Ethical funds: a lot of bark but not enough bite?

- A comparison and investigation of Swedish ethical funds

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Abstract

Background and problem: There has been an increase in social and ethical investments and this increase can be due to many reasons such as growth of investors’ concern, growth of corporate social responsibility and growing evidence that ethical funds produce good returns as reasons to the increase of ethical investments (Schwartz, 2003). Through research of the literature we find that what qualifies as an ethical fund is not clear. This makes it difficult for the customer to understand on what grounds the companies are excluded or included in the fund. That is, if almost all companies fall under the requirements of the ethical fund, then there is basically no difference between an ethical fund and a Swedish mainstream average fund (non-ethical fund).

Purpose: The purpose of this thesis is to investigate the ethical funds’ processes from the targeted banks, what the requirements for the companies to be included in an ethical fund are, if the banks’ differentiate from each other and which companies are not suitable to be included in an ethical fund.

Delimitation: The thesis is delimited to only include Swedish ethical funds provided by Swedish banks.

Method: The method used to investigate ethical funds, the exclusion of companies and the comparison of the banks was through semi structured interviews with representatives from the targeted banks and their ethical advisors. The interviews were performed through e-mail with the banks, personal interview with two of the ethical advisors and telephone interview with Swedbank Robur. The five banks included in the study are Danske Bank, Handelsbanken, Nordea, SEB and Swedbank. The ethical advisors are Ethix, GES Investment Services and Swedbank Robur Internal Screening Department.
Results and conclusions: The authors found that the targeted banks consult their ethical advisors or, in Swedbank Robur’s case, have their own internal process regarding the process. The process can for all banks be applied to four steps; objective, screening criteria, data collection and evaluation (Reich, Wolff, Zaring, Zetterberg & Åhman, 2001). It was also concluded that there is no significant difference between an ethical fund and a non-ethical fund since only a few companies were excluded from the funds’ ethical screens, with the exception of Robur Ethica Sverige Mega that excluded half of the companies at the Swedish Stock Exchange.
Table of Contents

1 Introduction ........................................................................................................ 1
  1.1 Background .................................................................................................... 1
  1.2 Problem discussion ....................................................................................... 2
  1.3 Purpose ......................................................................................................... 4

2 Theoretical framework ...................................................................................... 4
  2.1 Portfolio management .................................................................................. 4
  2.2 CSR – Corporate Social Responsibility ....................................................... 4
  2.3 SRI - Socially Responsible Investment ....................................................... 5
  2.4 Ethical investment theory ............................................................................ 7
    2.4.1 Ethical funds ......................................................................................... 8
    2.4.2 Ethical criteria ...................................................................................... 9
    2.4.3 “Ethical” screens .................................................................................. 10
    2.4.4 Screening methods .............................................................................. 11
    2.4.5 Screening Model .................................................................................. 11
  2.5 ENF - Etiska nämnden för fondmarknadsföring ......................................... 13

3 Method .............................................................................................................. 14
  3.1 Research approach ..................................................................................... 14
  3.2 Method discussion and choice of method .................................................... 15
  3.3 Samples ........................................................................................................ 15
  3.4 Data gathering ............................................................................................. 15
  3.5 Delimitations ............................................................................................... 17
  3.6 Reliability, Validity and Generalizability .................................................... 17

4 Empirical findings ............................................................................................. 18
  4.1 Ethical advisors .......................................................................................... 18
    4.1.1 GES Investment Services .................................................................... 19
      4.1.1.1 The process ...................................................................................... 20
      4.1.1.2 Exclusion ....................................................................................... 23
    4.1.2 Ethix SRI Advisors ............................................................................ 23
      4.1.2.1 The process .................................................................................... 23
      4.1.2.2 Exclusion ....................................................................................... 27
    4.1.3 Swedbank Robur Internal screening department .................................. 27
      4.1.3.1 The process .................................................................................... 28
      4.1.3.2 Exclusion ....................................................................................... 30
  4.2 Banks .......................................................................................................... 30
    4.2.1 Nordea Etiskt Urval ............................................................................ 30
      4.2.1.1 Questionnaire answered by fund manager ...................................... 31
    4.2.2 Swedbank Roubur Ethica Sverige Mega ............................................. 32
    4.2.3 Danske Bank SRI Sverige ................................................................. 33
      4.2.3.1 Questionnaire answered by fund responsible .................................. 33
    4.2.4 SEB Etisk Sverige fond – Lux utd ...................................................... 34
    4.2.5 Handelsbanken Sverige Index Etiskt .................................................. 35
      4.2.5.1 Questionnaire answered by fund manager ...................................... 35

5 Analysis ............................................................................................................ 36
  5.1 The screening process ................................................................................. 36
    5.1.1 GES Investment Services .................................................................... 36
      5.1.1.1 Controversial ................................................................................. 37
1 Introduction
In the background the subject is introduced and leads to a problem discussion where the problem statements are formulated which develop to the purpose of the thesis.

1.1 Background
A conversation about ethical funds is today probably something that could start an argumentative discussion. Ethical funds have been offered by many banks and Retirement companies for many years and the basic concept goes back to the 18th century where the Quakers refused to do business with companies that traded slaves, tobacco, alcohol and gambling (Schwartz, 2003). This was one of the first steps towards ethical and socially responsible actions. During the 1920's other religious groups in the US avoided to invest in these so called “sin” industries; alcohol, tobacco and gambling (Skillius, 2002). These “sin” areas are something that has been kept as un-ethical especially among churches and investors with religious connection. To day it seems common that investors for larger companies’ retirement funds etc. choose the same requirements as the church.

There has been an increase in ethical and socially responsible investments and this increase can be traced back to the post war period when the wealth increased (Skillius, 2002). There are many reasons for the growth of social and ethical investment. Schwartz (2003) has identified areas such as growth of investors’ concern, growth of corporate social responsibility and growing evidence that ethical funds produce good returns as reasons to the increase of ethical investments. Investors are also more concerned over issues such as environment, work place, product safety and tobacco (Schwartz, 2003).

That institutional investors are interested in ethical investments is nothing new (Skillius, 2002), what is interesting is the growing awareness among private persons and the increase in investing in ethical alternatives. Our beliefs are that the awareness trend follows along with investing and savings for people. To follow our theory this is why there has been an increased offering in so called ethical funds the last couple of years. This leads to a larger demand for ethical bank products and by that a wider selection of ethical funds.

The awareness for ethical investment and what it means has been something people seem more and more interested in. In more recent years, at least one Swedish bank sees an increase in demand for ethical funds and they also recognize the largest customer groups to be the younger generation (U. Sigbratt, Personal Communication, 2008-04-14). Why the heated lively discussion about it then? Because there is no consensus in what an ethical fund really is, and there are no general requirements on what an ethical funds should be (C. Hemberg, Personal Communication, 080512). How do you invest “ethically”? How do you know if you are even if you try?
1.2 Problem discussion

In a study by Cowton (1999) research was done dealing with investigating decision criteria the fund managers are dealt with when managing an ethical trust fund in the UK. The way this research was performed was among other methods interviews with the fund manager which we see as an approach that gives a first hand in sight to the decision process. Cowton (1999) concludes in his study that many of the ethical decision criteria are closely connected to corporate policies and codes of ethics. Cowton (1999) has realized a problem with the decision criteria in the UK ethical trust funds and relevance can be seen to also Swedish ethical trust funds since one could wonder what makes a company ethical, and ethical according to whom? In this research a single fund has been chosen and studied. Reflecting upon Cowton’s (1999) work the method used could be useful in our research. We however wish to compare different banks processes and compare between them and also get an understanding of the Swedish fund market and not one firm’s policies and we have thus performed several interviews at different banks.

A group of Students at School of Economics, Law and Business at Göteborg University has performed a research trying to sort out whether Swedish ethical funds actually are ethical or not (Cajbrandt, Johansson & Järvsén, 2007). The problem statement is here worked out from the confusion of what an ethical fund is and that each bank has more or less its own definition. In this study it is concluded that to state whether an ethical fund is ethical or not is debatable and that the main focus on any mutual fund seems to be on its return. The method used in this research was interviews with fund managers. This method using qualitative data seems like a good approach when dealing with a subject like ethicality since it is hard to measure or count in numbers.

A recent study by Sandberg (2008) has started a debate in Swedish media regarding the whole concept of ethical investing. His quite controversial conclusion and viewpoint is that there is simply not a good alternative for the true ethical investor and that the best alternative would be to invest in whatever gives the higher return and then give the money earned to charity. According to Sandberg (2008) owning stock in a company is not the same thing as supporting the company and this makes it possible and morally acceptable to invest in what company one self wish even with an ethical goal in mind.

From a literature review and interviews with experts in the field and also a review of previous research within the field of ethical funds we have now presented what the climate look like and other researchers approaches. We have by showing previous research within this field showed that there is a doubt against ethical funds and the extreme would be Sandberg (2008) who means it is better to give money to charity than invest in ethical funds. We recognize some of these mentioned problem statements but would like to emphasize the ethical screening process and the effect of. Since it is stated that what qualifies
as an ethical fund is not clear we would like to investigate what the actual difference is between a standard fund and ethical fund.

Our presumption is that the customers believe that the qualifications for a company to be included in an ethical fund are inline with their own predetermined demands, that the demands are a lot of bark but not enough bite. What we mean by this is that the fund management companies provide a picture of an ethical fund, but is the fund really what it is barking? This makes it difficult for the customer to understand on what grounds the companies are excluded or included in the fund.

If the qualifications for companies to be included in an ethical fund are too loose, the ethical fund looses its purpose. That is, if almost all companies fall under the requirements of the ethical fund, then there is basically no difference between an ethical fund and a Swedish mainstream average fund (non-ethical fund)

We believe the consumers to some degree assume that the requirements of companies are transferable among all banks that provide ethical funds. However, since there are extremely many definitions of an ethical fund (Santiso, 2005), it is very difficult for a consumer to know what they are investing in. The wide range of definitions opens up for misleading labeling and pointing to the need of stricter criteria to which they should be differentiated (Santiso, 2005). We think the problem is rather obvious, if banks create products that are supposed to be ethical but actually exclude an insignificant amount of companies from the fund, then consumers are investing their savings on false grounds.

With this thesis, we hope to bring these matters to the surface and to provide answers to these issues. We will explore and compare the banks’ ethical funds and discover whether or not the requirements they put on the companies are inline with each other. We also hope to find out whether or not a significant amount of companies can be excluded from an ethical fund based on the banks’ stipulated requirements.

From this discussion of how we see the problem we have set up a number of research questions to help us through the process;

- How does the screening process work and what are the requirements for a company to be included in an ethical fund and?
- How does the process and requirements differ between the banks?
- Which and how many companies are not suitable to be included in an ethical fund?
- Is there a significant difference in content between an ethical fund and a non-ethical fund?
1.3 Purpose

The purpose of this thesis is to investigate processes and content of ethical funds in Sweden and research how they differentiate from each other.

2 Theoretical framework

In this part of the thesis we will present a theoretical framework to help the reader get more familiar with the subject and also to lay the foundation for the analysis later in the paper.

2.1 Portfolio management

There are two basic distinctions of equity portfolio management, *Passive equity portfolio management* and *Active equity portfolio management*. There is basically no in-between when it comes to equity based portfolios. The passive strategy is a strategy that means a long-term view and it is a buy and hold strategy. This way of investing is often referred to as *indexing* due to that the passive way of managing a portfolio is most often designed to for the portfolio to track an index. An index portfolio is not meant to beat the target index, but rather match the performance of the index. When an investor is aiming at beating an index or a benchmark portfolio (on a risk adjusted basis) it is called active equity portfolio management. The trade of between the two are the safer passively managed portfolio with lower risk versus the higher risk and higher cost and with potentially higher return, actively managed portfolio (Reily & Brown, 2006).

Mutual funds are security based funds managed by a professional investment company and where the investor can participate and make decisions on the content and the investment company is responsible for how the fund is managed. When it comes to index funds, the fund manager is working on replicate an index. This means buying the exact securities in the index and also keeps the weights inline with the index. A downside is that this is of course a limitation regarding freedom and variation of choice. The positive side is that this usually means a well diversified portfolio that can emphasize a desired industry or market (Reily & Brown, 2006).

2.2 CSR – Corporate Social Responsibility

The notion of corporate social responsibility was found when businesses realized that they caused problems such as pollution and discrimination. Management now needed to take social aspects into consideration and improve their social responsibility. The management of a corporation will however always make decisions that favor economical concerns before ethical (Buchholz, 1991).
Corporate social responsibility is often considered in two ways; (1) it requires corporation to go beyond the minimum required by law such as discrimination and environmental issues and (2) to ensure that internal policies are put into practice (Braithwaite, 1985, p. 39 cited in Hellsten & Mallin, 2006).

Some argue that the responsibilities of a corporation extend out of the economic responsibilities and that corporations have social responsibilities as well. There are five key elements to the definition of corporate social responsibility; (1) the responsibilities of a corporation goes beyond the production of goods and services at profit, (2) these responsibilities include social responsibilities, particularly the ones that the corporation has helped to create, (3) corporations have a larger constituency than stockholders alone, (4) corporations have effects that go beyond marketplace transactions and (5) corporations provide a wider range of human values than can be captured by economic values (Buchholz, 1991).

According to Branco and Rodriques (2007) there are three main arguments against CSR; (1) organizations such as the government exists to handle the function of social responsible acts, (2) managers do not have the time or resources to implement that kind of public actions and (3) managers should not be held accountable for the socially responsible actions. The arguments in favor of corporate social responsibility are divided into ethical and instrumental. The ethical arguments states that a company should engage in socially responsible actions because it is morally right to do so. The instrumental argument is that socially responsible actions will benefit the company as a whole, at least in the long run (Branco & Rodriques, 2007).

Maignana and Ralston (2002) identifies three main types of motivational inputs that drive CSR; (1) CSR can be used as an instrument to achieve the performance objectives defined in profitability, return on investment or sales volume, (2) in order to go inline with stakeholder expectations businesses are compelled to adopt social responsibility initiatives and (3) businesses may be self motivated to have a positive effect regardless of social pressures.

According to Branco and Rodriques (2007), companies are regarded as having an obligation to consider society’s long-run needs. The company should however not be prejudiced by engaging in activities that do not benefit society or minimize their negative impact. The company should rather identify opportunities that are beneficial for both the society and the shareholders (Rodriques, Ricer & Sanchez, 2002 cited in Branco & Rodriques, 2007).

### 2.3 SRI - Socially Responsible Investment

According to EIRIS there are three main strategies to socially responsible investments; engagement, preference and screening (Cited in Hellsten & Mallin, 2006). The engagement strategy involves identifying areas for improvement and encourages the companies to make these improvements. This strategy can be divided into three processes, first, the investor
keeping a dialogue with the company and telling them about the policy and how it affects their decision to invest in the company. Second, the investor has regular meetings with the company and tries to persuade the company to improve their practices. Third, the investor offers to help the company to formulate their own policy (Hellsten & Mallin, 2006).

The preference strategy involves fund managers to work with guidelines that the trustees would like the companies invested to meet. Then they try to realize how closely a company invested meets these guidelines. This strategy also makes it possible to combine financial and ethical objectives, for example if two potential investments have the same financial possibilities, they can look at how closely they meet the guidelines, and the company with the best all around performance is selected (Hellsten & Mallin, 2006).

In the screening strategy, trustees ask the fund managers to limit their investments to companies screened for their ethical behaviour. The screens may be chosen on a positive basis, for example if they try to improve the environment they are included. Or the screens may be chosen on a negative basis, such as companies polluting the environments are excluded (Hellsten & Mallin, 2006).

Schepers and Prakash Sethi (2003) believe that social or ethical investing is a worthwhile goal and should be supported. The social value and economic financial efficiency of SRI funds should be analyzed in order to enhance the credibility of social and ethical investments, otherwise the public’s faith in these funds may be undermined.

Since there is no common standard of what constitutes a socially responsible fund or a socially responsible corporation it must be derived from analysis of various SRI funds. Thus, it is significant that SRI funds clearly state which methods and criteria are used for qualifying a corporation to a fund (Schepers & Prakash Sethi, 2003).

According to Schepers and Prakash Sethi (2003) the exclusionary screens in SRI are flawed in terms of the rational behind the screens and its indiscriminate and uneven application. For example the exclusionary screen of military contracting when weapons are used for peacekeeping activities one might argue that they are as much social good as social harm. Another example is the exclusion of chemical manufacturers due to potential environmental harm, yet these chemicals might be vital to the development of the Third World (Schepers & Prakash Sethi, 2003).

Another problem with the exclusionary screens is that the percentage limit is just that, a percentage limit. For example, a large corporation may have turnover originating from an excluded industry that is less than the percentage limit, but a lot in absolute terms. While a small corporation may have more turnover originating from the excluded industry than the percentage limit, but a small amount in absolute terms (Schepers & Prakash Sethi, 2003).

The goal of SRI is for investors to meet their social preferences and change corporate behaviour. The rational provided by all SRI funds are to provide investment alternatives that
go beyond the bottom line and consider corporate conduct in the social area, this approach is commonly known as the ethical investor movement. SRI funds also serve the investor not only with expertise within social investing but also to bring financial investing experience and economies of scale (Schepers & Prakash Sethi, 2003).

Large shareholders have the potential of affecting the corporation’s conduct, it is however difficult to affect the corporation’s conduct and it often requires very large equity positions and determined shareholders (Schepers & Prakash Sethi, 2003). Schepers and Prakash Sethi (2003) argue that SRI funds have very little or no bargaining leverage to influence the corporation based on its equity holdings. They argue further that shareholders acting together have a greater possibility of influencing the corporation through dialogue than fund managers have, due to the fund managers’ fiduciary responsibilities.

SRI serves two purposes; (1) it provides investors with alternatives that are not generally available through investments that only emphasise financial performance and (2) these investments reflect the desired corporate conduct and an absence of these investments would undermine an efficient market. The SRI has however not lived up to their promise of serving the needs of socially responsible investors and influencing the corporate conduct (Schepers & Prakash Sethi, 2003).

### 2.4 Ethical investment theory

According to EIRIS (2008) an ethical fund is defined as “…any fund which decides that investments are acceptable or not according to positive or negative ethical or green criteria. We include Ethical Engagement Funds which have a specific policy in place to actively engage with companies in which they investment in order to improve their performance their environmental, social or governance performance. The exception to this rule is that we do not include funds whose only policy is to avoid a small number of companies involved in tobacco products.” (EIRIS, 2008, p. 4)

Ethical investment can be referred to investments that mix ethical with ordinary financial objectives. There are a number of different alternatives when investing ethically but the one that has received most attention is ethical mutual funds. The ethical mutual funds have been screened either negatively, to avoid “bad” companies, or positively to support “good” companies (Mackenzie & Lewis, 1999). The way the ethical funds are screened is the process of which they differentiate themselves to other ethical funds and attracting investors. The process of selecting an investment can be described as a series of screens, ethical investments works in the same way with the exception of additional screens (O’Rourke, 2003).
2.4.1 Ethical funds

Since we have already discussed the different opinions there are about ethical investment, we will now narrow down the discussion to look at: What is an ethical fund? In Europe the first ethical fund was established in the UK and was called ‘Friends Provident Stewardship Fund’ (Schlegelmilch, 1997). However, it was in the USA where the ethical funds started. They can be tracked back in time to 1920’s where religious groups’ institutions were investing by avoiding ‘sin’ industries such as gambling, alcohol and tobacco. It was later developing to certain avoidance strategies for these religious groups that including controversial subjects with for instance apartheid in South Africa in the 70’s and also the Vietnam war (Sparks 2001). We have stated that a consensus of what an ethical fund is does not exist, but a review of literature gives a common definition that is simply a stock fund that avoids investing in arms, tobacco, alcohol, apartheid and violation of human rights (Button 1988 cited Sparkes 2001).

Sparkes (2001) argues that in the US social investment is often a general term used. This refers to investment with some kind of social part. This is further divided into two; Social Responsible Investment (SRI) and Social Directed Investment (SDI). The biggest difference of the two is that SDI is debt based and builds on the fact that the investors accept a smaller return for the better of a social project. SRI is an equity based activity where the aim is to get shareholder to affect corporate behavior. SRI also differs in that it does not accept a smaller return for its investor (Sparkes, 2001).

An interesting question that we think many would reflect over is whether ethical funds would generate a lower return than a non-ethical fund. Again, the literature we found on this matter gives the same answer: performance should not be affected for fund being an ethical fund. (Benjaminsson & Westerdahl 2002; Melton 1995 cited in Schlegelmilch 1997; Sparkes 1994 cited in Sparkes 2001)

Skillius (2002) argue that there is no direct effects on the companies from ethical funds since the funds act on the secondary market, the money that are invested in funds do not go to the companies which stocks are bought and sold but to the stockholders one purchase from. There are however four possible indirect effects:

- The stock price of the “good” companies’ raises due to the increased demand on ethical funds, and thus the stock price of the “bad” companies go down due to the decreased demand. This effect is however doubtful since the volume of the socially responsible funds is so small and the selection are done on different premises. The effect may be larger from the use of indexes and common criteria.
- It is positive for a company to be selected to a socially responsible fund and the company will be motivated to continue with what made them selected.
- Increased attention surrounding the company and this may lead to increased sales.
• The company may get better terms with creditors.

Skillius (2002) argues that the faith in ethical funds would probably increase if not all ethical funds end up in the same category. Rather the funds should be divided into sub-categories such as Best-in-class funds, Charity funds and Avoidance funds.

2.4.2 Ethical criteria

The companies in ethical funds are chosen on a basis of a number of ethical criteria. In the UK the ethical funds are very similar, the principal difference among the funds is that they limit their fund to a list of ethical acceptable companies. The list is produced on the basis of ethical criteria, both negative criteria which are considered unethical and positive criteria that are considered ethically superior. Most ethical funds in the UK choose their criteria from a list of 300 criteria provided by the Ethical Investment Research Service (EIRIS) (Mackenzie, 1998). EIRIS is the main research body on ethical investment in the UK (Mackenzie & Lewis, 1999). The negative criteria that EIRIS provides are within the following areas: alcohol, animal testing, gambling, greenhouse gases, health and safety breaches, human rights abuses, intensive farming, military involvement, nuclear power, ozone depletion, pesticides, pornography, roads, South Africa, third world concerns, tobacco, tropical hardwoods, water pollution. The companies used in some UK ethical funds are produced by EIRIS on the basis of which criteria the ethical fund chooses to apply (Mackenzie, 1998).

Mackenzie (1998) claims that ethical funds take two different approaches in choosing ethical criteria, market-led funds and deliberative funds. Market-led funds choose their criteria from EIRIS on the basis of their perception of the market demand, they receive an input on market demands from financial advisors and consumer surveys. Deliberative funds choose their criteria on the basis of reasoning about the ethics of corporate practice. The distinction between these types of ethical funds is ethically significant. The market-led funds do not make use of reasoning in their choice of ethical criteria, while deliberative funds do (Mackenzie, 1998).

Ethical investment is a two step process, first the fund manager decides which ethically criteria shall be applied, and second the investors decide which fund to invest in. Ethical reasoning can be applied in any of the stages in the process, even though market-led funds do not include reasoning, the investor who chooses among the market-led funds might decide on the basis of reason. To ensure that the deliberate ethical funds choose their criteria on well-grounded reasoning, the position of the fund in each ethical criteria area needs to be stated in detail. There is a growing recognition among the ethical funds that they need to devote more resources to communicating their ethical policy. This process means a lot more work for the ethical funds, but it comes with a number of benefits. If ethical investors are to put their trust in the ethical funds, they need to be aware on what grounds the
procedures and ethical thinking are based upon. Also, companies will be better aware of why they are regarded as ethically questionable (Mackenzie, 1998).

2.4.3 “Ethical” screens

Schwartz (2003) argues for an exclusionary screen to be ethical it needs to involve avoidance of companies that provide products that cause physical human injury. That is unless three terms are fulfilled; (1) full disclosure to the risk that comes with the product, (2) a voluntary waiver for all users and (3) sufficient ethical justification exists for providing such a product. There are four main exclusionary screens; tobacco, alcohol, gambling and military expenditures. The production and sale of tobacco is by many seen as unethical since it is both addictive and dangerous, which includes tobacco as an ethical exclusionary screen. Others do argue that McDonalds and Coca-Cola also should be regarded as unethical, since they also produce products that may be addictive and potentially harmful (Schwartz, 2003).

Alcohol is also considered unethical for the same reasons as tobacco; it is both addictive and dangerous. The difference is that alcohol can not only be potentially harmful to the user but also dangerous for others, for example traffic related fatalities and miscarriages. Gambling is an activity that many regard as unethical. There may be great harm that comes with gambling, such as financial problems and suicide. The majority of people do however today regard gambling as entertainment and a very acceptable activity (Schwartz, 2003). Newton (1993) argues that gambling is similar to for example investing in the stock market, in the sense that one voluntarily engage in an activity with the possibility of loosing money (Cited in Schwartz, 2003). According to Schwartz (2003) it is not clear that gambling is an unethical activity, due to the fact that gambling cause mostly financial harm and not physical.

The production of weapons that can cause destruction suggests that companies producing such weapons should be screened out. There are however situations when weapons and the military has been used to prevent for example the Nazis during the World War II. The military also assists during natural disasters and sometimes prevents drug smuggling. Thus, companies that provide military weapons may not be unethical; in fact they provide necessary products for the safety and well-being of people around the world. Hence, military weapons may be considered ethical (Schwartz, 2003).

According to Schwartz (2003) the ethical funds projects themselves as using ethical screens when the screens may not have any ethical justification. The screens should perhaps instead be projected as social, political or religious screens rather than ethical. Only tobacco screens, and perhaps alcohol screens, should be considered as ethical screens. There are other screens that can be ethically justified; direct business with repressive regimes, business with suppliers using child labour or selling dangerously defective products. It is important that the screens should be continued in use; however, they should not be projected as
ethical screens. Otherwise the ethical fund management companies will not live up to the standards and in the end potentially deceive their customers (Schwartz, 2003).

2.4.4 Screening methods

Best-in-class is a screening process that has most relevance for promoting investment and cleaner production. This method rewards companies for good environmental and social records in comparison to their industry. It is argued that such companies gain from eco-efficient activities, not only through the cost savings but also by being the first mover and reducing risk. Selecting such companies is thus often a good strategy applied by fund managers (O’Rourke, 2003). The best-in-class funds do not discriminate any industry or judge them as good or bad. They are however measured with the other companies within the same industry as benchmarks. The idea is that when companies are chosen by the funds, other companies will be motivated to improve their environmental and social performance (O’Rourke, 2000 cited in O’Rourke, 2003). According to O’Rourke (2003) the Swedish fund “Miljöfonden” (environmental fund) managed by Swedbank Robur is an example of a fund that applies the best-in-class method. The Miljöfonden limits its selection of companies to companies at the Nordic stock exchange. The environmental screening process is performed by Swedbank Robur’s analytical team, and is kept from the financial analysis until a pool of companies has been defined. The 21 criteria in the selection include; strategic issues, products, production, environmental management systems and market communication. The criteria are weighted differently depending on the industry. The problem with best-in-class funds is that fund managers are looking for undervalued companies, which may be hard to find in segment of market leaders (O’Rourke, 2003).

The sustainable growth funds are based on the use of scenarios. How a company is likely to perform, with regard to financial, social and environmental performance, given certain trends is put in relation to its sector of activity. Examples of the trends are changes in environmental regulation and use of scarce environmental resources. The companies that are in the best position to take advantage of the trends are considered to be a long-term good performer (O’Rourke, 2003).

The engagement approach does not exclude or include companies, but it rather tries to influence the companies to adopt ethical practices for example through voting at annual meetings (EIRIS, 2008).

2.4.5 Screening Model

There are several screening methods available and the different banks probably have their own procedures when it comes to this matter. In our study we do however want to present some theory on the subject to give the reader an idea of what the screening criteria’s could be, but also as a basis for our comparison and analysis later in the paper.
In a report made by *IVL Swedish Environmental Research Institute Ltd.* A screening process is explained which is based on Swedish fund screening criteria (Reich, Wolff, Zaring, Zetterberg & Åhman, 2001).

![Figure 2-1 Screening process](image)

The investor needs to make a decision of either investing or disinvesting and this is shown in the figure as the fund savers sphere where the decision is, after seeing the objective of the fund, only to invest or not invest. The asset managers’ sphere is the screening process which the focus will be upon in this thesis. Reich et al. (2001) describes four steps the manager has to go through with the evaluation of the corporation screened and also the process with communicating the objective and screening criteria with the fund savers (Reich et al., 2001, p. 27):

1) **Definition of overall screening objective**
2) **Definition of screening criteria**
3) **Data collection and**
4) **Evaluation and decision.**

Reich et al. (2001) realizes customers most often not to go deeper in the search for requirements of how companies are excluded or included. For most fund savers the information provided in the objective of the fund and simply rejects the fund if they find out the fund or companies in it are not following the norms. The Corporation provides the manager with data but one has to have in mind its primary objective which is maximizing shareholder value.

Reich et al (2001) recognizes four basic requirements in the screening process that should be considered. The above authors state that the following should be shown in the screening process:

1) Structure
2) Transparency and reliability
3) Ability to handle different type of data

4) Scientific significance

A good structure helps the decision maker understand and to learn about the problems that need to be addressed. By Transparency and reliability is meant that the process should be understandable and decisions should be easily to communicate and motivate. Ability to handle data refers to the likeliness of both qualitative and quantitative data that would occur in an ethical screening and that the screening process would be able to consider both types. A scientific method would be needed to be used to ensure scientific significance (Reich et al. 2001).

2.5 ENF - Etiska nämnden för fondmarknadsföring

Etiska nämnden för fondmarknadsföring (ENF), or in English translated by the authors the ethical committee for fund marketing, has been asked by the consumer representative (Konsumentombudsmannen in Swedish) to construct a guiding statement that makes clear what should be regarded as good industry custom for ethical funds. ENF has not found the term “ethical” unambiguous, it is rather dependent on the customs one refers to. The term is relative and subjective and the content of the term changes over time. Thus, the judgement of what is ethical needs to be determined in each individual case. It is hence not possible to explicitly state under which criteria a fund shall be regarded as ethical. ENF do however find transparency very significant in terms of clear information about the investment objective and the strategies that will make sure that the investment objective will be maintained. A definition of an ethical fund is not identified by ENF but a definition that will serve as a basis is however found, here presented translated by the authors: “a fund that in its investments applies selection criteria that builds on stated ethical values” (Westlander, Brink, Backman, Sundin, Ek, Axelsson, Lundmark, & Örn, 2004, p. 3).

ENF has not found it appropriate or even possible to point out some investments as unethical. Thus, each fund management company needs to clearly state their own criteria by which the fund’s investments will choose from and also provide information about the selection process. The selected criteria can be both negative and positive. Most fund management companies apply turnover limits; they range from 0 to 10 per cent. Allowing the companies in the fund to have at most 5 per cent of their turnover from the weapon industry is an example of a turnover limit. ENF has decided that 10 percent is the limit of turnover that originates from activities that is by the fund regarded as unacceptable (Westlander et al., 2004).

It is of great significance that the customers’ view of an ethical fund is realized and that information about the fund’s working methods and policies is accessible. To contribute to the realization of the customers’ view of an ethical fund, the fund management companies shall provide information stating that the term “ethical fund” may involve different investment strategies, preferably with examples of such strategies (Westlander et al., 2004).
The fund management company needs to have a monitoring system to ensure that the investment objectives are obtained and they also need to declare whether or not the investment ambition has been reached and what measures have been taken if it was not obtained (Westlander et al., 2004).

If a fund management company that is a member of the Swedish Investment Fund Association (SIFA) violates what is considered as good industry custom according to ENF, it may be fined or disciplinary measures may be taken (ENF, 2000).

3 Method

We will in this section present the methods we have chosen for processing research questions that the thesis intends to answer.

3.1 Research approach

When performing research it is suggested to set a research approach to have in mind when choosing what kind of theory to use in the project. Saunders, Lewis & Thornhill (2003) recognizes two approaches that each gives a different view of the project, deductive approach and inductive approach. The former can be seen as scientific research method where the approach is to use existing theory to set up a set of hypotheses and then perform the research to test the hypotheses. The latter is an approach where the data is collected for an analysis and theory is developed from the analysis.

We have chosen the inductive approach, as we are not taking on a scientific subject and are using more qualitative data than quantitative it is suggested to take on a inductive approach, by building theory (Saunders et. al. 2003). Saunders et. Al. (2003) also recognize the inductive approach to more often include smaller samples with an intention to get an idea of what the situation looks like, instead of drawing conclusions and answer the hypothesis based on a statistics from a big survey or similar.

Our research can be recognized as an explorative study where Saunders et. al (2003) means that talking to experts in the field is one way of getting the knowledge. Silverman (1993) suggests four major methods suitable for qualitative research; Observation, Analyzing texts and documents, Interviews and Recording and transcribing. This author also states that an interview study gives a deeper understanding in a subject compared to a variable-based quantitative study where variables are correlated to each other. The primary concern in this research is on the primary data gathered in interviews, and the secondary data from fact sheets of mutual funds will be used to some extent.

Silverman (1993) explains how the interview can be formed depending on what view of social reality. On a positivistic view an interview is targeted to gather facts and this are seen
reliable truths. Interviews should in this sense be on randomly selected samples and consist of multiple-choice answers. In our work we see the research on an interactionism viewpoint. That is, thru conducting open-ended interviews we get an insight to how the interviewees perceive the situation. (Silverman, 1993)

### 3.2 Method discussion and choice of method

When researching previous work within the field of ethical funds we found varying methods and conclusions. The case study method has shown effective to get in depth information about a particular case when it is possible to generalize. However, since we in our work want to compare a few Swedish ethical funds offered, a case study of one element does not fit our intention. Further methods other have used within the same filed is participant observations and interviews with key persons. The latter two definitely suits our purpose more close and one approach we intend to use is semi-structured interviews. Participant observations would probably give a lot of valuable information in this kind of research, we do however think the time frame is not sufficient for going to meetings of fund committees or similar.

Our findings have been analysed and structured based on our research questions. The empirical data is listed and compared and theory is used as a tool to gain different perspectives.

### 3.3 Samples

Our population is limited to mutual funds that invest in Swedish companies that also claim to have an ethical approach to the selection of companies. We have found five funds with five different banks and our research has consisted of investigating and compares all elements in this small population.

Our banks and their funds are: *Nordea Etiskt Urval*, *Danske Bank SRI*, *Sveriges Swedbank Robur Ethica Sverige Mega*, *SEB Etiskt Sverige fond –Lux utd* and *Handelsbanken*

During the research we did however encounter some difficulties with acquiring data from all banks. Unfortunately we were not able to get any primary data from SEB regarding their ethical fund. Thus, the comparison between banks suffers from this lack of data.

### 3.4 Data gathering

Saunders et al (2003) recognises three sorts of interviews, *Structured, Semi-structured and unstructured interviews*. In our research we are applying the semi-structured interview method which is non-standardized. This means the researcher has a leading list of theme questions to bring up, but these might however vary from interview to interview. It also means that
the questions set up might change between interviews to depending on the organizational context. Order of questions might also change between interviews depending on the flow of the discussion. It is further suggested that these sorts of interviews are recorded by taking notes or using a tape recorder (Saunders et al, 2003).

Telephone interviews have been used in a few cases in our research and this has both pros and cons. The obvious upsides of this matter concerns speed, access and lower cost (Saunders et al 2003) In our case many of the persons we wanted to interview was in Stockholm and since both authors live in Göteborg we were not able to travel across Sweden back and forth more than once, therefore telephone interviews were the easy solution. The downside of telephone interviews compares to face-to-face interviews is that the researcher misses the non-verbal communication on a conversation. Another drawback is; it is harder to establish trust for between interviewee and interviewer, this could mean that the participant will not be as willing to share information. Potential also harder to record the conversation, but his was not an issue with tape recorder and speaker phone. (Saunders et al, 2003)

Since we wanted to investigate how the screening process work and differ between the banks we first intended to interview the fund managers about this. We soon realized that all but one bank has this part outsources to two ethical advisors, GES Investment services and Ethix SRI Advisors. Thus, we performed semi-structured interviews with represents’ from these firms to get a deeper insight in how the ethical screening works and how the banks and ethical advisors work together. As a complement to these interviews a short semi-structured questionnaire was sent to each bank’s ethical fund manager with a few follow up questions specific for that fund or bank. A possible drawback with this could be the lack of non-verbal communication and building trust with the participant, but since this was follow-up questions and we had been in contact with both the managers and their advisors before, this should not have been to any disadvantage.

During the preparation and background research two people from different banks were contacted to get an understanding of the ethical fund business and the industry climate. These people has also been helpful with getting in touch with the key persons in this small industry. These interviews were also performed in a semi-structured manner, even though we had formulated a set of basic questions these were merely a ground for discussion. A summary of the interviews is presented in Appendix B.

Saunders et al. (2003) describe the real difference between quantitative and qualitative data, the first is “based on meanings derived from numbers” (Saunders et al, 2003, p.378) whereas the latter is “based on meanings expressed through words” (Saunders et al, 2003, p.378). It is also stated that the collected quantitative data result in “numerical and standardised data” (Saunders et al, 2003, p.378) while qualitative data collection “results in non-standardised data requiring classification into categories” (Saunders et al, 2003, p.378).
In this research we have established we are working with qualitative data which since it is a more in-depth research where we want to get an understanding of the business, rather than test a hypothesis or make a numerical comparison. The semi-structured interviews provided us with primary data that was analyzed. To research and prepare for interviews we have also been using secondary data. This in form of information gathered from web pages and brochures provided by the bank.

3.5 Delimitations

In this study we have limited the research to the Swedish market to both Swedish mutual funds and also only funds targeting Swedish companies. We have chosen to investigate the so-called ethical funds within the previous stated requirements. Another aspect we have chosen is to only look at ethical mutual funds provided by the larger banks in Sweden, since we have chosen the perspective of a private person. Insurance companies and pension fund agencies etc have not been given any attention in this study. The ethical funds should further not be in a specific niche, as for instance towards environment or climate, but rather be general ethical funds claiming to use some sort of screening criteria.

3.6 Reliability, Validity and Generalizability.

Reliability refers to the degree the data collection method will result in the same findings if performed by other researchers and if the same conclusions would be made from the data (Saunders et al, 2003)

Robson (2002, cited in Saunders et al. 2003) talks about four potential threats to reliability; participant error, participant bias, observer error and observer bias.

Participant error is if the participants would be consistent with their answers no matter at what time the data would be collected. In our case it is possible that participants in interviews could give a slightly different answer and attitude depending on their workload or possible previous interviews with students. We do however not see this as a big threat in our research. Participant bias is if the respondent would give an answer that was not fully honest due to for instance authority of managers. In our study this could be small risk since ethics can be a sensitive policy and all banks probably want to give as good impression as possible. Observer error is how well and close to reality the data is recorded. Since we are using semi-structured interviews it is a greater risk for an error when collecting data since it is an un-standardized procedure. We have however used a tape recorder during interview to be able to go back and listen to answers again and make sure the respondents’ answers were correctly understood. Observer bias is how the data is interpreted. In our case all data have been collected in Swedish and then translated to English by our best judgement. Since English is neither author’s mother tongue there is some risk of answers and data getting a slightly different meaning after translated or put in another context. We do however not
see this as a threat to reliability and we see the risk of words or phrases getting a different meaning after translated as minimal (Saunders et al, 2003).

Validity refers to “the extent to which data collection methods or methods accurately measure what they were intended to measure” (Saunders et al, 2003, p 492). Is there a causal relationship between variables? In this study threat to validity could again be that firms would answer questions in a way that would give a better impression than reality or not answer questions at all.

Generalizability refers to “the extent to which a finding in one setting can be applied more generally.” (Silverman, 2005, p 378). This research has focused on the larger banks and their general ethical funds. Whether the findings in this study can be applied to other more niche funds or for instance ethical funds in other countries is uncertain. Even though roughly ten % of funds in Sweden in 2012 are ethical funds (C. Hemberg, personal communication 080512), the ones studied in this thesis has had some requirements to fit the research. It is possible that some part is valid and generalizable to other settings, but the authors of this thesis do not claim the findings to be.

4 Empirical findings

We have performed three semi-structured interviews with three ethical advisors, GES Investment services, Ethix SRI Advisors and the internal ethical screening team for Swedbank Robur. Swedbank Robur was the only bank in our population to have an internal screening team and thus we have from this bank got the answers for the screening process and the more bank and fund specific questions from the same source. Where as for the other banks this has been divided to two sources, one for their ethical screening i.e. their advisors, and the fund managers themselves for the more bank and fund specific questions. The empirical findings are quite extensive and presented for the interested reader, there is however a summarized version of the findings in the analysis part.

4.1 Ethical advisors

First we present the most relevant parts from the interviews with the ethical advisors for the different banks, here translated to English by the authors. Nordea and Danske Bank use Ethix as their advisors, Handelsbanken and SEB uses GES Investment services, Swedbank Robur has internal screening for their Swedish ethical funds. Since Swedbank Robur has internal screening we have gathered all questions for Swedbank and their advisor (i.e. their internal department) to one person. Due to this some questions and answer that is separated between ethical advisors and the specific banks are in Swedbank Robur’s case presented under Ethical advisors.
4.1.1 GES Investment Services

The interview was performed with analyst Anna Zetterström on May 15th 2008 at GES Investments Services head quarter in Stockholm.

GES Investment Services is a large research and service provider for responsible investments. They provide three different services that clients can apply, one or all three. The first most basic service is Controversial. This is basically negative screening to get the most controversial companies or businesses out such as weapons, alcohol, pornography and gambling. The client can decide how to implement this and it can be production and/or sales of these products. The exclusion limits how big part from the turnover is decided upon of the client (GES, 2008a).

Figure 4-1 GES Controversial

Second product is: Global Ethical Standard and this is a bit more extensive. It excludes companies that conduct business that do not follow well-established international norms on environment, social and Governance issues (GES, 2008b).

Figure 4-2 GES Global Ethical Standard

The third product is Risk Rating which is an analysis of the risks associated with the way companies deal with environment, human rights and corporate governance. The company can get rating Aa-Cc, where A-C represents general risk level of the company’s industry and a-c represents risk level of the particular company. The process evaluates companies both from present status and future potential. The analysis is based on five sources; company dialogue, official company documentation, information from NGOs, the media and GES partners (GES, 2008c).
4.1.1.1 The process

- If a bank, for example, says that they want to construct an ethical fund, and they want to have assistance with the screening of what companies that they can have in that ethical fund. How does that screening process work to choose the companies that qualify?

“First of all an agreement needs to be reached, or that is really with the bank, but we can help them in that process of realizing what do we think is an ethical fund. Should it consider both social and environmental matters? Or only either one. And dependent on how one wants to profile this ethical fund influences the screening that we do, of course. It depends on what the objective is with the fund. Many do however only want avoid the worst companies and then say that this is an ethical fund. While others perhaps picks the best companies and says that this is really good, so just like with our three products there is a gap between these.”

- Could you describe the screening process?

“For the Controversial product, we use the company’s own information that is available online to find out. First we do estimation, what is this company? What does this company do? One look at the description of what the company works with and one identifies risky areas. They have a subsidiary corporation within alcohol industry something else that one should look for. Then that is looked for through different searching methods and so on. If one finds something within a controversial area, then one looks at annual reports and so on to find out how large part this turnover is out of the total turnover. Most often it is pretty small but in some cases it is a company that purely works with that kind of things. Or a subsidiary corporation that only work with that or something. Then estimation is reached of that. On the Global Ethical Standard, we have an analysing process which purpose is to identify companies that potentially violates international norms such as UN Global Compact, OECD guidelines for multinational companies and conventions within UN and such as for human rights and the environment and also certain weapons related are found. The method is that we have daily surrounding world based news surveillance on all the companies that, I’m not sure how many they are right now but about five thousand or something, divided among us analysts. We have research centres with analysts that are based in Poland; they do some of the surveillance and move some of the surveillance on to us. Every week we do a compilation; have any news reached the surface the past week that is so interesting
that we think it is worth moving on with it. Has any incident happened the past week at a company, if it has then we inform the customers and send an e-mail to them. And after that a process is launched where we contact the company to obtain their view of what has happened. We receive an answer hopefully, or we try to reach them again, so we establish a dialogue with the company and with other sources to really receive a general picture of what has happened. And either we decide that this wasn’t so serious or it wasn’t the companies fault and then we can write that off, or here we have a case of violation of international norms. Then we give the recommendation to our customers to actively get involved in a dialogue with them or to exclude them from their investment universe dependent on which policy the customer has.”

- Is it a little bit subjectively since it is up to you to decide whether or not the violate the international norms? Or do you require an admission from the company?

“We want the view from the company, the company is always asked. They get all the opportunities to make a statement, so our objective is to be in a dialogue with them. Some doesn’t answer, but that is pretty unusual. We have a dialogue with most of them so we get their view on what has happened and then different sources and experts’ view on what has happened. If the company does not admit that they have done something wrong, there may be heavy evidence from other sources. If for example an environment authority makes a statement and says that the company is guilty of this and that we can interpret according to these conventions that this constitutes a violation against them, then that is enough also. Before we make a final recommendation we always ask our advisory board that consists of different people who have deep knowledge within the different areas. We give our analysis, argumentation and conclusions to them so they can control that it is justified in accordance with the basic data. For the quality control, that we don’t make any subjective decisions. Even though there are very clear guidelines in the starting stage that there should be official documentation, but because it is an analysing process the analyst is forced to make interpretations and put together the picture and pattern and make one’s own conclusions but based on very thorough data. Media often criticize investors; ‘why do you have shares in that company?’ They do all this. Often that is correct we have identified that there is criticism that they pollute rivers in India or whatever, but we do not have the heavy evidence that is needed for us to say that you need to exclude the company or get involved. But they are put on an observation list, the step from where we actively start to analyse to when we make the final decision. We demand pretty much to come to the final conclusion.”

- In the example with the pollution of the rivers in India, if the media says it is so and you also suspect it is like that. Do you tell your customers that it is possible that it is like that and that it is up to the customer to make the decision?

“We tell them that we have the company under observation, which means that we are in an active dialogue with them and work to get an as clear picture as possible.”
- What qualifies as a violation of for example the environment?

“It is seldom it says in a convention where the line goes for threatening biological diversity for example. For example the convention of biological diversity, it provides the big picture. But for the interpretation we often need to turn to other companies. We can among other get assistance when looking at which guidelines does the industry together decide upon. Now I think very much in terms of extraction industry, for example in the mining industry it is clear guidelines, these values are allowed to occur from different heavy metals and poisons and such in the discharge of the mining industry. The guidelines are partly within the industry, partly within international bodies’ such as the World Bank and IFC (International Finance Corporation) they have their own that are applicable for their own sake. Partly in investments in different projects and such, there are many like those that one can turn to in order to make comparisons. There are many who have a negative impact on the environment in the world, of course, but what we consider in the analysis is those who seriously violate systematically international norms. That is a kind of estimation. There need to be a great impact on humans and the environment, a significant affect on humans and the environment in order for it to be doable, for it to be considered in our analysis.”

Do you inspect subsidiary corporations, suppliers and such?

“Within this product we have, well within all products, clear guidelines when looking at company structures, when looking at norm offences we look at subsidiary corporations that are majority owned and there first line suppliers. We also look at joint ventures where companies own more than twenty percent, then the parent company has significant possibilities to influence the company where the incident has occurred. Within Controversial everything in the company’s economic report is inspected, all the companies that have transactions to the parent company so to speak, is considered in the estimation. In the Risk Rating we look at the line of suppliers, which is one of the factors that we estimate, I am almost certain that we don’t look at subsidiary corporations within Risk Rating.”

- Have you inspected all the Swedish companies quoted on the exchange from the four areas[alcohol, tobacco, gambling and pornography]?

“I don’t know, but I would think so.”

- Is it up to you to decide whether or not a company violates for example human rights within the Global Ethical Standard product?

“We have stipulated criteria within that analysis model that builds on that we do not subjectively decide but base our analysis on official documentation. So to come to the conclusion that a company is guilty of an environmental offence, it is demanded that we have official documentation to refer to and rely on in the decision. The official documentation may look differently; sometimes it may the company that admits what has happened, an
admission. Or it may be a verdict from a court or a specialist within the area or a UN body, which is pretty unusual but it has occurred that ILO or UN makes a statement about certain events where companies have been involved and has direct connections to the company and recommendations to the company. So, heavy evidence is needed for us to come to a conclusion. We do however work with the companies even though we haven’t reached all the way, but we have indications that it could be so, but we miss evidence. Then we still work in dialogue to improvements and so on.”

4.1.1.2 Exclusion

- Do you suggest a certain percent when it comes to screening out areas such as tobacco and alcohol or is it up to the customer to choose the percentage limit?

“That is up to the customer to decide, percentages limit that we. I don’t work very much with that product but I have done that a little bit and I dare to say that we recommend and what many uses because it both makes sense and is doable is the five percentage limit. It is common, it is low so that one does not risk screening out every large corporation with many subsidiary corporations that may be active in store sales where it may be a risk of sales of alcohol abroad. If the limit is at five percent, the limit is at a relatively good level where the ones who actively engage in these areas are identified but not let to “bad” companies through either. Some has had a higher level before and then it feels sort of pointless, others have a lower level then it suddenly becomes difficult to count because that kind of economic reports are not available that makes it really significant and to be able to say; yes, three point five percent, there it is. But it is often between zero and five percent judgement that is possible.”

4.1.2 Ethix SRI Advisors

The interview was performed with founder and CEO Ulrika Hasselgren at Ethix SRI Advisors head quarter in Stockholm on may 15th 2008 in Stockholm.

Ethix SRI Advisors provides responsible investment solutions that can be tailor made to clients. They offer three products which are: Consulting, Research and Screening and Company Dialogue and engagement. The first product helps investors develop and implement responsible investment policies. This helps clients combine environmental, social and governmental issues to the investment process. The Research and Screening covers different screenings such as sustainability positioning of portfolios and controversial weapons screening. Company Dialogue and Engagement is targeting active owners who want to influence companies and Ethix helps these customers to a dialog with companies (Ethix, 2008).

4.1.2.1 The process

- How does the selection process work for an ethical fund for a large bank?
“Normally the bank has a benchmark, ...[with Swedish funds] ...it could be SIX RX, which we can say is the Stockholm stock exchange. This mean there are about 270 companies and this is then the banks comparative index, then normally this means that all these companies are put thru our screening. In this screening process we have put up different criteria for example if we look at a few of the banks we are working with, we go in and look at these companies, how do they follow the UN norms. In practice we are looking for dirt; problem, violations, toxic discharge, polluting the environment, corruption. This we find both with our own knowledge and expertise, and also thru the networks we have with different experts in the filed and different sources with information. We might also screen all these companies with ethical criteria such as: arms, alcohol, tobacco, gambling, and pornography for example. From this then, all the 270 companies, a list or a ranking is created depending on what criteria has been used. If the criteria are no companies with arms, tobacco and alcohol, then those sorts of companies are put on a list, they are not to be included based on these criteria. From this the bank chooses a to make for example a Swedish ethical fund, and it can be different number of companies, 70 to 100 or a concentrated portfolio with for examples 40 companies, then they are approved from this whole process.”

The process was presented as a model, by Ulrika Hasselgren during interview:

Figure 4-4 Ethix process

- The ones who do not get approved, are that according to your perception or do you get help from independent sources such as experts?

“In this process we are looking for public information, we are not searching for secrets, thus we are searching for information that is accessible ... [media] is a signal in to our sys-
tem, we also get information from different expert organizations and that could be any from Amnesty, Green Peace or Human Rights Watch that is an organization that focus on different single issues, and are watching different geographical areas, who write and in particular criticize companies or areas where there are problems with violations and human rights. We also get information from authority agencies, it could be national agencies, and it could be legal body, information from the UN. UN’s work organization ILO makes returning reports from different countries and they go deeper and look into one region, a factory or buildings and the companies involved. We have different independent sources that give us, and another important source to provide information is the company itself. We always contact the company when we have gotten a signal about something that is problematic, that is the one side… it could also be that we have gathered an amount of information, and we see we have got the whole picture and see if there is a system failure or something that keeps coming back, then we contact the company with this information and ask questions about it the reported allegations, their social responsibility and ask questions regarding if they are going to do something about the situation. It is this collected picture, our knowledge, our expertise, different sources reports and the company’s accounting that leads to some sort of grade or conclusion.”

- Is it hard to know where to draw the line? Is it your judgement or is it clearly stated?

“It is very clearly stated, and we can have very clearly stated since our analysts are very knowledgeable within these fields. There will always be allegations, critique to the companies, it could be that they violating human rights, and it is true, if one look at rapport from an NGO [Non-Governmental Organization] they have their own agenda of course, and they can be extremely tough in their critique, and they do not always put things in its context, look at the company’s conditions, they look at the problem and then they make their judgment. What we need to be able to make a relevant appraisal, is perhaps to look at an isolated occurrence that is problematic, perhaps we already have a report from Human Rights Watch that says that company X violate human rights, or they discriminate women in the factory, then we have to look closer where the problem lies. Is there anyone else but that voluntary organization that has reports, is there any other UN organization that is watching and which has also made a statement, perhaps this is a legal process. Then we look at industry standards, how do companies in this industry act, what is best practice? Then we look at the international norms there is, different conventions within the working life, there is ILO which has brought up a number of core conventions for rights in the work life, this is in many countries made in to laws. Sweden, the Nordic countries and west Europe has no problems with this since our laws are working very well. But in Asia, in China, it is different. The problem in South Korea may be right according to national standards, but according to international norms everybody has the right to a tolerable work, minimum wage or different conditions, then we will apply that level since the owner want
the level to be increased. Yes, we have very important criteria to make a judgment in these different situations, and to get the situation by someone else than the first to report it. And we always put it to its context, we look at how it looks in that country, in that industry, compare to how other companies does, and how the company has acted historically in similar situations.”

“We do not have that type of industry criteria that excludes an entire industry, however we do look at the different industries judged by a risk perspective and they can be classified as high-risk industries and low-risk industries. What is interesting it to look at those high risk industries for instance oil and gas or the mining industry where they have been forced to take on an enormous responsibility in their activities and have a readiness and a management group system in place to because there are these high risks, and it is both social risks and environmental risks.”

- Does the screening include subsidiaries and suppliers?

“The screening may absolutely include subsidiaries and suppliers.”

- It is not that you always screen subsidiaries and suppliers?

“No it is not. It depends a bit on what method is being used, in the screening information is searched and then this is tied to the companies. Then there are other things, when an individual portfolio is worked, where a complete analysis is made on each company then we look through both risks and possibilities, both positive and negative and make a judgment on each individual company, then one looks clear on both subsidiaries and suppliers.”

- Who sets the restrictions on which companies that can be included in a fund?

“When it comes to the banks, the ones who set the restrictions are the bank’s customers,…”

“The ones setting the demands are thus the banks customers and foremost their institutional customers who can be our customers as well. For example Danske Bank or Nordea works towards the Swedish church, the different dioceses, parishes, or towards municipalities, or different foundations, then they put demands on ethics and it is also they who decides where level is for what is suitable. It is many investors who apply the international norms regarding, human rights, and environment, work- and corruption questions as a groundwork that is the most common. Then one could say that we are included and have expertise within these areas, have the experience to execute a screening based on these criteria, so we do affect the how this is shaped.”

- Do you offer different services or is it a package deal if a firm hires your services?

“We definitely have different services, it is really within three areas the first being policy and communication, second is analysis and the third is company dialog. It really follows an investors
development within this area, I mean, when an investor sits down and thinks alright we want to do something, or we have to do something to we need to do something, then our suggestion is that we have to develop a policy that has its ground in which ambition the investor has, what values the investor holds and what is possible to do. When that policy is in place then one can implement it and apply it in ones investment and this might mean that an analysis is performed on the portfolio and the companies in it so that is the analysis, then we have the company dialog where good and bad companies are identified and a dialog is kept and the purpose is to increase the value of the company, pure financially but also regarding sustainable development and affect leading to a change, that is the three services we offer.”

4.1.2.2 Exclusion

- Concerning the old “classic” criteria; alcohol, tobacco, pornography, gambling and arms, we have seen that 5 % seem to be a common tolerance level for ethical funds. Do you have an idea of how many companies that excludes in the Swedish stock exchange with this 5 % limit?

“Five per cent… well it is not many.”

- Do you have a percentage limit you suggest to your customers concerning [revenue from] the classic sin areas, or is it fully up to your customers?

“That is up to our customers. However we have opinions when they select their criteria. If they say they want zero tolerance for pornography, then it is our obligation to tell them how that hits, because it hits hard, it hits directly on the return. If you have a Sweden portfolio and you remove the whole telecom industry, media, hotel, tourism, then that hits the return. As a responsible investor you should manage the capital, but not at any cost, you are not supposed to ruin the capital. To us this is a responsibility question and it is an ethical question as well.”

4.1.3 Swedbank Robur Internal screening department

The interview was conducted with environmental and ethical analysis responsible Anna Nilsson for Swedbank Robur internal screening department on may 21st 2008 via telephone.

Swedbank Robur is one of few fund companies that performs internal environmental and ethical screening. They analyse companies while in a dialog with them and a policy they have is to publicise fore runners in industries. They perform a deeper dialog with companies that are working on improvement and provide constructive criticism to companies that need improvement. Their internal analysis is only focused on Swedish companies whereas
they consult Ethix and Innovest group for global screening issues. (Swedbank Robur Ethics and Environment, 2008)

4.1.3.1 The process

- How does a screening for a Swedish ethical fund work? Could you tell us about the process?

"I can tell you in short, the sustainability analysis, or the ethical analysis, always comes first and gives as a result a list of companies that are approved or disapproved of for investments. The list is sent to the fund managers who then chose companies to invest in from a financial perspective. The fund managers cannot say: ‘you cannot disapprove of this company’, because they don’t take part in the sustainability analysis, their work comes in a later step. Another method on the market (that we do not use) which is more common and cheaper is to only do the ethical analysis on the companies in the portfolio. I know at least one competitor who uses that method. We do it the other way around, first sustainability analysis and then the list goes to the managers. In practice, the analyses are made industry by industry. I am for instance working on machinery and capital goods right now. All companies are contacted, and we collect information from all of them. There are a vast number of question we ask them, and we read all the rapports and official information about them that is available. We put together a company profile that we let them read and comment on. Many of the companies we meet with, when I am looking at Swedish workshop industry I am meeting 21 out of 23 companies, so that is in principle all. In other industries I might meet with half of the companies, it varies but we do meet with many, we are very active out there. If it would be the case that a NGO or environmental organization has written something useful, we would use that. When we have an idea of what companies we think are responsible and which ones we do not think is, we present that to our Environmental and Ethical council which consists of external experts and they give us a recommendation how we should rule concerning approved and disapproved companies and then we make a decision and this leads to an approve and a disapprove list that goes out to the fund managers. Since five years ago we are not finished after the analysis process. Based on our ownership policy that apply to all our funds (not only the ethical funds) we chose the companies to engage in improvement dialogue with. Last year we did analyses on 100 Swedish companies and met with approximately half of them.

- You mentioned all companies, is that all Swedish companies noted on the stock exchange?

“Yes down to a certain limit, not the smallest ones, never any company with a stock exchange value below 500 M SEK. But that is very many.”

- Do the criteria also apply to subsidiaries and suppliers to the company being screened?
“That is a big difference; a subsidiary is a part of the company so that is definitely included. The limit lies at more than 20% ownership. When it comes to joint ventures it is a special case, we look at it one-by-one. When it comes to suppliers, we can not screen the companies’ suppliers, but it is an important part of our screening to check if the companies we invest in check themselves that the suppliers follow their code of conduct.”

- Do your private and institutional customers have any saying in your holdings or exclusion requirements on your ethical funds?

“Of course as our customer you can contact us and tell us that: ‘we are wrong’ or ‘have you thought about this?’. But the largest influence a customer can have is when we are in the process of updating our analysis criteria though that is a slow influence, but it is not like someone can call is and say: ‘I don’t like Ericsson, I think you should exclude Ericsson’ that is not how it works, we analyze Ericsson also, we have analyses that goes for months. If someone comes in with a negative viewpoint, we listen and then turn to Ericsson and bring up the issue with them and let them defend themselves.”

“Regarding Institutional customers it is more a special case, because sometimes we have tailor made mandates from them, where they decide their criteria and then they can also call and let us know ‘we think you should remove this company’. It is rare, but those mandates exist.”

- Do you give any guarantee that the companies you have screened are ethical, according to you measures?

“Definitely not, we would never even come up with the idea of calling the companies ethical, we do not even claim that we have ethical funds, we say we have funds where ethical concerns are taken. What we can guarantee is that we have performed our screening in the way we describe, according to the criteria we have listed in the web site. The companies have passed our filter and what we can say is that, those companies according to our judgment are responsible enough, that they handle their sustainability risks and take advantage of their sustainability opportunities. Concrete – they have a good environmental work related to their products and take environmental consideration in their manufacturing process, they have a responsible social and business ethics work related to their own staff and also supplier control. The companies must have good sustainability work within their sector both in Sweden and internationally and must also have made progress. That is what we guarantee. We have high requirements on our companies and we want to pick the best ones in every sector but of course even the best ones have improvement potential.”

- Do you follow ENF’s statements?

“Yes that is concerning marketing of private market fund, and it states that you should be transparent with information on your criteria and analysis process for example and it also
sates that if you use negative screening the threshold should be 10% as a maximum. We follow ENF’s recommendations. I have a meeting with them tomorrow; they want our in-sight on how to make the requirements harder. We think they are to tame.”

4.1.3.2 Exclusion

- Your limit for companies’ part of revenue from alcohol, tobacco, military expenditures, gambling and pornography is set to 5%. Why the number 5%?

“Max 5% because that is a small part of a company’s business. When we do our analysis most of the companies are excluded from the portfolio as result of the sustainability analysis, not the criteria on alcohol, tobacco, weapons, gambling or pornography.”

- Does that include Swedish companies also?

“Absolutely, it is about half of the companies that we can not invest in. Regarding negative ethics; arms, alcohol, tobacco, gambling and pornography there are many companies sorted out as a result, but it is considerable fewer. So it is important to say, that in our portfolios it is the criteria on environment, human rights and business ethics that affect the portfolio the most. It is also important to remember that we both exclude companies with production and sales of the sensitive products. As some customers are sensitive about these products the companies are only allowed to have an insignificant part, a small part of their business stemming from these products. There are examples where the company is very good with environmental work, best in the class, but in a small part of their business sells alcohol and therefore gets unapproved of in our funds even though they may have fantastic environmental work. So we want to focus on the main part of the business and if a company only has a small part of the business that deals with this we can accept it, if it is a small part.”

4.2 Banks

Here information from each bank is presented and information is both secondary data from the banks web pages, brochures etc. And also primary data in form of interviews and email questionnaires answered by fund mangers.

4.2.1 Nordea Etiskt Urval

E-mail interview with Erik Feldt, CEO for Nordea Fonder.

Nordea are selecting companies that are following human rights, working rights and environment in which Sweden has agreed to follow the norms of. Further the fund will not invest in companies that earn maximum 25% of their revenue are from sales or production
with the following industries: military expenditures, tobacco, alcohol and pornography (Nordea, 2008)

4.2.1.1 Questionnaire answered by fund manager

- Which product from Ethix do you use?

“Ethix carries through a norm based screening twice a year on all our stock funds as well as a sector based screening from a selection of our funds, among others Nordea Etiskt Urval and Institutionella Aktiefonden Sverige”

- How many and which companies at the Swedish stock exchange are excluded through that limit you have applied to your ethical fund in the question above?

“5 companies are excluded; SAAB, Betsson, Boss Media, Unibet and Swedish Match”

- Was it you or Ethix that decided that the fund should only contain companies that follow regulations for human rights, work and environment?

“That was decided by Nordea”

- How many and which companies at the Swedish stock exchange are not qualified when it comes to following regulations of human rights, work and environment?

“No company does not qualify with regard to the regulations.”

- Have your private customers and institutional customers any influence regarding content and exclusion requirements on your ethical funds?

“Institutional customers may get tailor made solutions.”

- Do you always follow the recommendations you get from your ethical advisor regarding exclusion of companies?

“The companies that get caught in the screening are excluded automatically in Nordea Etiskt Urval and Institionella Aktiefonden Sverige. When it comes to other funds we get involved in the companies that get caught in the screening with assistance from Hemes, a British company that work with so called involvement for various investors.”

- Do you follow ENF’s statement?

”Yes.”

- ENF writes in their statement from 2004: "If it is stated in the fund’s ethical profile that investments in certain activities shall be avoided then according to the committee’s sense an investment shall not be regarded as acceptable if a higher proportion than 10 percent of a potential company’s, or in occurring case concern’s in which
the company is included, turnover originate from the not accepted activity” What is your position regarding this statement when you have 25% as a limit?

“ENF has been arranged by the SIFA and that is its ethical committee for fund marketing. ENF’s first assignment 2004 was to create guidelines for ethical funds and these guidelines are part of an agreement with the Swedish Consumer Agency. In the cases when a fund management company wants to have pure ethical funds then a maximum of 10% of the turnover can originate from unethical activities. Further shall there be a well defined selection process, ethical information and reporting as well as control systems. Nordea has currently per definition no ethical funds but only funds with ethical inspection. The limit of 25% that is in Etiskt Urval implies that we never can market Nordea Etiskt Urval as an ethical fund but a fund with ethical inspection, with ethical criteria or a fund that takes ethical regards. That is also why the name of the fund is Nordea Etiskt Urval rather than Nordea Etik.

4.2.2 Swedbank Roubur Ethica Sverige Mega

For this bank a questionnaire was not sent out to the fund manager since the screening is performed in-house, the responsible person were qualified to answer more bank and fund specific questions as well. The important part of the interview has been presented under ethical advisors, what follows here are complementary information gathered from brochures provided by Swedbank Robur.

Swedbank Robur (2008) claims that they want to support companies that see the business opportunities in, that in a believable way, show that they can handle the social, ethical and environmental risks. The bank engages themselves in a number of ways; they analyse the companies in a dialog matter. Swedbank Robur further encourages and presents the good example companies for the public. A deeper dialog is conducted with companies wanting to improve, as well as a helpful dialog with companies that do not live up to the restrictions.

Swedbank Robur’s own criteria are based upon International conventions, norms and guidelines regarding environmental and social responsibility and also sustainable growth. Six points are referred to: 1) FN’s declaration of human rights and the close FN conventions. 2) FN’s Global Compact. 3) ILO’s eight core conventions. 4) OECD’s guidelines for multinational companies. 5) Amnesty Business Groups guidelines for companies. 6) Rios declaration about sustainable growth.

To get the necessary information official documents are first looked at and the company is later contacted for complements needed. This could be through visits or phone interviews. Through the process a dialog is kept and both positive and negative meanings are communicated to the company. The selection of companies is partly based on how the company is doing compared to its competitors on the Swedish market and also to the leading international companies in its industry (Swedbank Robur, 2008).
Swedbank Robur (2008) is using both sustainability criteria as well as negative criteria. Some of the main sustainability criteria are stated as questions and are presented here:

What risks are associated with the companies business? Are there any changes that could affect the risk on a short or long term view? What is the business opportunities connected to the ethical, social and environmental responsibility? Any publicity from agencies or media regarding the ethics is looked upon. What is the role of the company management and board of directors are they supporting any international agreements? Are the company’s operation products or services affecting the environment significantly? What are the actions taken to decrease the negative effects on the environment caused by the company?

The negative criteria are as follows: There is a zero tolerance for investing in companies that produce arms or products designed to kill. Military expenditures could be components that could be used in a weapon system. Swedbank Robur’s policy regarding military expenditures is that the companies they invest in should not have more than 5% revenue from this kind of military expenditures. (Swedbank Robur, 2008)

There is also a zero tolerance against companies that produce pornographic material since it is considered a violation against human dignity. However companies that distributes pornographic material as only a marginal part of their revenue is accepted in an ethical fund. (Swedbank Robur, 2008)

Swedbank Robur (2008) does not invest in companies that have revenue of more than 5% from producing or distributing tobacco products. The exact same policy is applied for companies that produce alcoholic beverages (defined as beverage with more than 2,25% alcohol). Companies that distribute gambling business and/or produce games designed for the user to bet an amount of money with the hope of getting more back is only invested in as long as their revenue from this business is less than 5% of total revenue.

4.2.3 Danske Bank SRI Sverige

E-mail interview with Marina Persson, sales support for Danske Bank.

SRI Sverige is an index fund following the index SIXPRX. The ethical restrictions for companies in this fund have its origin in international norms concerning human rights, work, environment, bribes, corruption and arms. Further companies are excluded if they conduct business in the following industries: arms, alcohol, tobacco and pornography (Danske Bank, 2008).

4.2.3.1 Questionnaire answered by fund responsible

- What product are you using from your ethical advisor?
“We are using Ethix Norm Based Screening and Ethix Sector based Screening. We have two ethical funds that are being screened by Ethix. Danske Fonder SRI Sverige and Danske Fonder RSI Global”

- How come you have set a zero tolerance for returns from alcohol, tobacco, military expenditures, gambling and pornography for companies in your ethical fund?

“We do not have a zero tolerance on arms, tobacco or alcohol, it is a 25 % limit on the companies’ total yearly revenue. Regarding pornography the limit is though 0%..”

- How many companies on the Swedish stock exchange are excluded by the limit you have set in you ethical fund in the above question?

“Right now it is 10 companies in the index SIXPRX due to our limits. 8 out of these are due to zero tolerance of pornography, one is due to tobacco and one is due to arms.”

- What companies are excluded based on the criteria stated above?

“The companies excluded change over time, but for now it is:

Swedish Match, Investor, Kinnevik, Millicom, MTG, Rezidor Hotel Group, SAAB, Skistar, Tele2 och Telia Sonera”

- Do your private and institutional customers have influence regarding content and exclusion percentage numbers on your ethical funds?

“To us it is impossible to meet every private customers own wish regarding screening of which companies that are included in our ethical funds. However, we do listen to all our customers’ wishes and do all we can for our ethical funds to attract a large clientele. We also have a close dialog with our SRI partner Ethix regarding the development of ethical administration.”

- Do you always follow the recommendations from your ethical advisor?

“Yes.”

- Do you always follow the ethical committee’s statement?

“Yes.”

4.2.4 SEB Etisk Sverige fond – Lux utd

The fund has restrictions against the following industries: arms, alcohol, tobacco, gambling and pornography. A company is excluded if more than 5% of its revenue is generated from involvement in any of the mentioned businesses. As a compliment SEB lets GES Investment Services sort thru the companies in the fund and any company that is associated with a failure to follow any international conventions regarding human rights, work, environment,
corruption or arms are excluded (after a recognition from the company or a conviction from a national or international organ) (SEB, 2008).

Despite several attempts we have not got any answers from SEB to our research. The data gathered from GES-Investment services and the secondary data available on internet has been used where possible. However, for obvious reasons a full comparison and analysis has not been applicable on SEB’s ethical fund.

4.2.5 Handelsbanken Sverige Index Etiskt

Handelsbanken Sverige Index Etiskt is following the Index SIX/GES Ethical Index Sweden. The fund’s goal is to have a growth according to this index. The index includes companies that have been screened for ethical issues regarding environment, human rights and business ethics. The negative screening has the following limits; not include companies that have more than 5% of yearly turnover from commerce or production within the following areas: military expenditures, tobacco, alcohol or gambling. There is a zero limit on revenues coming from pornography industry (Handelsbanken, 2008).

4.2.5.1 Questionnaire answered by fund manager

- What product do you use from your Ethical advisor GES Investment Services?

  “They bring up companies that fit in to our index SIX/GES Ethical Index Sweden that is the only thing they do for our funds at the moment. The index is then calculated by SIX.”

- Why have you set the limits for companies in your fund to: 5% of revenue from alcohol, tobacco, military expenditures, gambling and 0% revenue from pornography?

  “We have not set those limits, it is previous customers (to GES and similar, such as the church). The reason it is set to 5% and not 0% is that if the lower limit was set “no” companies would be left. Imagine a bank borrowing money to a company producing military expenditures, a large grocery company selling cigarettes etc.”

- How many companies on the Swedish stock exchange are excluded by the limits you have set to your ethical fund in the above question?

  “14”

- Which are the companies excluded based on the criteria stated above?

- Do your private and institutional customers have any influence regarding content and exclusion per cent rate on your ethical funds?

“Yes and no, not for the fund *Handelsbanken Sverige Index Etisk*, but we can arrange a completely custom made index of course.”

- Do you always follow the recommendations you get from your advisor?

“Absolutely yes “

### 5 Analysis

This section is presented in an order that follows the research questions. The empirical data is analyzed and theories are applied to throw light upon the analysis.

#### 5.1 The screening process

The process of the funds is directly related to which ethical advisor they have chosen. Thus, we will present the processes of the ethical advisors and what differs between them.

<table>
<thead>
<tr>
<th>Funds</th>
<th>Ethical advisors</th>
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<tbody>
<tr>
<td>GES Investment Services</td>
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<td>Ethix</td>
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<td>Swedbank</td>
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<td>Danske Bank</td>
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<td>Handelsbanken</td>
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<td>Swedbank</td>
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**5.1.1 GES Investment Services**

The ethical funds that follow the process of GES are Handelsbanken Sverige Index Etisk and SEB Etisk Sverigefond – Lux utd.
First of all, GES helps the client in deciding what the ethical fund should consist of, whether or not it should consider environmental and social issues, or only either one. The profile that chosen of the fund influences the screening that is decided upon. Then the client may chose negative screening or positive screening. When a negative screening is selected the client needs to decide what percentage limit that is preferred, such as maximum five percent of a company’s turnover can originate from tobacco. Thus, the first step of the process is up to the client to decide the profile of the ethical fund (A. Zetterström, Personal communication, 080515).

The second step of the process is to decide which product to purchase, GES provides three products; *Controversial, Global Ethical Standard and Risk Rating*.

### 5.1.1.1 Controversial

This product excludes companies that have more than a certain percentage limit of turnover originating from certain activities such as tobacco, alcohol and pornography (GES, 2008b). It is up to the customer to decide which percentage level that is preferred, but five percent is however recommended (A. Zetterström, Personal communication, 080515). The customer can also decide how to implement it and if the customer wants to consider sales and/or production (GES, 2008b).

GES uses the company’s own information provided, such as from the homepage and annual reports. The first step is to do estimation about the company’s operations and activities. Risky areas are considered and the estimation is extended to subsidiary corporations. Everything in the company’s economic report is inspected and all companies that have economic relations to the company are included in the estimation. If controversial areas are discovered then an investigation is performed by inspecting annual reports to find out information such as how much turnover originates from this area.

### 5.1.1.2 Global Ethical Standard

The process within this product is to investigate companies that violate international norms such as UN Global Compact. A violation is defined as when a company systematically and seriously violates international norms. The method also includes daily surrounding world based news surveillance on all companies divided among the analysts and a compilation is performed each week. If any interesting news is discovered the customers are informed and the company is contacted to receive their point of view. After the dialogue with the company a decision is taken whether or not the company has violated any international norms or if it may be disregarded. Then a recommendation is sent to the customers to act accordingly with what policy the customer has. An admission from the company is not necessary from the company in order to be confident that a violation has occurred since there may for example be heavy evidence from other sources that leads to a conclusion. Before a final recommendation is issued to the customer the advisory board, which consist of people
how have deep knowledge within the area, is always asked. If there is information that sug-
gests that a company may be violating international norms then the customers are in-
formed that the company is under observation. In this process the subsidiary companies, 
joint ventures and first line suppliers are investigated (A. Zetterström, Personal communi-
cation, 080515).

5.1.1.3 Risk Rating

This product is an analysis of the risk associated with the way companies deal with the en-
vironment, human rights and corporate governance. The company can get rating Aa-Cc, 
where A-C represents general risk level of the company’s industry and a-c represents risk 
level of the particular company. The process evaluates companies both from present status 
and future potential. The analysis is based on five sources; company dialogue, official com-
pany documentation, information from NGOs, the media and GES partners (GES, 2008c). 
Subsidiary corporations are not considered in this process, the line of suppliers is however 
inspected.

5.1.2 Ethix SRI Advisors

The ethical funds that follow the process of Ethix are Nordea Etiskt Urval and Danske 
Bank SRI Sverige.

The process can be described by looking at the model Figure 5-4. The first step of the 
process is for the customer to select a benchmark, it could for example be the Swedish 
Stock Exchange which includes about 270 companies and they all go through the screen-
ing. Then it is examined how they follow for example UN norms. The companies are also 
researched for problems, violations, toxic discharge, and pollution of the environment et-
cetera. Ethix get input from various sources such as media, expert organisations, internal 
sources and authority agencies. When they get a signal that there is something problematic 
they always keep a dialogue with the company to get the whole picture. The company is 
also asked about the reported allegations, their social responsibility, what they plan on do-
ing about and if it is a problem that coming back. The companies may also be screened 
with ethical criteria such as tobacco and pornography. Subsidiary companies and suppliers 
may be included in the screening, it is dependent on the situation and evaluated in each in-
dividual case (U. Hasselgren, personal communication, 080515).

From the initial 270 companies a list or a ranking is created dependent on which criteria are 
chosen. From this list or ranking an ethical fund can be created usually including 70-100 
companies, or it may be a concentrated fund with about 40 companies (U. Hasselgren, per-
sonal communication, 080515).

Ethix provides three services which follow the development of the investor. First they have 
to decide together which policy to apply, which is the Consulting service. The policy is im-
plemented in the customer’s investments and this might mean that an analysis is performed on the portfolio, which is the Research and Screening service. Then a dialogue is kept where bad and good companies are identified, the purpose with this dialogue is to increase the value of the company both in financial terms and affecting leading to change, which is the Company Dialogue and Engagement service (U. Hasselgren, personal communication, 080515).

5.1.3 Swedbank Robur Internal screening department

Swedbank Robur analyzes companies while in a dialogue with them and presents good examples of companies in different industries. The first step of the process is to make decisions about ethics and the environment. Then they perform an ethical analysis of the companies, their subsidiaries and in some cases joint ventures. The companies are contacted and information is collected, information may also be received from other sources such as NGOs. A profile of the company is put together which the company has the possibility to comment on. Then the list of companies is presented to the ethical council with external experts who gives recommendations of what companies should be excluded or included. Then the final list is created and sent to the managers who select companies to the fund. The process is however not finished here, if there are companies that are suitable for an improvement dialogue then a plan is constructed of how the companies can be improved (A. Nilsson, personal communication, 080521).

The negative screens of tobacco, gambling, military expenditures, alcohol and tobacco is also considered in the process in terms of both production and sales. It is however considerably fewer companies that are excluded on these conditions than environment, human rights and business ethics (A. Nilsson, personal communication, 080521).

5.1.4 The screening process in steps

Reich et al. (2001) describes the process of the asset manager in Figure 3-1 and the process is divided into four steps; objective, screening criteria, data collection and evaluation. GES applies the first step objective in the process since they begin with helping the client to define a policy for the fund. Then the second step screening criteria is applied and the client decides what criteria to use, for example positive or negative screening. When the criteria are decided information is gathered and analysed which constitutes the third step data collection. The last step of the process is to get approval from the advisory board which would be evaluation.

Ethix has a similar process, the first step for the client is to choose a benchmark, objective, and then the criteria are decided upon, screening criteria. Information is then gathered from various sources, data collection. There is no clear evaluation stage for Ethix, they do however always contact the company, experts and other organisations before a decision is made which could represent evaluation.
Swedbank is a somewhat different to Ethix and GES in the process. Their first step is to make decisions about ethics and the environment and this could represent both objective and screening criteria since the objective becomes included in the screening criteria. The second step is however clear when they gather information, data collection, and so is the third step where the list of companies is presented to the ethical council and external experts, evaluation.

5.1.5 The ethical funds’ obligation to ENF

In the interviews with the representatives from the banks they have made clear that they do not have any ethical funds, they only have funds with ethical inspection. The question of whether or not the funds are ethical is somewhat of a judgement call. In order to try their denial of offering ethical funds we will compare the funds’ characteristics to the definitions of an ethical fund, first is the definition from EIRIS.

EIRIS provides two characteristics to be fulfilled on order for a fund to be labelled as an ethical, it is however sufficient that either one of the characteristics is fulfilled. The first characteristic that EIRIS brings forth that would label a fund as an ethical fund is the negative and positive ethical criteria. We can quickly conclude that all the targeted funds fulfil this characteristic and thus all target funds are, according to EIRIS, ethical funds.

ENF’s definition that will serve as a base is simply a fund that in its investments applies selection criteria that builds on stated ethical values” (Westlander, Brink, Backman, Sundin, Ek, Axelsson, Lundmark, & Örn, 2004, p. 3).

Erik Feldt at Nordea says “Nordea has currently per definition no ethical funds but only funds with ethical inspection.” Well, according to EIRIS, the main research body on ethical investment in the UK, Nordea Etiskt Urval is in fact an ethical fund. The fund also fulfils the requirements of an ethical fund according to ENF. Thus, Nordea Etiskt Urval should be obligated to follow the requirements from ENF. Their percentage limit on their negative screens of 25% is too high since the highest level according to ENF is 10%.

Anna Nilsson makes the same statement regarding their ethical fund “…we do not even claim that we have ethical funds, we say we have ethics funds where ethical concerns are taken.” Not only does Swedbank Robur Ethica Sverige Mega fulfil the first characteristic of an ethical fund, they even fulfil the second which is the engagement criteria. By using selection criteria they are an ethical fund by ENF’s definition as well. According to ENF transparency is very important. Anna Nilsson at Swedbank Robur was however not willing to provide information of how many and which companies are excluded from their fund Swedbank Robur Ethica Sverige Mega.

Marina Persson at Danske Bank says that they follow the statement from ENF even though Danske Bank’s ethical fund Danske Fonder SRI Sverige has a percentage limit of
25% in the areas of arms, tobacco and alcohol. This is of course also a violation of the statement from ENF.

### 5.2 Screening process differences

The banks are somewhat similar in their screening methods in the sense that all banks have adopted the engagement approach and negative criteria. It is however only Swedbank Robur that have stated that they use the best-in-class method, that is promoting the companies that sets good examples and are ahead in its respective industry in terms of social responsibility and ethical awareness. But, Ethix also apply the best-in-class method which means that also Danske Bank and Nordea follow this method. And, GES provides the opportunity to only screen the good companies then SEB and Handelsbanken also apply best-in-class.

Where they differentiate from each other the most is whether or not they provide deliberative or market-led funds. Danske Bank has market-led funds since Ethix clearly stated that it the banks’ customers who set the ethical requirements of the funds. Nordea also consult Ethix for ethical advisory but Nordea do however states that their customers do not have any influence, while Ethix say they do. Thus, it is inconclusive whether or not Nordea’s customers have any influence and thereby nothing is ticked of in Table 3 regarding this. Swedbank Robur on the other hand has their own internal ethical requirements that are not affected by the customers. The exception is when an institutional customer purchase a tailor made product from Swedbank. The customers of Handelsbanken do not have any influence on the requirements of Handelsbanken Sverige Index Etisk, but there is the same exception here with custom made products. According to Mackenzie (1998) the difference between deliberative and market-led funds is ethically significant. Since market-led funds do not make use of reason but rather follow the demand of the customers. Deliberative funds on the other hand do make use of reasoning and is thereby more ethical.

Table 2 Ethical screening methods
5.3 Exclusion

A common qualification to make an ethical fund seem to be to have negative screening criteria against the classic sin areas: alcohol, tobacco, weapons/military expenditures, gambling and pornography. Here follows a table of the banks policy for these exclusion criteria for industries and products. In the table below there are only criteria presented that has an effect and actually excludes companies, no bank except Swedbank Robur screened out any companies on other criteria than stated below. It should be made clear that these companies excluded are the ones when the research was performed, in other words there are no historical data on this. Also should be pointed out that other companies may be excluded at a later point in time, due to screens presented below or norm based screens that had no effect on companies at this time except in Swedbank Robur’s case. The number means the maximum percentage allowed of yearly revenue coming from each industry for a company to be excluded.

Table 3 Negative screens

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<thead>
<tr>
<th></th>
<th>Swedbank</th>
<th>Handels Banken</th>
<th>Nordea</th>
<th>Danske Bank</th>
<th>SEB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcohol</td>
<td>5%</td>
<td>5%</td>
<td>25%</td>
<td>25%</td>
<td>5%</td>
</tr>
<tr>
<td>Tobacco</td>
<td>5%</td>
<td>5%</td>
<td>25%</td>
<td>25%</td>
<td>5%</td>
</tr>
<tr>
<td>Weapon/</td>
<td>0%/5%</td>
<td>-/5%</td>
<td>-/25%</td>
<td>25%/-</td>
<td>5%/-</td>
</tr>
<tr>
<td>Military</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Gambling  | 5%  | 5%  | Not a screening criteria | Not a screening criteria | 5%  
---|---|---|---|---|---
Pornography | 5% | 0% | 25% | 0% | 5%

Number of companies excluded based on the criteria above

Table 4 Amount of companies excluded

<table>
<thead>
<tr>
<th>No. of companies excluded</th>
<th>Swedbank</th>
<th>Handels Banken</th>
<th>Nordea</th>
<th>Danske Bank</th>
<th>SEB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Half of companies on stock exchange*</td>
<td>14</td>
<td>5</td>
<td>10**</td>
<td>No data</td>
<td></td>
</tr>
</tbody>
</table>

* More restrictions than the negative screens.
** Out of SIXPRX – market index of Stockholm stock exchange where no company is allowed more than 10% weight

Swedbank Robur does however point out that the 50% all Swedish companies that are excluded on the Stockholm exchange are not excluded due to the limit on alcohol, tobacco, military expenditures, gambling and pornography. The reason for the big amount is due to their sustainability analysis which focuses on environment and human rights. And the big amount of companies that are excluded does not necessary violate for instance human rights but their work on the matter is not sufficient for them to be included in an ethical fund at Swedbank Robur.

For the other banks the number of companies is significantly smaller when looking at these criteria. Thus it can be that since these banks are putting the ethical screening on their advisor we think it seems likely that they do not apply those strong ethical criteria as Swedbank is doing. Even if the advisors offer a wide range of products, it seems common that the easiest form of simple negative screening is performed, and thus the few companies excluded.

The excluded companies are presented bellow and the criteria why they are excluded according to our estimation:

Table 5 Identification of excluded companies

<table>
<thead>
<tr>
<th></th>
<th>Handelsbanken</th>
<th>Nordea</th>
<th>Danske Bank</th>
</tr>
</thead>
</table>

43
<table>
<thead>
<tr>
<th></th>
<th>Alcohol</th>
<th>Ratos</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco</td>
<td>Swedish Match</td>
<td>Swedish Match</td>
</tr>
<tr>
<td>Weapons/Military expenditures</td>
<td>SAAB, Partner Tech, Prevas</td>
<td>SAAB</td>
</tr>
<tr>
<td>Gambling</td>
<td>Betsson, HiQ International, Unibet</td>
<td>Betsson, Boss Media, Unibet</td>
</tr>
<tr>
<td>Pornography</td>
<td>Investor, Kinnevik, MTG, Rezidor Hotel Group, Tele 2, Telia Sonera</td>
<td>Investor, Kinnevik, Millicom, MTG, Rezidor Hotel Group, Skistar, Tele 2, Telia Sonera</td>
</tr>
</tbody>
</table>

Handelsbanken is following the index SIX/GES Ethical Index this means that the companies are screened for the index by GES Investment Services. The companies excluded with the 5% limit are for gambling: Betsson, HiQ International and Unibet Group PLC (3 companies). For more than 5% of revenue from the pornographic industry are Investor, Kinnevik, Rezidor Hotel Group, Tele 2 and Telia Sonera (6 companies) excluded. SAAB, Partner Tech, Prevas (3 companies) are excluded for being involved in weapon or military expenditures businesses. Swedish Match is excluded due to the industry they are in; the tobacco industry and finally Ratos is excluded due to their holding in a large alcohol producer.

Both Nordea and Danske Bank has Ethix as ethical advisors, Danske Bank is an index fund following SIXPRX which is more or less is the market with an adjustment that no company can have a weight more than 10%. Nordea’s Etiskt Urval is not an index fund and has therefore to some extent greater variability among companies. Both these banks have a 25% limit on tobacco, alcohol and arms, what differs them further is that Danske Bank has a zero tolerance towards pornography and Nordea here also applies the 25% limit. The effect of this is that Danske Bank SRI Sverige excludes 8 companies due to this zero tolerance and only one for tobacco and one for weapons. It is also worth reflecting over that Danske Bank has no restrictions put on gambling. Nordea has here given mixed signals, in the data provided there was no information that gambling would be screening criteria, when the list of excluded companies was provided however, Betsson, Boss Media and Unibet were screened out. We see no other suitable criteria than gambling as a reason for excluding these companies. What is interesting is that if they in fact does not screen for gambling, there are two companies that differ Nordea’s ethical fund from a “normal” fund.
Nordea’s exclusions have the same two as Danske Bank for Tobacco – Swedish Match and Weapons – SAAB. The remaining three companies excluded are companies dealing with gambling; Boss Media, Betsson and Unibet. By this we can see that the only companies excluded by a 25% restriction limit are SAAB and Swedish Match and pure gambling companies.

Swedbank Robur does not want to share the information about companies that are not suitable for their ethical funds. They argue that they rather present the fore runners and give good examples. The fact that Swedbank Robur screens out half of all companies on the Swedish stock exchange for their ethical funds makes it harder to compare with the other banks’ funds since we do not know how many companies are excluded solely in negative screening. What can be seen thus far is though that Swedbank Robur seems to make the strongest effort with their ethical funds.

Negative screens has been debated and one point of view is Schwartz (2003) who means that for a screen to be ethical it needs to exclude companies who may cause physical harm. From this point of view the ethical screens for the funds in this research might be questioned. That alcohol and tobacco may cause physical harm to both the user and the surrounding most people agree with. But for instance gambling, which three banks in our research has as an ethical screen, do most people see this as un-ethical? According to Schwartz (2003) most people see gambling as an amusement activity and not necessary unethical. Again, looking at our selected funds, companies are excluded due to this matter might likely be excluded on, to many people, extreme grounds. The authors believe this again to be a subjective matter and a reason for funds needs to be stricter and more niche.

The weapons industry, there is a flipside to this controversial matter as well. All funds in our study exclude either weapon and or military expenditures industry. Does this necessary have to be un-ethical? Schwartz (2003) argues for a defence industry can be justified by that it takes weapons to control for instance drug smuggling and thus increase the wellbeing on society. Swedbank Robur takes a strict stand on this and claims to have a zero tolerance for products designed to kill.

In the theoretical frame work it is described how the origin of ethical funds goes as far back as to the 1920’s, where alcohol, tobacco, gambling and pornography was considered sin areas. What is interesting that still to day in 2008 theses seem to be the strong qualification for what makes a fund un-ethical. What was considered un-ethical investment 90 years ago is probably not as relevant to day. And there are authors such as Newton (1993, cited in Swartz 2003) who mean that gambling activities can be compared with investing in the stock market, which mutual funds basically is.

The reason behind the excluded companies are thus in the majority of cases in this research due to the old “sin” areas. A comparison to the ethical fund industry in the UK soon makes this method look outdated, Mackenzie (1998) describes how most ethical funds in
the UK are put together after a list of companies is created with over 300 possible screening criteria. This research has however not compared Swedish ethical funds with British ethical funds, or had the intention of doing so, but a slight look at the British shows how much more that can be done.

5.4 Ethical funds versus non-ethical funds

What we have seen so far is that the issue of difference between ethical and “normal” funds is an objective question. Nordea and Danske Bank with their 25% exclusion limits on negative criteria (Danske Bank 0% on pornography) can easily be questioned if it is right to call these sorts of funds ethical. The difference in these cases is, we would think most people agree with, not that big. Even if banks in this research claim not to have ethical funds but rather fund that have need screened with ethical criteria, it is already explained why these still are both qualified as ethical funds and also this is how one would interpret the ethical sounding, claimed not to be, ethical funds. This is all about transparency which ENF emphasizes the importance of.

Handelsbanken and SEB with 5% exclusion criteria from revenue for the “sin” areas are thus putting somewhat tougher restrictions on their ethical funds. The exclusion of 14 companies and probably a number close to this for SEB does make them a fraction stricter than their first mentioned competitors.

Swedbank Robur has in this research proven to perform the most extinctive ethical screening. We have not got at number regarding how many companies that would be excluded on grounds of negative criteria, but that is not important since about half of all companies are not qualified on other grounds they claim. Weather or not this is a significant difference or not is probably a subjective opinion since there are no clear limits on what exactly qualifies as an ethical fund. Even though we in this paper are working with qualitative data and not doing any statistical measures we want to give a simplified picture by making a few simple calculations. If we use SIXRX as an index which can be claimed to “be” the Stockholm stock exchange and its approximately 270 companies. We can get a simplified approximation of how big part of the possible companies that are excluded in each bank’s case.

Swedbank already claims to subtract 50% of the companies on the stock exchange. Handelsbanken says 14 companies not suitable; 14/270 \( \approx \) 5%. Nordea says 5 companies are not suitable; 5/270 \( \approx \) 2%. Danske Bank says 10 companies not suitable; 10/270 \( \approx \) 4%. SEB has not given us any data on this.

With this simplified calculation we get a general understanding of about how big, or small, part of companies on the stock exchange that are not suitable for a ethical fund an by that also we get an estimate of how big the difference is between an ethical fund and a non-ethical fund on the Swedish market.
Skillius (2002) meaning that fund need to be more narrow and put into a more specific category is a theory that certainly can be argued to have some relevance after this numbers have been presented. The fact that between 2.5% of companies to be excluded is enough to call a fund ethical seems to us a bit too easy. A more strict specialization towards “best in class” companies or clearer qualifications and exclusion limits would make it easier for the ethical minded consumer to make a relevant choice among the ethical funds.

6 Conclusions

The purpose of this thesis is to investigate the ethical funds’ processes from the targeted banks, what the requirements for the companies to be included in an ethical fund are, if the banks’ differentiate from each other and which companies are not suitable to be included in an ethical fund. By conducting interviews with consultants at the ethical funds and their ethical advisors we have discovered the construction of the processes, the requirements for a company to be included in an ethical fund, that the banks somewhat differentiate from each other and which companies that can not be included in an ethical fund.

We found that all banks either consult their ethical advisor or they have their own internal advisory team regarding the process. The advisors GES Investment Services and Ethix were pretty similar in their process but Swedbank Robur on the other was more differentiated. Reich et al. (2001) describes the process in four steps; objective, screening criteria, data collection and evaluation which can be applied to the processes of our samples. Nordea Etiskt Urval and Danske Bank SRI Sverige consult Ethix for their process. The first step is selecting a benchmark, objective, such as SIX RX, then the criteria is decided upon, screening criteria. Then the companies are researched and screened dependent on the customer’s wishes, data collection, and the last step is to create a list of companies that is to be presented to the ethical council and external experts, evaluation.

Handelsbanken Sverige Index Etisk consult GES Investment Services as their ethical advisor. GES provides three products, but the core process is however similar in all of them. The first step is for the client to decide the policy of the fund, objective, and then the criteria is selected, screening criteria, and companies are researched and screened, data collection. The last step is to get approval from the advisory board, evaluation. Swedbank Robur’s first step of the process is to make decisions about ethics and the environment, objective and screening criteria. Then they perform ethical analyses of the companies, data collection and the last step involves contacting the company, experts and other organisations, evaluation.

Nordea Etiskt Urval, Danske Bank SRI Sverige and Handelsbanken Sverige Index Etisk all have requirements for a company to be included in their funds such as human rights and labour rights. None of these requirements do however have any effect on the companies since all companies at the Swedish Stock Exchange pass. Some companies are on the other
hand excluded due to the negative screening criteria applied by all banks. Five companies are excluded by the screens of Nordea Etiskt Urval, fourteen by Handelsbanken Sverige Index Etisk and ten companies are excluded from the SIX PRX by Danske Bank SRI Sverige. Swedbank Robur Ethica Sverige Mega differentiate themselves again from the other funds since about half of the companies at the Swedish Stock Exchange is excluded on the requirements of both the negative screens and other requirements such as human rights.

We can conclude from this analysis that there is no significant difference between an ethical fund and a non-ethical fund, at least not in the cases of Nordea Etiskt Urval, Danske Bank SRI Sverige and Handelsbanken Sverige Index Etisk. We base this conclusion on the fact that only a handful of companies is excluded from the funds’ ethical screens. Swedbank Robur Ethica Sverige Mega does however represent an exception since they exclude about half of the companies at the Swedish Stock Exchange.

What is ethical and not is subjective and many people have their own perception of what the term means. Our purpose is not to say whether the existing ethical funds are ethical or not, but to see if how big the difference is. Since we see that the difference is not significant regarding content and that the perception of what actually is ethical and not probably differs among people. We recommend that one should be aware that ethical funds may be a lot of bark, but not enough bite.

7 Discussion for further research

We have realized during the course of this thesis that it would be very interesting to perform a research from the views of the investor and receive an estimation of what the investor finds ethical. To perform a quantitative research and discover whether or not the investors know how many companies that are excluded from the ethical funds and if they find the screens applied by the banks unethical. We also think it would be interesting to perform an observer research and participate in the process of the ethical advisor and to investigate the course of an exclusion of a company.
References


Appendix A

Original copy of interview with Erik Feldt, Nordea Fonder

Följande frågor avser endast fonden Nordea Etiskt Urval.

Vad är din position på Nordea?

- Verkställande direktör

Vilken produkt från Ethix använder ni er av?

- Ethix genomför två gånger per år en normbaserad screening av alla våra aktiefonder samt en sektorbaserad screening av ett urval av våra fonder, däribland Nordea Etiskt Urval och Institutionella Aktiefonden Sverige.

Vilka företag ingår i Nordea Etiskt Urval?
Varför finns inte den informationen på hemsidan?

- Ovanstående utklipp är från www.nordea.se

Varför har ni valt en 25% gräns?

- 5 bolag utesluts SAAB, Betsson, Boss Media, Unibet och Swedish Match

Var det ni eller Ethix som valde att fonden bara ska innehålla företag som följer stadgar för mänskliga rättigheter, arbete och miljö?

- Det beslutade Nordea.

Hur många och vilka företag på den svenska börsen klarar inte de uppsatta kraven vad gäller mänskliga rättigheter, arbete och miljö?

- Inget bolag klarar inte de kriterierna.

Har era privatkunder och institutionella kunder något inflytande gällande innehåll och uteslutningskrav på era etikfonder?

- Institutionella kunder kan få skräddarsydda lösningar.

Följer ni alltid de rekommendationer ni fått från er etik-advisor gällande uteslutande av företag?
De bolag som fastnar i screeningen utesluts automatiskt i Nordea Etiskt Urval och Institutionella Aktiefonden Sverige. När det gäller övriga fonder engagerar vi oss i de bolag som fastnar i den normbaserade screeningen med hjälp av Hermes, ett brittiskt företag som arbetar med s.k. engagement för olika investerares räkning.

Vad är trenden gällande populariteten på på era etikfonder senaste tolv månaderna?

- Ökande.

Följer ni Etiska Nämndens uttalande?

- Ja.

Etiska Nämnden för Fondmarknadsföring skriver i sitt uttalande från 2004: ”Har i fondens etiska profil angetts att placeringar i viss verksamhet skall undvikas kan enligt nämndens mening en placering inte anses acceptabel om en högre andel än 10 procent av ett tilltänkt bolags, eller i förekommande fall koncerns i vilket bolaget ingår, omsättning härrör från den ej accepterade verksamheten.” Hur ställer ni er till detta när ni har 25% som gräns?


Den Institutionella Aktiefonden Sverige ska också bara innehålla företag som följer stadgar för mänskliga rättigheter, arbete och miljö, den ska heller inte investera i företag som har intäkter över 25% från vapen, tobak, alkohol och pornografi. Är kraven på företag i denna fonden identiska med kraven på företagen i Nordea Etiskt urval?

- Nej, vi kommer under 2008 inför en ny etisk screeningmetodik för den sektorbase-rade screeningen i våra institutionella fonder. Denna kommer i stället för %-satser, screena företagen utifrån en kvalitativ bedömning av hur ansvarsfulla de är inom sin verksamhet. Vad som också skiljer denna fonden till Nordea Etiskt Urval är att Institutionella Aktiefonden Sverige vänder sig till institutionella placerare som har minst 5 miljoner kronor att placera.

Varför är förvaltningsavgiften i Nordea Etiskt urval nästan en procentenhet högre än förvaltningsavgiften i den Institutionella Aktiefonden Sverige?

- Se svaret på ovanstående fråga.
# Appendix B

## Table of interviews

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Date</th>
<th>Interview approach</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ulf Sigbratt</td>
<td>Fund consultant – Swedbank Robur</td>
<td>April 14th 2008</td>
<td>Face-to-face</td>
<td>Background research</td>
</tr>
<tr>
<td>Claes Hemberg</td>
<td>Chief Information Officer Avanzabank</td>
<td>May 12th 2008</td>
<td>Telephone Interview</td>
<td>Background research</td>
</tr>
<tr>
<td>Anna Zetterström</td>
<td>Analyst - GES Investment Services</td>
<td>May 15th 2008</td>
<td>Face-to-face</td>
<td>Empirical data</td>
</tr>
<tr>
<td>Ulrika Hasselgren</td>
<td>CEO - Ethix</td>
<td>May 15th 2008</td>
<td>Face-to-face</td>
<td>Empirical data</td>
</tr>
<tr>
<td>Anna Nilsson</td>
<td>Responsible internal screening department - Swedbank Robur</td>
<td>May 21st 2008</td>
<td>Telephone Interview</td>
<td>Empirical data</td>
</tr>
</tbody>
</table>