7IM

Policy

Responsible Investment Policy

MAY 2025

Introduction

Since 2020, 7IM has been on a journey to embed culture, sustainability, responsibility and stewardship at our core. These priorities guide our business, shape our investment process, inform our risk management and help to drive long-term value for our clients and beneficiaries.

Our core investment services provide multi-asset class portfolios, usually via collective investment vehicles. We rely on third-party managers we invest in to exercise their rights responsibly and act as sound stewards of our clients' capital. Our external manager monitoring system is designed to inform us whether external managers are working to safeguard and maximise the value of their assets, while integrating sustainability issues in their investment and stewardship processes. We actively monitor and engage with managers on environmental, social and governance (ESG) issues in the companies and governments whose equity and debt they hold. In this fiduciary role, we expect and encourage managers to engage with their companies and holdings on ESG related risks and opportunities.

Scope

We view this policy as applying to all 7IM's core investments and portfolios. Some products are run with explicit sustainable or responsible mandates, and we apply the same overall investment process to them, with additional exclusions or ways of planning and implementing views.

Responsible investing

We believe that behaving responsibly is good for our people and culture, for our investors, and for the future of the society we all live in. In adhering to this Responsible Investment Policy, where consistent with our fiduciary responsibilities, we have aligned our investment process with the United Nation's Principles for Responsible Investment:

Principle 1: Incorporate ESG factors into investment analysis and decision-making processes.

Principle 2: Incorporate ESG factors into our ownership policies and practices.

Principle 3: Seek appropriate disclosure on ESG factors by the entities in which we invest.

Principle 4: Promote acceptance and implementation of the Principles within the investment industry.

Principle 5: Work together to enhance our effectiveness in implementing the Principles.

Principle 6: Report on our activities and progress towards implementing the Principles.

Full details of our approach to responsible investment and engagement can be found on our website in our Stewardship Report, which can be found on this **page**.

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Purpose of the Responsible Investment Policy

Responsible investing can be defined in many ways, ranging from ethical screens to impact investing but at its heart is the integration of environmental, social and governance (ESG) factors into investment management processes and ownership practices.

We view ESG as an important element in evaluating the expected risk and return from investments. Non-financial factors can influence the long-term financial performance and risk profile of investments. Taking ESG risks into account may also help investors to understand the long-term risk and potential downside of portfolios.

We realise, of course, that ESG considerations are not static. A company or country that has a poor ESG score but is genuinely trying to improve can be of great benefit to the world and a great potential investment.

When we refer to ESG factors, we use the following guidelines:

Environmental factors – These are factors that are linked to the quality and functioning of the natural world, for example, supporting and managing climate change mitigation (i.e. reduction of greenhouses gases) and adaptation, waste and water management and land management. For instance, identify companies that harm nature in some form or invest in companies that are at the forefront of developing new technology to help the environment.

Social factors – These are factors that consider the wellbeing of people and the communities they live in. Social factors are becoming increasingly important to investors as the world becomes more interconnected and technology changes how we interact with one another. Social factors can have very real impacts on how economies operate. For example, in recent years rising inequality has led to more extreme political outcomes. When we consider social factors, we look at labour standards, human rights, community relations and gender and diversity regulation. And as the world becomes more digitalised, we also look at access to digital infrastructure and data protection.

Governance factors – Out of E, S and G, Governance is the most entrenched within traditional financial analysis. In many ways, it is still the most important of the three, as without good governance, it is unlikely that a country or company will take social and environmental factors seriously. At a country level, good governance entails factors like the rule of law, freedom of the press and an independent central bank. At the company level, it relates to board composition, lobbying, executive compensation, political contributions and more.

ESG in the investment process

We believe ESG issues are best handled within investment teams, and should be incorporated into our regular tasks, plans and responsibilities as investment managers.

Our investment process can be viewed as having four stages: Strategic Asset Allocation, Tactical Asset Allocation, Portfolio Management (including security selection) and Risk Management. One person in each of these areas is designated the ESG champion and works to ensure that ESG issues are addressed comprehensively in the investment process, and when particular decisions have to be made. They report back to the 7IM ESG Investment Committee, where progress and performance are discussed and monitored.

Let's look at each of these four areas in turn.

Strategic Asset Allocation

At 7IM, the Strategic Asset Allocation (SAA) serves as the long-term investment anchor for all our portfolios. It consists of a long-term mix of asset classes, determined through our research to align with investors' needs over their lifetimes. Since it's the engine that powers all our investing strategies, we rigorously review and test it every year.

The Paris Agreement of 2015 was designed to limit the world's greenhouse gas emissions and 7IM supports the transition to a low-carbon economy through our own decarbonisation efforts. In 2020, 7IM's Executive Committee agreed to a programme by which the carbon emissions of the SAAs of all portfolios will be steered down over time. We aim to reduce portfolios' carbon intensity by 30% at the SAA level by mid-2026. We are pleased to say that we have achieved the target, ahead of schedule, as at the end of 2024.

Tactical Asset Allocation

One of our core beliefs is that markets are not always efficient and that tactical tilts can add value. Financial markets regularly go through phases of fear and greed. At these times, tactical opportunities of various kinds can arise, for us to enhance portfolio returns or avoid potential risks. There are also structural changes in the world that aren't captured by our SAA process, which can be explored tactically.

Climate change will entail risks and opportunities for investors. We believe that our Tactical Asset Allocation (TAA) can be a powerful tool to position 7IM portfolios, so they are placed to navigate a world impacted by climate change. In the past, we have allocated to climate change leaders when we thought the valuation opportunity was appropriate. We review ESG metrics, "Weighted Average Key Issue Score" and carbon intensity, when we consider tactical changes across portfolios.

Portfolio Management

7IM is largely a fund of funds business and most of its assets are managed by third-party managers in equities, bonds and alternative investments. When meeting fund managers, we cover a wide range of due diligence issues. Our ESG monitoring process within our funds are via two mechanisms: ESG Conviction Framework and Door questionnaires.

Third-Party Fund Manager ESG Integration and Monitoring

As a manager-of-managers, we aim to understand how managers integrate ESG risks and opportunities and to what extent they implement their ESG policy. We aim to understand whether their corporate sustainability commitments and policies are consistent with what they do. We aim to engage with our fund managers to improve on any ESG risks identified in this process. When it comes to manager selection, we view ESG assessment as a risk management tool.

Our Manager ESG Convictions Rating Framework allows us to assess managers on six key areas: firm philosophy and commitments, accountability and oversight, ESG team, ESG integration and research, engagement, and voting. This is to establish ESG convictions from 'High' to 'Low'. This research is consistently recorded in the fund due diligence note. The analyst will flag potential opportunities for engagement if any area is flagged as having room for improvement. We believe this method maintains consistency in evaluating managers' ESG practices and capacities.

Asset managers who are scored as 'Low' Conviction during the onboarding process will be added to the 'ESG Conviction Watchlist'. We do not exclude 'Low' ESG conviction managers as we believe engagement is a more effective tool for change. We seek to work with them and identify areas of improvement in ESG integration and their active ownership capabilities. To help achieve real-world impact, we aim to indirectly influence underlying companies on ESG, such as climate target setting and disclosures, through engaging with our managers. Once engagement opportunities are identified, the ESG investment specialist will track and monitor progress year on year. For managers who have made significant ESG improvements since inception, we can upgrade the conviction in the related categories as a measure of our successful engagement.

Fund Due Diligence

Since we mostly invest indirectly, through collective vehicles, third-party managers are our main 'levers' to achieve our stewardship-related objectives, and are our main 'targets' for engagement and escalation.

The three fund due diligence questionnaires on Door to send to different types of funds we invest in:

- Our Core questionnaire is applicable to all actively managed funds and includes essential ESG questions,
- Our ESG-specific questionnaire dives deeper into ESG and is applicable to all actively managed funds used within ESG-oriented portfolios, and
- Our add-on questionnaire allows supplementary information applicable to actively managed funds above an investment threshold.

Risk management

Our Investment Risk Team is a cornerstone of our investment process and ESG metrics are monitored quarterly in the risk oversight of funds, via the Investment Risk Committee. Climate-related risks are captured in the investment risk management process through several ESG metrics or scores. One of these is a "Weighted Average Key Issue" Score (WAKI) ranging from 0-10 based on a company's exposure to key Environmental, Social and Governance themes. Another metric is Carbon Emission Intensity (tCO2e / $m sales).

In 2024, we integrated forward looking metrics, Climate Value at Risk (CVaR) and Implied Temperature Rise (ITR) into the risk monitoring process. These types of metrics incorporate forward looking assessment of a company and/or portfolio's financial sensitivity to climate-related risks and opportunities, as well as alignment to global temperature goals, respectively.

7IM also conducts an ESG stress test, which is based on shocking the oil price and letting market factor correlations play through portfolios. This was chosen due to the global shift towards renewables to help tackle climate change, and the potential impact this could have on non-renewables and portfolio values in the coming decade.

Engagement & Collaboration

The 7IM stewardship philosophy has an ownership mindset. A crucial element of this is active engagement with the third-party fund managers that manage the products in which we invest and other major industry stakeholders such as data provides and regulators. We engage with managers when we believe their investment standards have fallen below current industry best practice.

An example of our recent engagement is our Passive Managers Net Zero and Stewardship Engagement Project. We launched a deep-dive review of passive providers' stewardship approaches and resources, as well as the honesty and feasibility of their climate commitments. The outcome of this assessment and engagement was to identify leaders and laggards in the passive space and to track progress. More details can be found in our Stewardship Code Report.

In terms of collaboration, we may collectively engage with other industry participants in regard to a number of issues, such as climate reporting or regulatory change. In 2023, we signed up to the Investors Policy Dialogue on Deforestation (IPDD). The IPDD is a collaborative investor initiative set up in July 2020 to engage with public agencies and industry associations in selected countries on the issue of deforestation. In 2024, 7IM partnered with others in the wealth management industry to establish the UK Wealth Managers for Climate Group to encourage asset managers to embrace net zero.

Our engagement policy can be accessed **here**.

Voting policy

We seek to vote all shares held actively and passively where voting rights are held. A member of the Investment Management Team is designated to vote shares held in the funds through the Broadridge proxy voting service.

Company proposals have a default to automatically vote in line with management. Should the Investment Management Team wish to make a vote against any of the proposals, this can be done by overriding the automatic vote before the deadline for voting.

We can choose to override management recommendations based on factors such as advice from members of the Investment Management Team, publicly available voting decisions of other institutions and advice from other sources. The main proposals where proposals are voted against tend to be around executive compensation, removal of pre-emption rights and reduction of notice periods of meetings.

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If the Investment Management Team chooses to override management recommendation, then the action is noted in the notes function within Broadridge proxy voting application.

Voting activity records are held by 7IM and through the Broadridge website and are available for clients who request them.

Where stocks are held in funds, the fund manager is responsible for voting the shares. When 7IM outsources stock selection to an external manager the voting policy of that manager is reviewed via our due diligence process that has already been discussed. We will seek to engage with managers where we think their voting policy could be improved.

Our voting policy can be accessed **here**.

Responsibilities and oversight

Sustainability Committee

Stewardship and responsible investing at 7IM are ultimately overseen by the Sustainability Committee (previously "Culture and Sustainability Committee"), which was set up in 2020 and reports to the 7IM Executive Committee. The Committee is held accountable for pulling together and embedding our commitments within our culture and related groups and activities and includes people from across the whole business.

The Sustainability Committee's responsibilities include: i) to act as guardian of the 7IM Stewardship Code; ii) to review and recommend changes to 7IM's sustainability strategy and policy, to ensure that standards of business behaviour are up to date and reflect best practice; iii) to introduce to 7IM best practice thinking and ongoing awareness of global developments in sustainability and corporate social responsibility; and iv) to make sure the 7IM culture is respected and advanced across the firm.

ESG Investment Committee

We believe that every member of the Investment Management Team has a duty to consider ESG factors when performing their role. To ensure this is done, we have an ESG Investment Committee ('ESG IC') to monitor progress. It reports to both the 7IM Sustainability Committee and the 7IM Investment Committee, which is ultimately responsible for the firm's investments and performance.

The ESG IC provides centralised ownership of how ESG factors are incorporated or considered in 7IM's investment process. Its members are drawn from the four investment functions: Strategic Asset Allocation (SAA), Tactical Asset Allocation (TAA), Portfolio Management and Risk Management.

The ESG IC engages with each of these teams to ensure that ESG developments are tracked and progress is measured. This process leads to different work streams being managed by each standing member and the Chair.

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ESG training

We want to develop the knowledge and understanding of stewardship and ESG investing across the whole 7IM business. This is becoming increasingly important as we integrate ESG factors into the investment process and inform our clients about what we are doing.

We have a 40-hour Continuing Professional Development (CPD) requirement per year for every member of the Investment Management Team, to make sure that our people are learning and developing. This CPD must be recorded and logged. The Investment Committee decided that one-quarter of it should be devoted to ESG-related topics, amounting to 10 hours per year for every team member.

Review

The 7IM Responsible Investment Policy is reviewed on an annual basis. It is finalised by the ESG Investment Committee, approved by the Investment Committee and the Sustainability Committee, and submitted to the Executive Committee if there is a substantial change to process, e.g. a change in a pre-agreed target.

The progress of the Responsible Investment Policy and 7IM's responsible investing activities are reported in the ***7IM Stewardship Report***, which is also produced on an annual basis.

Monitoring & Reporting

As signatories of the UN PRI we are required to report on the PRI principles and this will form part of our assessment of progress and success in incorporating ESG into our investment process. Submissions to the UN PRI and the 7IM Stewardship Code are owned and reviewed by the Sustainability Committee.

Our latest UNRI reports can be accessed **here**.

Our latest TCFD report can be accessed **here**.

At 7IM, we know that if you can't measure something it's very hard to change it. To that end we use a variety of ESG data providers to help us analyse the portfolios. We prefer to have a small number of data suppliers that we understand well and can rely on in the long run.