

Statement of Ethical Policy

Introduction

OLIM has always considered ethical issues to be of crucial importance when selecting suitable companies to include in our portfolios. We have no formal ethical restrictions but we would never invest in tobacco or gambling companies for Charity Value and Income Fund. We would not invest in companies whose stated business is involved in armaments. It is our practice to favour companies with socially responsible policies towards its customers, suppliers, employees and the environment. Companies which have unethical employment practices, take advantage of their suppliers, or mislead their customers, do not have sustainable commercial models, and therefore are likely to fail to survive longer term, as well as being ethically unacceptable.

We know that successful companies consider their enterprises to be a partnership between the providers of capital, the labour force, the suppliers and the customers. We judge companies from these four viewpoints and by their policies towards the environment.

Providers of capital

Shareholders, as in all the other categories, should be treated fairly and honestly and their interests should be balanced against the other partners of the enterprise. They should receive a fair dividend on their investment, after balancing the requirements for capital expenditure and working capital against the cash flow projections for the company. They should have well balanced boards of directors with some genuinely independent directors. Their accounting policies should be transparent and conservative and they should not make acquisitions which are designed to flatter their figures. Acquisitions should give a strategic advantage to their businesses.

Labour force

Employees should be well motivated and fairly rewarded. We would hesitate to invest in companies paying wages at the lowest rate in their market (financial companies might be the exception to this general principle). If they employ child labour in underdeveloped countries, we would discard them, as we would if they were unfair to minority groups or women in their employment practices. Health and safety laws should be scrupulously observed. The best companies we have invested in have been noticeable for their enthusiastic and co-operative workforces.

Suppliers

Where a company has a commanding share of its marketplace, its supplier base is a vital factor in its success, whether it is a retailer, an engineer or even a contracting company. Again, we would consider supply arrangements in underdeveloped countries. We look carefully at food retailers to decide whether they are using their huge market positions to treat the food producers unfairly. Unfortunately this is often the case in this industry. Other unfair practices include late payment of suppliers' invoices.

Customers

They should be treated efficiently and honestly, with good service as the key criterion. Satisfied customers are the most important factor for the future. They should be treated with respect and courtesy. Contracts should be clear, with a minimum of small print. Companies should observe trading standards, have good communications with customers and a minimum of complaints.

Environment

We have regular meetings at our offices with the midsize and small companies we invest in. Our standard practice is to understand how our investee companies react to the ever growing need to minimise the use of natural resources and energy in their trading practices. Recycling of waste, where applicable, is another area of enquiry. For large companies, their environmental policies are normally publicly stated. We invest in the resource sectors and take note in their trading statements of how they protect and preserve energy and commodities.

Summary

We do not routinely vote at AGMs but we do exercise influence on company policies at the meetings we have directly with the managements, and through their corporate representatives. We do not have direct involvement with any of the listed organisations involved in SRI and ethical issues, as we have long ago considered these matters very thoroughly, designed our stock selection process to dovetail with ethical principles, and review our principles regularly.