landscape.

Commercial property

Offices, retail outlets, industrial warehouses. 'Best of class' means funds of properties that manage their environmental impact especially well or that have a focus on brownfield development or urban regeneration.

Medical property

Property let to primary health care trusts and GPs. 'Best of class' means funds of properties that manage their environmental impact especially well or that have a focus on brownfield development.

Residential property

Property used for owner occupation or buy to let. 'Best of class' means funds of properties that manage their environmental impact especially well or that have a focus on brownfield development or urban regeneration.

Road construction

Engineering or building firms engaged in road construction. 'Best of class' means companies that demonstrate best practice in terms of consultation and minimising their environmental impact.

Student accommodation

Student halls of residence. 'Best of class' means funds of properties that manage their environmental impact especially well or that have a focus on brownfield development.

6. Retailing

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Retailers are an important part of everyday life and there's been increasing concerns over the relationship between the producers of the goods that they sell and the 'all-powerful' retailers. Do the producers get paid a fair price, are their working conditions good and are the retailers taking adequate steps to reduce their (often considerable) environmental footprint?

Car sales/leasing

Car sales or leasing. 'Best of class' translates to fair treatment of customers.

General retailers

Retail of household, clothing, electronic, electrical or personal goods. 'Best of class' means operating a particularly credible supply chain policy and environmental management plan.

Supermarkets

Supermarkets. 'Best of class' applies where a company demonstrates that it has done more than its competitors in energy management, working with suppliers on a more equitable basis, the range of healthy and organic produce available and reduction in 'food miles'.

SECTION 4: FOCUS ON SOCIAL & ENVIRONMENTAL SOLUTIONS

Environmental and social challenges present real opportunities for companies that are able to provide solutions to these challenges such as:

Air & water quality

As the world's population continues to grow and the world becomes increasingly urban, the demand for potable water, unpolluted air and pure water for industry grows with it. The demand for clean water and air is such that companies which can purify water and filter out pollution are likely to grow with this demand.

Carbon trading

There is almost a global consensus that global warming is scientific fact and that we need to take action to reduce our carbon emissions. Market based solutions have therefore come to the fore, whereby companies have a carbon quota. If they exceed this quota, they can buy unused permits on the open market and companies with excess permits can sell theirs. Furthermore, companies which reduce carbon emissions can sell these emission benefits on to companies which need to offset their polluting activities. This is known as carbon trading.

Education & learning

As the world industrialises and becomes wealthier, and as technology increases the pace of change, the need for education and learning grows steadily, particularly in the developing economies of China and India, but also for business learning in more mature economies where 'continuing professional development' is becoming the norm.

Energy efficiency

As the costs of energy rise, so more and more companies and organisations are incentivised to reduce their energy costs. Thus companies which can help them do this by improving efficiency will find their services of increasing value.

Energy storage

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There are many needs for storing energy – portable devices like computers, fuel cells for cars, and energy for remote communities. Fuel cells could revolutionise the car industry and reduce their environmental impact considerably whilst energy storage may also allow us to have a more decentralised energy system.

Environmental consultancy

Almost every major project has to consider its environmental impact. Many companies do not have the skills or resources to do this, nor may they want to as it is probably not a core competency. This has led to a burgeoning demand for environmental engineers and consultants that can advise on the environmental aspects of any project.

Healthcare

The world's population, at least in developed countries, grows steadily older. This means that the pressure on healthcare grows inexorably. As new cures are found, so new epidemics arise. Allergies and stress related illnesses are a mark of modern society. The demand for drugs, care for the sick and healthcare equipment is underpinned by these demographic changes.

Organic food

Food scares, unexplained illnesses and growing concern over the environmental costs of intensive farming have led to a surge in demand for organically produced food. Yet supply has struggled to keep pace with demand. This presents real opportunities for companies that can address this gap.

Renewable energy

The threat of global warming has spurred governments worldwide to take action to reduce their emissions of greenhouse gases by setting targets for reductions and fostering renewable energies. From a cottage industry, renewable energy is now mainstream and looks set to become the energy of choice as the era of cheap oil comes to a close.

Resource management

We are now coming up against resource constraints – minerals, oil, land, tropical forest and water are all under pressure. Yet, demand is growing as the world continues to industrialise, sucking up further resources. This means that we have to do more with less by recycling, re-using and managing ever increasing volumes of waste. Legislation is also driving demand for waste management, recycling and re-use of 'waste'.

Safety & security

A litigious culture and improving standards throughout industry have brought about a sea change in safety standards. This has stoked a demand for the services of companies making controls, locks, surveillance and arrest systems.

Sustainable forestry

Since the 1970s, the world's tropical forests have undergone systematic exploitation, which has resulted in their rapid decline. Given that tropical forests are 'the lungs of the world' and home to a vast range of fruits, medicines and other products, the need for re-generation is pressing. The price of tropical hardwood has also risen on a remarkably consistent basis, presenting a strong business case for sustainable forestry.

Sustainable products

Consumers have become increasingly aware of the environmental impact of their buying patterns. Companies have responded by launching products to meet this demand – things like biodegradable cups, environmentally benign washing powder, natural alternatives to synthetic chemicals, natural toiletries, certified timber and so on.

Transport

Better transport links have led to more and more people travelling more and more often. This puts huge pressures on the transport system, particularly in an overcrowded island like the UK. Not only does this

generate a demand for more buses, more trains and better infrastructure, but also for products which serve this market such as real time information systems.

SECTION 5: HIGH SOCIAL IMPACT INVESTMENTS

High Social Impact investments encompass a wide variety of businesses but common to all is the primary objective of improving social or environmental welfare through business. Most investments of this type may be difficult to sell and often generate modest financial returns relative to the risk of capital loss. Thus, the primary return is likely to be social/environmental rather than financial, although some investments of this type may also generate a competitive financial return.

Community business

Businesses that serve the local community.

Community property

Property that is occupied by organisations that benefit the local community or that have a social or environmental purpose.

Fair trade

Retailing of clothing, food, drink or other goods that are certified with the Fair Trade Mark.

Micro-credit

Small-scale loans to small business or co-operatives in developing countries.

Organic food

Producers, retailers or wholesalers of food and drink that has been certified as organic.

Poverty Alleviation

Companies whose core service directly tackles chronic poverty and the needs of the poorest.

Renewable energy

Production and distribution of energy from renewable sources, with a focus on generators that are owned by the local community.

Social welfare

Care for disadvantaged or excluded groups.

Sustainable forestry

Tropical hardwood forestry run on a certified sustainable basis.