

Parmenion Ethical Portfolio Selector

What is Ethical Investment?

At its core 'Ethical Investment' is a range of investment styles which go beyond simple financial returns to incorporate client's ethical, social and environmental values into the investment process. This area is also often referred to as Sustainable and Responsible Investment (SRI).

Selecting the Right Ethical Portfolio for you

As the UK ethical market has grown, the range of styles and approaches to investment has developed too. Although avoidance remains an important element, today's funds are more focused on following broader themes such as engaging with companies to encourage better environmental, social or governance standards.

Where the emphasis is placed between the positive and negative characteristics depends upon the style of investment concerned and the ethical policies the fund manager chooses to use.

The Parmenion ethical portfolios are unique in reflecting these different styles. The Parmenion Ethical Portfolio Selector is therefore designed to help you to identify the option that best suits your personal views.

There are four ethical profiles (A-D) available, which collectively aim to offer a cross-section of the entire (regulated) ethical SRI market. The range of profiles is ethically graded. The more positively orientated options (with wider potential investment remits) are listed first, and the options with the highest levels of negative screening (and avoidance) are listed last. It is important that you read the following text carefully to ensure the ethical profile selected is right for you.

There are 10 risk graded portfolios (1-10) available for each ethical profile to align with your individual tolerance for risk and capacity for loss. A Risk Profile Questionnaire (RPQ) should be completed in addition to this document to assist you in this process.

Understanding the Implications of your Decisions

Whilst investments in ethical profiles A and B focus on leaders in positive change, investments in ethical profiles C and D are more focused on specific avoidance criteria.

As a result, the universe of suitable funds decreases as you move through the ethical profiles. Strategies of this kind may lead to a portfolio which behaves differently from other non SRI portfolios which can work for or against clients depending on market conditions.

For further information please refer to the Parmenion Ethical Adviser Guide.



Ethical Profile A – Responsible Leaders

This portfolio invests in a range of funds which aim to identify investment opportunities within companies that take a responsible approach to a wide range of environmental, social and governance issues. This portfolio has a positive bias with a limited emphasis on exclusionary criteria.

Permissible investments include Managed Liquidity, Government Bonds and Property for the purposes of diversification, however the majority of the portfolio will be invested in corporate bonds and equities.

Investment Focus

- ✓ Focuses on companies that take a responsible approach to a wide range of environmental, social and governance issues.
- ✓ Aims to encourage positive company behaviour through engagement with senior management and responsible voting practices.
- ✓ No specific negative screens but funds selected are likely to be underweight in the specified areas as a result of their more positively orientated approach.

Limits Exposure to

- ✓ Armaments
- ✓ Pornography Production
- ✓ Animal Testing (Non-Medical)
- ✓ Human Rights Abuse
- ✓ Tobacco Production

Ethical Profile B – Sustainability Leaders

This portfolio invests in a range of funds which aim to identify investment opportunities within companies that help us move towards more sustainable lifestyles. Their products and services help reduce the impact our lifestyles have on the environment and society. This portfolio has a positive bias with a limited emphasis on exclusionary criteria.

Permissible investments include Managed Liquidity and Property for the purposes of diversification, however the majority of the portfolio will be invested in corporate bonds and equities.

Investment Focus

- ✓ Focuses on companies that offer products and services that help reduce the impact that of our lifestyles on the environment and society.
- ✓ Aims to support companies with leading sustainability practices and may encourage improved behaviour through engagement with senior management and responsible voting practices.
- ✓ No specific negative screens but funds selected are likely to be underweight in the specified areas as a result of their more positively orientated approach.

Limits Exposure to

- ✓ Armaments
- ✓ Pornography Production
- ✓ Animal Testing (Non-Medical)
- ✓ Human Rights Abuse
- ✓ Tobacco Production
- ✓ Environmental Damage

Ethical Profile C – Ethical Leaders

This portfolio invests in a range of funds which aim to balance positive investment opportunities with a keen awareness of ethical concerns. A disciplined exclusionary policy will be applied to stock selection in keeping with the ethical criteria specified below.

Permissible investments include Managed Liquidity within the lower risk portfolios, however the majority of the portfolio will be invested in corporate bonds and equities.

Investment Focus

- ✓ Aims to balance the 'pros and cons' of investment opportunities and select only those which are considered to meet stringent ethical criteria.
- ✓ May encourage positive company behaviour through engagement with senior management and responsible voting practices, wherever possible.
- ✓ Included funds must meet specified avoidance criteria.

Limits Exposure to

- ✓ Armaments
- ✓ Pornography Production
- ✓ Animal Testing (Non-Medical)
- ✓ Human Rights Abuse
- ✓ Tobacco Production
- ✓ Environmental Damage
- ✓ Gambling

Ethical Profile D – Traditional Ethical Leaders

This portfolio invests in a range of funds with a strict avoidance based strategy and will only invest in funds that clearly meet the portfolios screening policies. There may be some positive investment policies adopted but the emphasis is primarily placed on avoidance.

Permissible investments include Managed Liquidity within the lower risk portfolios, however the majority of the portfolio will be invested in corporate bonds and equities.

Investment Focus

- ✓ Strict avoidance based strategy.
- ✓ May encourage positive company behaviour through engagement with senior management and responsible voting practices, wherever possible.
- ✓ Included funds must meet an extensive range of specified avoidance criteria.

Limits Exposure to

- ✓ Armaments
- ✓ Pornography Production
- ✓ Animal Testing (Non-Medical)
- ✓ Human Rights Abuse
- ✓ Tobacco Production
- ✓ Environmental Damage
- ✓ Gambling
- ✓ Alcohol Production
- ✓ Nuclear Power

Important Notes

It is the responsibility of the Ethical Oversight Committee (EOC) to determine which funds are eligible within each ethical profile. Funds are monitored on a continual basis to ensure they continue to meet the specified ethical criteria. For further information relating to the EOC please refer to the Parmenion Ethical Adviser Guide.

Ethical Profile A has no specific negative screens but aims to select funds with at least 50% of these stated negative screens or exclusions, meaning the portfolio will be underweight in these areas.

Ethical Profile B has no specific negative screens but aims to select funds that avoid at least 75% of these stated exclusions, meaning that the portfolio will be significantly underweight in these areas. Ethical Profiles C & D select funds that adhere to 100% of the stated exclusions.

Client Declaration

I have read the above statements and confirm that my preferred ethical grade is correctly specified below. I understand that there may be infrequent variances to criteria over time as a result of changes in underlying fund policies and on-going ethical issues.

Agreed Ethical Profile(s)

Client Name(s)

Client Signature(s)

Glossary of Terms

Definitions are included below for some of the commonly used industry terms included within this document. If you require further information on any of the criteria specified then please contact us for further information.

Ethical - A values based approach to investing. It seeks to balance an objective for investment returns with consideration of how that return is made. In addition to 'moral' issues, such as arms, alcohol and pornography, the definition has been extended to include environmental, social and governance concerns.

Responsible - Reflects the behaviour of businesses as 'corporate citizens', taking into account, not only their ability to meet legal and regulatory obligations, but the extent to which they act as leaders in establishing best practice.

Social - A social issue refers to something that impacts on or influences a considerable number of individuals within a society. This might include issues such human rights, employment practices, health or welfare.

Sustainability is based on the principle that everything we need for our survival and well-being depends, either directly or indirectly, on our natural environment. Sustainability, therefore considers business practices that enable the fulfilment of today's social and economic objectives but in ways that do not negatively impact on future generations. Sustainable investments therefore look at how businesses help with management of resources, and contribute to wider health and well-being.

Governance - considers the extent to which a company has established policies for all aspects of its business conduct including ongoing monitoring on the effectiveness and remuneration of senior management. This helps to identify those businesses that understand how their activities can impact on, not only immediate stakeholders, but the wider environment and society as well.

Get in touch

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