

# Responsible Balanced Fund

**MAY 2026**

This document describes the detailed selection criteria by which investments are selected for the 7IM Responsible Balanced Fund. It should be read in accordance with the Prospectus, which sets out the Fund Objective, Policy and Strategy.

The 7IM Responsible Balanced Fund is an actively managed fund with a balanced risk profile, invested in a range of global equities, bonds and funds managed within a sustainable investment framework.

The investment strategy for the fund encompasses detailed screening for sustainability using both negative screening to exclude investments which are significantly involved in unacceptable business areas and positive selection process to select investments with sustainable characteristics as set out in the prospectus.

The Fund assesses environmental, social and governance (ESG) factors in determining what assets to invest in. For company shares, corporate bonds and other funds, the Fund employs a two-stage process.

## **1. Negative screening**

We apply specific exclusions on company shares, corporate bonds and other funds to keep exposure to controversial activities to a minimum. These controversial activities are outlined below:

- Adult entertainment
- Alcohol
- Armaments
- Gambling
- Genetically modified organisms (GMOs) in agriculture
- Nuclear power generation
- Tobacco

In respect of company shares and corporate bonds, the maximum revenue limit for any company is 10%. In respect of investments in other funds, there may be differences in the revenue limits. Further details are provided in Section 4. In any event, we limit the total exposure to companies linked to the excluded activities to 1%. If the aggregate portfolio exposure to the exclusions outlined above breaches this 1% tolerance, we will resolve any issue as soon as is practicably possible. Further details of the exclusion list are provided in Section 4.

## 2. Positive selection

The Positive Selection Process further defines how the Fund can select company shares, corporate bonds and other funds that are considered to have sustainability characteristics. The process assesses the management of the following issues:

- *Environmental issues*, including supporting and managing climate change mitigation (i.e. reduction of greenhouse gases) and adaptation, waste and water management or land management;
- *Human capital issues*, including fair labour practices, health and safety practices or supply chain management; and
- *Social capital issues*, including access to healthcare or finance, privacy and data security or consumer protection.

### For investments in company shares:

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For companies to be considered as having sustainable characteristics, they must meet at least one of the following considerations:

- a key issue score that is above the global equity index “average”; or
- a carbon intensity that is below the global equity index “average”.

For example, a long-term holding within the Fund is a company which provides data and analytics for business customers across many industries. The company has a high key issue which is driven by impressive scores for data security, labor and employment practices and energy management. The company also has well defined Net Zero targets.

Another long-term holding is the world’s largest dedicated foundry in the semiconductor industry, with 30% market share. Its customer list includes AMD, Broadcom, Nvidia and Qualcomm. It has one of the highest key issue scores in the portfolio due to its leadership in water management, human capital management, and supply chain management. Furthermore, its strong governance and oversight is reflected in its business ethics framework.

### For investments in collective investment vehicles:

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For third-party funds to be considered as having sustainability characteristics, they must demonstrate the following:

- having a key issue score that is above the global equity index “average”; or
- having a carbon intensity below the global equity index “average”; and
- complies with at least one of the following criteria for selection:
  - the fund must systematically integrate ESG factors into investment decisions, or
  - the fund must analyse ESG materiality before and after investment decisions, or
  - the fund must act as good stewards and implement responsible investment and engagement practices.

The purpose of the fund selection process at 7IM from an ESG perspective is to identify an investment that has the people, process and expertise in place to invest sustainably. We explain this below and use a number of third-party data tools to validate this due diligence.

- We screen the asset class universe for funds which follow a sustainable benchmark or systematically integrate ESG factors into investment decisions
- We screen these investments based on size, date of launch and key performance metrics
- We meet with managers to discuss how they integrate ESG into their investment process, firm culture and how they engage with companies that they are invested in
- We then do a deep dive into their investment process, how they generate value and how they manage risks.

When conducting due diligence for investment in a new fund, we follow a rigorous review process whereby the investment manager and the sector specialist with responsibility for the asset class at 7IM meet the fund managers of the fund. At that point, we explore the fund investment process and philosophy, strength of the team managing the fund, years of experience, etc., research resources, risk analysis and performance attribution. Post-investment, the performance is monitored fortnightly, using style-adjusted benchmarks at our Portfolio Management Committee. We also meet with the managers at least once a year, or on an ad hoc basis if there is an issue that needs to be explored.

For example, we hold the BlueBay Impact Aligned Bond Fund, a high key issue scoring fund. This is an actively managed global investment grade fund which invests in both ESG-labelled bonds and bonds issued by ESG leaders. The strategy will invest for positive impact relating to seven sustainability themes across “people” and “planet”. The fund has an in-depth screening, which exclude companies that breach product and conduct-based screen, and a strong ESG integration process through the Sustainability Qualification Framework as well as a proprietary issuer ESG evaluation framework. Their process allows them to target issuers with material exposure to at least one of the sustainability themes.

**What is 'carbon intensity'?**

This measures the amount of carbon dioxide emissions per unit of activity of a firm. The measure used is the weighted average Scope 1 and 2 carbon intensity (WACI) normalised by company revenues. This is expressed as tonnes of Scope 1 and 2 carbon emissions per USD million tCO<sub>2</sub>e/US\$m revenues. Scope 1 emissions comprise all emissions generated directly at the company site. This includes, for example, emissions from on-site heating boilers or chemical processes. Scope 2 emissions cover all indirect emissions linked to energy generation by energy suppliers, particularly electricity.

**What is a 'key issue score'?**

This is a score that evaluates how well a company manages issues that are material to the industry that the company operates. The material issues are selected based on the business activities of the companies in each industry and each business activity is assessed on the extent of the social and environmental impact generated by each issue. The scoring process takes into account the company's exposure and management of material issues. For instance, a utility company will have a higher weighting to environmental issues such as biodiversity and land-use because of their impact on the environment. A healthcare company will have a higher weighting to social issues such as product safety and quality.

**3. Government Bonds Selection Process**

We assess government bonds on a periodic basis through a country level ESG analysis which entails consideration of governmental policies relating to social and environmental issues and overall governance. The analysis is composed of three publicly available indices covering country-level ESG factors.

- The Environmental Index ranks countries on a scale of 0 to 100 based on performance indicators on climate change performance, environmental health, and ecosystem vitality.
- The Social Index ranks countries on a scale of 0 to 100 based on performance indicators across basic human needs, foundations of wellbeing, and opportunity going beyond economic metrics.
- The World Bank Worldwide Governance Indicators ranks countries on a scale of 0 to 100 based on an assessment of six perceptions of governance: Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption.

We normalise the scores from each index and aggregate them into overall ESG scores. If based on this analysis the country ranks in the top quartile relative to all countries, then the government bonds issued from that country will be judged as having sustainability characteristics. A country in the top quartile will typically have policies in place to manage national carbon emissions over time, protects personal rights, provides good access to early age education and has a strong rule of law.

#### 4. Exclusions

The intention when looking for company shares, corporate bonds, and collective investment schemes managed by third parties is to keep exposure to controversial activities to a minimum. These controversial activities are outlined below. During the due diligence process, we ask what exclusions the manager applies and at what thresholds these are enforced. We also try to understand how these have changed over time and what activities they are planning to exclude in the future. Using a third-party data provider, we screen the underlying fund holdings for the following activities using the thresholds below:

Activity	Description	Maximum Revenue Threshold of underlying company
<b>Tobacco</b>	<ul style="list-style-type: none"> <li>• Direct Involvement: The company manufactures tobacco products, including cigarettes, cigars, tobacco for pipes and snuff, and smokeless tobacco products.</li> <li>• Indirect Involvement: The company derives 10% or more of its revenues from the distribution and/or retail sales of tobacco products/services.</li> </ul>	Manufacturing: 10 % Related & Revenues: 10%
<b>Controversial Weapons</b>	<ul style="list-style-type: none"> <li>• Controversial weapons consist of anti-personnel mines, biological and chemical weapons, cluster weapons, depleted uranium ammunition and white phosphorus weapons.</li> <li>• The company is involved in core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon.</li> </ul>	Binary – yes/no
<b>Alcohol</b>	<ul style="list-style-type: none"> <li>• Direct Involvement: The company manufactures alcoholic beverages.</li> <li>• Indirect Involvement: The company derives revenues from the distribution and/or retail sale of alcoholic beverages.</li> </ul>	Manufacturing: 10% Distribution: 25%

Activity	Description	Maximum Revenue Threshold of underlying company
<b>Gambling</b>	<ul style="list-style-type: none"> <li>• Direct Involvement: The company owns and/or operates a gambling establishment, such as a casino, racetrack, or online gambling.</li> <li>• Direct Involvement: The company manufactures specialized equipment used exclusively for gambling, including slot machines, roulette wheels, and lottery terminals.</li> <li>• Indirect Involvement: The company provides supporting products/services to gambling operations, such as gambling technology or credit lines to casinos.</li> </ul>	10%
<b>Small Arms</b>	<ul style="list-style-type: none"> <li>• Direct Involvement: The company manufactures and sells small arms to civilian customers or military/law enforcement.</li> <li>• Direct Involvement: The company manufactures and sells key components of small arms.</li> <li>• Indirect Involvement: The company is involved in retail and/or distribution of small arms and/or key components.</li> </ul>	Manufacturing: 10% Retail: 10%
<b>Adult Entertainment</b>	<ul style="list-style-type: none"> <li>• Direct Involvement: The company is involved in the production of adult entertainment and/or owns/operates adult entertainment establishments, including adult entertainment movies and television programs, magazines, and adult websites.</li> <li>• Indirect Involvement: The company is involved in the distribution of adult entertainment materials.</li> </ul>	50%

Fund Screening  
Process

Activity	Description	Maximum Revenue Threshold of underlying company
<b>Nuclear</b>	<ul style="list-style-type: none"> <li>Direct Involvement: The company produces nuclear power, including utilities that own or operate nuclear power generators.</li> </ul>	10%
<b>GMO</b>	<ul style="list-style-type: none"> <li>Direct Involvement: The company grows genetically modified crops.</li> </ul>	10%

The underlying exclusion policies for each third-party fund are unlikely to be the same, meaning there may be residual exposure that breaches the thresholds above. We will only invest in other funds where we judge that this will not be in conflict with the Fund's objective, investment policy and strategy. In any event, the Fund's total exposure to companies linked to the excluded activities set out above is limited to 1%. If aggregate portfolio exposure to the exclusions outlined above breaches this 1% tolerance, the Manager will resolve any issue as soon as is practicably possible following its identification in accordance with its ongoing monitoring and stewardship processes.

## 5. Review process

The above process is reviewed on an annual basis by the 7IM Investment Committee. Any ad hoc changes must be approved by the 7IM Investment Committee.