FUND SCREENING DOCUMENT
SUSTAINABLE BALANCE FUND

SEPTEMBER 2023

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

The 7IM Sustainable Balance 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.

Direct equity selection

The direct equity portfolio within the Sustainable Balance Fund is managed by Sarasin & Partners LLP to a mandate agreed with 7IM. Sarasin manages the direct equity selection to an industry-recognised third-party benchmark.

There are two negative screens applied at the outset:

Negative screening

The first screen identifies companies from certain industries or with significant exposure to certain activities (taken to be more than 10% of revenues), which are precluded from investment at the outset. These are:

- Adult entertainment
- Alcohol
- Armaments
- Gambling
- GMOs in agriculture
- Nuclear Power generation
- Tobacco

The second screen identifies those companies which, although in acceptable industries, nonetheless exhibit unacceptable conduct. This includes:

- Widespread corruption
- Environmental degradation
- Poor labour practices and breaches of human rights
- Companies which persistently, knowingly, and materially breach international legal standards

The negative screens remove around 5% (as at 31 May 2023) of the investment universe. Were the negative screens reduced to 0% business activity (e.g. no exposure to alcohol), this would remove about 20% of the investment universe. Our view is that setting the limit at 10% helps to keep the tracking error of the fund to an appropriate level without compromising the sustainability of the direct equity portfolio.

In addition to the negative screening, Sarasin screens for positive environmental, social and governance factors.

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Positive screening

Screen 1 consists of identifying companies which have:

- Sustainable environmental practices
- Sensitivity towards the communities in which the business operates
- Responsible employment practices
- Conscientiousness about human rights
- Best practice or improvement in corporate governance

Screen 2 is where companies are scored on 15 environmental, social and governance (ESG) factors, as shown in the chart below. More than 160 data points and criteria are considered in this assessment. This is an absolute analysis, rather than relative to peers in an industry. Each measure is given a red, amber or green assessment to reflect the severity of the impact on the environment, people and governance.

Based on the assessments of the 15 measures, Sarasin draw out an overall traffic light for E, S and G pillars, representing how financially material the adverse impact is expected to be.

An overall ESG rating of A to E with optional momentum indicators (+/-) translates the E, S and G traffic lights into a rating that reflects the overall financial materiality of ESG measures for the entity concerned. In essence, it captures the extent to which Sarasin expects harmful external impacts to be internalised. Companies that score between A and C are investible for the Sustainable Balance Fund, while those that score D and E are deemed as un-investible. The ESG rating, whether suggesting a headwind or tailwind, is then reflected in the valuation model.

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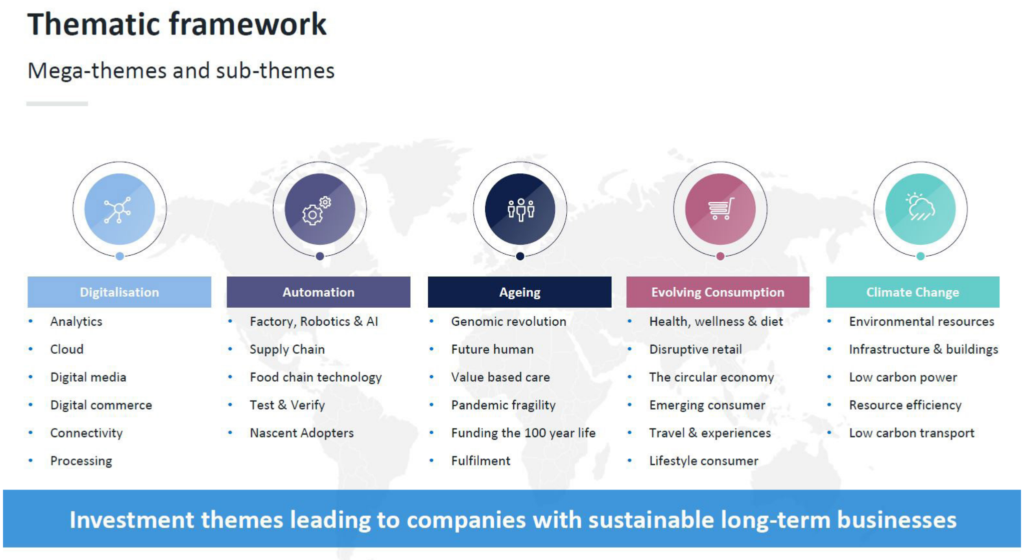
Thematic framework

Finally, Sarasin selects companies that have sustainable long-term businesses within five main mega-themes and a number of sub-themes that may change over time:



The screening process outlined above results in a list of global equity holdings focused on the five mega-themes and further divided between the sub-themes listed below them. Sarasin sees these mega-themes as the drivers of sustainable investing and look for investment opportunities, which means drilling down into investible sub-themes.

For example, one of the sub-themes within climate change is low-carbon transport. As a percentage of global emissions, it is not as big as agriculture and power, but still significant, so a way to lower carbon emissions in the transport sector would make a significant difference. This might include shifting from cars to rail; from hydrocarbon internal combustion engines to ones powered by electric or hydrogen energy; or making transport more efficient by improving engine or fuel technology or using lighter components.

The fund exclusions are reviewed from time to time, with 7IM adding new exclusions when they think it is appropriate. Gambling was added a few years ago as it became clear how addictive and destructive internet gambling was for some customers.

If we find through our monitoring activities that an equity holding has breached the revenue threshold, we will engage with the company to try to verify the accuracy of the data that suggests the 10% threshold has been exceeded. If it has been exceeded, we will endeavour to engage with the company to understand the directionality (i.e. if they expect it to increase as a percentage of their revenues or fall back below the threshold in the foreseeable future). If we do not deem the reason to be satisfactory, we will endeavour to sell down the holding within three months. On an exceptional basis, and only where disinvestment is either not possible or deemed to have an adverse impact on investors, the divestment period may be extended beyond the three months.

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Indirect Investments via Collective Investment Schemes

The 7IM Sustainable Balance Fund is invested across a wide range of asset classes, some of which can only be accessed through open-ended or closed-ended collective investment schemes. These are funds in which a number of different investors invest.

Because the investment policies of the Sustainable Balance Fund cannot be applied fully, or at all, in investments in collective investment schemes, it is essential that parameters for the selection of funds by third-party managers are set.

7IM Sustainable Balance third-party fund selection process & exclusion policy

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1 Scope

The selection process applied to the choice of funds for the 7IM Sustainable Balance Fund is as follows.

The funds are selected on the basis that they track recognised ethical or socially responsible indices, or are managed in accordance with 7IM's judgemental screening. To that end, we adopt a rigorous, multi-step process when we select funds managed by third parties to ensure that only appropriate investments are accepted into the 7IM Sustainable Balance Fund.

2 Actively managed funds

When selecting collective investment schemes managed by third parties, we try and identify managers that have the following characteristics:

- Systematically integrate ESG factors into investment decisions
- Analyse ESG materiality before and after investment decisions
- 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.

As part of our due diligence process, we request the completion of a wider questionnaire that includes a range of ESG questions covering corporate structure, investment strategy and voting & engagement. This questionnaire attempts to go further than what is provided in the standard marketing material and find out how the investment manager approaches ESG and what resources they have available.

When a new fund is proposed, 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. All this is captured in an extensive due diligence document which highlights potential issues to pay particular attention to.

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.

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3 Index-tracking products

Index-tracking products, exchange-traded funds and index-linked open-ended funds, are selected on the basis that they track recognised ethical or socially responsible indices. These index-tracking funds typically use both negative and positive screening to filter the best companies in the broader index.

In some cases, we need to use an index-tracking fund to access a particular sustainable theme in the portfolio. In the cases where the fund doesn't track an ethically or socially responsible index, we must judge whether the index meets certain ESG characteristics. To do so, we review using third-party rating tools and also analyse the holdings and sectorial make-up to judge that it has a very low potential for exposure to controversial weapons, tobacco or other controversial activities.

- We screen the asset class universe for index-tracking funds which follow a sustainable benchmark
- We screen these investments based on size, date of launch, cost and key performance metrics
- Preferably, we select managers that have well-resourced Responsible Investment teams and a record of effective engagement.

If the product is following a sustainable benchmark, we meet with the manager to find out how the benchmark is constructed, focusing on the negative and positive screens that are in place. We also speak with the manager to see how the index rules have changed over time and how they may develop in the future.

As mentioned above, we send out a wider questionnaire that includes a range of ESG questions, covering corporate structure, investment strategy and voting & engagement. This questionnaire attempts to go further than what is provided by the standard marketing material and find out how the investment manager approaches ESG and what resources they have available.

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4 Exclusions

The intention when looking for 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
Tobacco	• Direct Involvement: The company manufactures tobacco products, including cigarettes, cigars, tobacco for pipes and snuff, and smokeless tobacco products. • Indirect Involvement: The company derives 10% or more of its revenues from the distrbution and/or retail sales of tobacco products/services.	• Manufacturing: 10% • Related & Revenues: 10%
Thermal Coal	• The company extracts thermal coal for coal mining and exploration.	• 10%
Controversial Weapons	• Controversial weapons consist of anti-personnel mines, biological and chemical weapons, cluster weapons, depleted uranium ammunition and white phosphorus weapons. • 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.	• Binary—yes/no
Alcohol	• Direct Involvement: The company manufactures alcoholic beverages. • Indirect Involvement: The company derives revenues from the distribution and/or retail sale of alcoholic beverages.	• Manufacturing: 10% • Distribution: 25%
Gambling	• Direct Involvement: The company owns and/or operates a gambling establishment, such as a casino, racetrack, or online gambling. • Direct Involvement: The company manufactures specialised equipment used exclusively for gambling, including slot machines, roulette wheels, and lottery terminals. • Indirect Involvement: The company provides supporting products/services to gambling operations, such as gambling technology or credit lines to casinos.	• 10%
Small Arms	• Direct Involvement: The company manufactures and sells small arms to civilian customers or military/law enforcement. • Direct Involvement: The company manufactures and sells key components of small arms. • Indirect Involvement: The company is involved in retail and/or distribution of small arms and/or key components.	• Manufacturing: 10% • Retail: 10%
Adult Entertainment	• 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. • Indirect Involvement: The company is involved in the distribution of adult entertainment materials.	• 50%
Nuclear	• Direct Involvement: The company produces nuclear power, including utilities that own or operate nuclear power generators.	• 10% Revenue
GMO	• Direct Involvement: The company grows genetically modified crops.	• 10% Revenue

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The underlying exclusion policy for each third-party fund is unlikely to be the same, meaning there may be residual exposure that breaches the thresholds above. We ensure that these residual exposures do not add up to more than 1% of the fund.

If we find through our monitoring activities that a fund has a holding that leads us to breach that 1% limit, we will firstly engage with the fund manager to understand whether our information is correct and whether there is justification for the holding. If we do not deem the reason to be satisfactory, we will set the Manager a three-month deadline to remove the controversial holding and if the deadline is not met, we will make plans to exit the fund.

On an exceptional basis, and only where disinvestment is either not possible or deemed to have an adverse impact on investors, the Manager may agree with the Authorised Corporate Director that the divestment period may be extended beyond the three months.

5 Investment in Government Bonds

Additionally, the Sustainable Balance Fund may invest in government bonds. These investments are assessed on a periodic basis through a country-level ESG analysis which may entail consideration of governmental policies (including, for example, those relating to climate change).

7IM has developed a scoring system to help analyse the suitability of countries for investment. The scoring system incorporates three publicly available data sources which evaluate countries on environmental, social and governance factors. These sources are then normalised to generate a score which is used to judge.

6 Review process

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