



ETHICAL INVESTMENT POLICY STATEMENT

This document gives information on our ethical investment criteria and how it is applied to select investments. If there is anything you do not understand, please ask for more information.

Simply Ethical Financial Services Ltd
The Station Masters' House
168 Thornbury Road,
Isleworth, Middlesex
TW7 4QE

Telephone: 0208 945 3786

Email: info@simplyethical.com

Website: www.simplyethical.com

*Simply Ethical Financial Services Ltd is
authorised and regulated by the Financial Conduct Authority*

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SECTION 1: OBJECTIVES, ROLE AND INVESTMENT VALUES

1.1 Purpose of Ethical Investment Policy Statement

The purpose of the Ethical Investment Policy Statement (EIPS) is to provide the structure for a disciplined, objective and consistent approach to investment selection based on set ethical and Sharia screening criteria. The Ethical Committee, whose role is to provide an oversight of investment screening approves the document. This document shall apply to the Investment Committee as well as all financial advisers and investment managers appointed to assist with the management of the portfolios. The guidelines are designed to identify the underlying philosophies and process for the selection, monitoring and evaluation of the investment options. Specifically, this Ethical Investment Policy Statement seeks to:

- Outline our investment values.
- Identify certain of the roles and responsibilities.
- Defines the investment screening criteria for shares and funds.

Investment Committee will review EIPS *at least annually*, and, if appropriate, can be amended to reflect changes in the capital markets or other relevant factors.

1.2 Role of the Ethical Committee

The Ethical Committee (the “Committee”) is acting in a fiduciary capacity and is accountable to the Simply Ethical Board, for overseeing the investment screening.

- This Ethical Investment Policy Statement sets forth the objectives and guidelines that govern the activities of the Committee and any other parties to whom the Committee has delegated investment screening responsibility.
- The Committee is responsible for determining the Ethical and Sharia screening criteria.
- The Committee is to meet *at least bi-annually* to review investments and monitor adherence to set screening criteria.
- The Committee will review this Ethical Investment Policy Statement *at least once per year*. Changes to this Ethical Investment Policy Statement can be made by affirmation of a majority of the Committee, and written confirmation of the changes will be provided to all Committee members and to any other parties delegated the responsibility, as soon thereafter as is practical.

1.3 Our Investment Values

We want our clients to achieve financial success through positive values and good ethics. Therefore, we take into account environmental, social, governance (ESG) and ethical issues in our investment process of research, analysis, selection and on going ethical monitoring of investments. We believe such investments will not only appeal to the socially responsible investors but also to people of various faiths. Adherence to these principles means that the investments offered are compatible with the teachings of the Islamic faith, therefore are Sharia compliant.



An overview of our negative and positive screening criteria is as follows:

Alcohol	Exclude investments involved in alcohol production, distribution, promotion or retailing. For e.g. brewery, pubs, bars, clubs.
Tobacco	Exclude investments involved in tobacco production, distribution, promotion or retailing.
Gambling	Exclude investments that are involved in gambling or mainly involved in production, servicing, supporting and promoting gambling activities. For e.g. betting shops, casinos or amusement arcades.
Nuclear power	Exclude provider of critical services to, or own or operate, nuclear facilities.
Military	Exclude manufacturers and suppliers of armaments, nuclear weapons or associated products.
Animal welfare	Exclude companies involved in animal exploitation.
Pornography	Exclude providers of adult entertainment services, its distributors, its supporters and promoters. For e.g. TV channels, magazines, newspapers
Entertainment and media	We believe most of the entertainment industry has negative impact on society and promotes many negative things such as violence, drugs, nudity and other negatives. Therefore, we exclude investments or

	companies involved in adult entertainment, cinema, broadcasting, gambling, music, video games and art. Broadcasting news and publishing organisations mainly engaged in deliberate misinformation, inciting religious or race hatred, creating division between societies and preventing social cohesion would also be excluded.
Environment	<p>Companies consistently damaging environment and those involved in activities, which are commonly held, to be environmentally unsound are excluded. Companies in breach of internationally recognised conventions on biodiversity and companies in energy intensive industries, which are not tackling the issue of climate change, are excluded.</p> <p>We will endeavour to support investments that have a beneficial impact on society and the planet e.g. green energy etc.</p>
Fair treatment of all	We will not provide investments that do not uphold fair trade – workers, suppliers and all stakeholders must be treated fairly.
Safe working environment	Exclude companies that do not have a workplace health and safety policy that meets the minimum standards set in the relevant jurisdiction or continuously breach the minimum safety standards.
Corporate governance	We are committed to seeking high standards of corporate governance at the companies or funds, which we make available for investment. A number of factors are considered, including but are not limited to areas such as employee relations, gender diversity in the boardroom, balance of power between CEO and board of directors, environment reporting and, of course, executive remuneration policies. The application of corporate governance policy reflects the power that you have as an investor. Maintaining corporate governance checks helps minimise investment risk and create a positive impact by incentivising companies to maintain higher standards of practice.
Banks and financial institutions	We believe the role of money should be purely as a store of value and medium of exchange and not used as a commodity in its own right, traded by applying interest to it. Therefore, we exclude banks and other financial institutions involved in interest bearing borrowing or lending. For e.g. conventional banks, payday loan companies etc.
Highly indebted investments	The shares & investment funds we provide, limit the amount of interest based borrowing to a maximum of 33% of the total capital in the underlying businesses.
Speculative investments	We will exclude provision of investments in speculative instruments e.g. conventional derivatives, CFDs, spread betting, short selling etc.
Oppressive regimes, corruption and terrorism	Investments or companies directly involved in or supporting and promoting oppressive regimes, corruption and terrorism will be excluded.
Other factors	Exclude investments in pork and non-halal food.

SECTION 2: SCREENING CRITERIA FOR SHARES

2.1 Overview

Our screening of companies involves reviewing both qualitative and quantitative aspects of a company to determine whether it meets our set Ethical and Sharia criteria. It is only after our screening test is passed, that we make the investment available for selection by clients or investment manager.

Our screening criteria are divided into three steps as follows:

1. Excluded activities screening
 - Primary exclusion
 - Secondary exclusion
 - Tertiary exclusion
2. Quantitative screening
3. Environmental, Social and Governance (ESG) screening

All the above three criteria must be satisfied to be deemed Ethical and Sharia compliant investment. Failure to meet any single criteria would render the investment non-compliant.

2.2 Excluded Activities Screening

We exclude a number of industries, sectors and activities deemed unethical and non-Sharia compliant. We have divided exclusions into three different categories, as follows:

- A. Primary exclusion
- B. Secondary exclusion
- C. Tertiary exclusion

A. Primary exclusion

This is defined as producers of activities deemed unethical and non-Sharia compliant.

- × Alcohol
- × Tobacco
- × Conventional Banks, Insurance, Loan companies and other interest-based financial services
- × Defence and weapons (*of aggressive nature*)
- × Pork and non-halal food
- × Entertainment (Adult, Cinema, Broadcasting, Gambling, Music, Video games, Art)
- × Energy: Nuclear power, Coal

B. Secondary exclusion

These are industries, sectors and activities deemed non-compliant due to prime and direct involvement in

- × Producing (*covered above*);
- × Supplying components or raw materials crucial to production;
- × Supplying machinery and equipment;
- × Sharing or designing technology crucial to production;
- × Transporting goods, where relevant;
- × Storing goods, where relevant;
- × Distributing;
- × Retailing;
- × Servicing;
- × Advising;
- × Supporting;
- × Marketing;
- × Provision of financial resources;
- × Training and provision of human resources

to 'primary excluded' activities or producers above.

C. Tertiary exclusion

These are industries, sectors and activities that require thorough due diligence due to ambiguity, lack of data and the complex nature of business model. Such companies may be excluded at the discretion of the Ethical Committee due to the following reasons:

- × A non-compliant activity is offered with compliant product or service which cannot be quantified to ensure compliance with set financial criteria below
- × Companies whose primary target or business comes from those in 'primary exclusion' and 'secondary exclusion' category
- × The company may be supporting (in limited capacity) non-compliant industries, sectors or activities
- × Promoting and marketing companies involved (in limited capacity) in 'primary exclusion' and 'secondary exclusion' category

- × Promoting and marketing companies involved in unethical marketing methods e.g. using nudity to promote goods or services
- × Supplying services, components or raw materials that are not crucial to producing non compliant products or services, but relevant for operational efficiency and compliance
- × The conduct in which the service is offered may render it unethical e.g. misrepresentation of facts

Some of the industries, sectors and activities that may fall within this category are as follows:

- Hotels
- Media (News, magazines for e.g. sports), Publishing
- Marketing, Branding, PR and Communication agencies (*unless source of revenue can consistently be quantified and mainly generated from compliant activities in an ethical manner*)
- REIT with commercial property (*unless use of property can be determined and is compliant*)
- Management consulting
- Software and IT services (*e.g. used for mortgage and loan application processing, credit card administration etc*)
- Customer Relationship Management (CRM) software, Business Intelligence and e-commerce, hosting and managed service
- Provider of Recruitment, HR & Payroll software (systems) and service
- Transportation
- Cleaning and maintenance companies whose prime clients or source of revenue is from those in 'primary exclusion' and 'secondary exclusion' category
- Procurement solution (spend control)
- Trading and Risk management solutions
- Portfolio analysis software
- Regulatory support to non compliant companies
- Defence (*of non-aggressive nature, e.g. producing seats*)

2.3 Quantitative Screening

After excluding non-compliant activities, we apply the quantitative screening on compliant companies. A company must meet all of the following criteria:

Financial ratios	Maximum tolerance level
Short term & long term debt to total asset ratio	<20%
Cash, deposits and interest bearing investments to total assets ratio	<30%
Sum of cash, deposits, and receivables to total asset ratio	<49%
Cumulative income from non-compliant activities and interest income as portion of their total income (defined as total revenue or sales)	<2%*
Interest or finance cost to total revenue	<10%

Once an investment is deemed compliant, we will monitor the investment at least *bi-annually*. Should there be a breach in the above criteria, the Ethical Committee shall decide whether to continue making the investment accessible to clients and investment manager, after giving due consideration to the nature and extent of breach.

The Self Select service clients who hold such investments will be advised to refrain and avoid further investments. Further purchase of such investments will not be permitted on the investment platform.

*It is advised that the income derived from such activities is estimated and given to a charity. Where relevant, the client will be informed on the amount of income from non-compliant source(s) and therefore will be requested to donate the amount to a charity as per Sharia guidelines. For Self Select service, this information will be made available via a web link, however, for advisory clients we will send them an annual statement specifying the exact non-compliant income based on their overall investment portfolio.

2.4 Environmental, Social and Governance (ESG) Screening

At Simply Ethical, we believe that environmental, social and governance (ESG) factors can positively contribute to investment performance, as well as contributing to help build a more stable, sustainable and inclusive global economy. After applying the above criteria, we will consider whether the company meets ESG requirements.

The following are examples of ESG factors:

Environmental	Social	Governance
Pollution	Labour standards	Transparency
Waste management	Human rights	Board composition
Resource Depletion	Workplace health and safety	Risk management and audit
Deforestation	Product safety	Corruption and bribery

Environmental

Companies consistently damaging environment and those involved in activities, which are commonly held, to be environmentally unsound are excluded. Companies in breach of internationally recognised conventions on biodiversity and companies in energy intensive industries, which are not tackling the issue of climate change, are excluded. We will endeavour to support investments that have a beneficial impact on society and the planet e.g. green energy etc. For each company, we will consider the following, amongst other factors:

- Whether the company complies with environmental laws and regulations
- Does it limit emissions of harmful substances and waste
- Does the company use natural resources responsibly such as water and materials
- Does company achieve cost savings and other value creation through improved eco-efficiencies
- Is the company investing in sustainable products, services and technologies

Social

We will not provide investments that do not uphold fair trade – workers, suppliers and all stakeholders must be treated fairly. Companies that do not have a workplace health and safety policy that meets the minimum standards set in the relevant jurisdiction or continuously breach the minimum safety standards are excluded.

Governance

We are committed to seeking high standards of corporate governance at the companies or funds, which we make available for investment. A number of factors are considered, including but are not limited to areas such as employee relations, gender diversity in the boardroom, balance of power between CEO and board of directors, environment reporting and, of course, executive remuneration policies. The application of corporate governance policy reflects the power that you have as an investor. Maintaining corporate governance checks helps minimise investment risk and create a positive impact by incentivising companies to maintain higher standards of practice.

SECTION 3: SCREENING CRITERIA FOR FUNDS & ETFS

3.1 Overview

All funds and ETFs will be reviewed for Ethical and Sharia compliance. With such investment vehicles, individual investments in a fund need not necessarily be assessed in most cases, rather the focus is on assessing funds Sharia screening criteria, Ethical policy and ongoing monitoring system. For the purposes of assessment, we have categorised investments as follows:

- 'Labelled' Sharia compliant investments
- 'Unlabelled' Sharia compliant investments

The CIO is responsible for conducting necessary due diligence on such investments. All the relevant requirements set in '*Fund Due Diligence*' document need be completed and thereafter, the CIO shall advise the Ethical Committee on its findings to assist the Committee in its decision-making.

3.2 'Labelled' Sharia Compliant Investments

An increasing number of institutions develop investments specifically catering for the Sharia compliant market. Simply Ethical must fully appraise investments to affirm their compliance with Sharia criteria. We will review whether a reputable scholar with relevant experience has ratified the investment. As a minimum, the investment is required to adhere to standards set by Accounting and Auditing Organization for Islamic financial Institutions (AAOIFI), unless agreed otherwise by the Ethical Committee.

3.3 'Unlabelled' Sharia Compliant Investments

There are a number of general investments that are by nature Sharia compliant but are not intentionally designed to be Sharia compliant, when in essence they qualify as Sharia compliant investments. For example: a property investment fund that invests in student accommodation (clearly a permissible activity), borrows no money for investing and pays investors a return reflective of rental yields and capital appreciation of properties. For such funds we will use the screening criteria set above (section 2) to assess whether the investment falls within acceptable threshold limits and will continuously monitor for Ethical and Sharia compliance. In any case, if further investigation is required the matter will be referred to a reputable specialist for their consideration.