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THIS LETTER IS IMPORTANT BUT IS FOR INFORMATION ONLY AND NO ACTION IS REQUIRED

6 March 2025

To all holders of shares in the 7IM Sustainable Balance Fund (the "Fund"), a sub-fund of 7IM Investment Funds (the "Company")

Dear Investor,

Changes to the name and sustainability disclosures of the Fund

We are writing to tell you about changes we are proposing to make to the Fund's name and sustainability disclosures. These changes will become effective on 2 April 2025. Please read the contents of this letter carefully. If you have recently sold or instructed the sale of your shares in the Fund you may disregard this letter.

<u>Background and rationale</u>

In November 2023, the Financial Conduct Authority, which is the entity that regulates the Fund, published a set of rules known as Sustainability Disclosure Requirements ("SDR"). These rules apply to UK investment products sold to retail investors that have sustainable characteristics. SDR introduced a labelling regime, which allows an investment product with a specific sustainability goal to be specifically labelled as a sustainable product.

The labels are intended to provide investors with the necessary information to make informed decisions regarding which funds align with their needs and sustainability preferences, and to more clearly identify and compare sustainable products.

The four available labels are:

- **Sustainability Focus –** these funds invest in assets that are environmentally or socially sustainable, determined by a robust, evidence-based standard of sustainability.
- **Sustainability Improvers –** these funds invest in assets that have the potential to become more sustainable over time, determined by their potential to meet a robust, evidence-based standard of sustainability over time.
- **Sustainability Impact –** these funds seek to achieve a predefined, positive, measurable environmental and/or social impact.
- **Sustainability Mixed Goals –** these funds invest mainly in a mix of assets that either focus on sustainability, aim to improve their sustainability over time, or aim to achieve a positive impact for people or the planet.

If a fund doesn't have a sustainability label then it is restricted from using certain terms within its name and marketing documents after 2 April 2025. One of the restricted terms is "Sustainable", which is currently included in the Fund's name.

What changes are being made as a result of SDR?

Since the Fund does not currently meet requirements applicable to labelled products, it will not have a label when the new rules come into effect on 2 April 2025. We therefore, need to remove "Sustainable" from the Fund name to ensure we are not using a restricted term.

The Fund will nevertheless continue to have material sustainability characteristics. Please be assured that the Fund's investment objective, portfolio of assets and investment process will remain unchanged.

The new Fund name will be "7IM Responsible Balanced Fund". We think this reflects the sustainability characteristics of the Fund and is in line with the naming convention of other products we manage that have very similar asset allocations.

We are also adding to the Fund's sustainability disclosures to give investors more information on how we select sustainable investments and what metrics investors can use to assess the sustainability features of the Fund. These disclosures are required under SDR for unlabelled funds with material sustainability characteristics. While this means we will be making changes to the investment policy and strategy of the Fund, the changes will not impact how the Fund is managed in practice.

The additional disclosures include an enhanced description of the Fund's negative and positive selection processes across all asset classes. We have also quantified the minimum percentage of the Fund's assets to be invested in assets which have sustainable characteristics. The sections in the Prospectus that describe the Fund's stewardship and engagement policies have also been enhanced as these are critical to the Manager's investment approach. Please refer to the Appendix for full details of the changes.

We are also taking this opportunity to make a few more minor clarificatory changes to the Fund's investment policy and investment strategy, such as explaining the types of derivative instruments the Fund can use.

No changes are planned to the composition of the Fund's portfolio as a result of the changes, and therefore, there are no transaction or realignment costs envisaged for the Fund.

The revised disclosures are shown in the Appendix to this letter and will be included in the Fund's prospectus on 2 April 2025. The Fund's prospectus is available online at https://www.7im.co.uk/media/xavigjtf/7im-funds-prospectus.pdf or can be requested free of charge from the Customer Services Centre.

From 2 April 2025, an additional short sustainability disclosure document summarising the Fund's key sustainability features will also be available free of charge from our website, as required by SDR, and we will also be providing ongoing sustainability reporting for the Fund.

What action can you take?

If you are not satisfied with the changes set out in this letter, you are entitled to switch your shares or redeem (sell back) your shares in the Fund. If you wish to switch to shares in another fund within the 7IM range, free of any charges, you must ensure that you read the relevant Key Investor Information Document (KIID) before switching. All KIIDs are available from the literature library on our website https://www.7im.co.uk/7im-funds/fund-documentation-performance or are available from us on request. Any switch or redemption will be treated as a 'disposal' for UK tax purposes and you may be liable to capital gains tax on any gains arising from the switch or disposal of your shares. If you are in any doubt about your potential liability to tax, you should consult a professional adviser.

To exercise either of these options, please contact us on 0333 300 0354 until 12:00 noon (UK time) on 1 April 2025 if you wish to switch or redeem before the changes set out in this letter take effect.

If you are happy with the changes then you do not need to take any action.

Further Advice and Information

If you have any queries concerning any of the changes, please contact our Customer Services Centre on 0333 300 0354 between 8.30 a.m. and 5.30 p.m. (Monday to Friday). Additionally, you should consult your professional adviser if you are uncertain about the contents of this letter.

Yours faithfully,

Duncan Walker

Chief Financial Officer

For and on behalf of

Seven Investment Management LLP

(as Authorised Corporate Director of 7IM Investment Funds)

Appendix

Current and revised disclosures

Current Investment Objective	Revised Investment Objective
7IM Sustainable Balance Fund aims to provide a balance of income and capital growth.	7IM Responsible Balanced Fund aims to provide a balance of income and capital growth.
Current Investment Policy	**Revised Investment Policy**
The Sub-Fund invests at least 80% of its assets in a range of shares and corporate bonds, supranational and government bonds and other funds managed by selected fund managers. Up to 20% of the Sub-Fund will be invested in liquid assets such as cash, deposits, money market funds and money market instruments, as well as warrants. The Sub-Fund will comprise a mixture of income-generating assets and assets with scope for capital growth. The Sub-Fund has flexibility to invest in different asset classes depending on market conditions, with most investment in equities, fixed interest securities and collective investment schemes but with no long-term bias to any class. The Sub-Fund will invest in derivatives for efficient portfolio management (EPM) (i.e. to reduce risk or cost and, or to generate extra income) as well as for investment purposes. In extraordinary market conditions (such as political unrest, economic instability, war, the bankruptcy of large financial institutions or closure of a relevant market(s)), the Sub-Fund may temporarily invest up to 100% of its total assets in deposits, cash, near cash, treasury bills, government bonds or short-term money market instruments.	The Sub-Fund invests at least 80% of its assets in a range of shares and corporate bonds, supranational and government bonds and other funds managed by selected fund managers. Up to 20% of the Sub-Fund will be invested in liquid assets such as cash, deposits, money market funds and money market instruments, as well as warrants. The Sub-Fund will comprise a mixture of income-generating assets and assets with scope for capital growth. The Sub-Fund has flexibility to invest in different asset classes depending on market conditions, with most investment in equities, fixed interest securities and collective investment schemes but with no long-term bias to any class. The Sub-Fund will invest in derivatives such as foreign exchange forwards (used to manage currency exposure) and index and bond futures (used to provide proxy access to underlying asset classes in a cost effective and liquid manner) for efficient portfolio management (EPM) (i.e. to reduce risk or cost and, or to generate extra income) as well as for investment purposes. In extraordinary market conditions (such as political unrest, economic instability, war, the bankruptcy of large financial institutions or closure of a relevant market(s)), the Sub-Fund may temporarily invest up to 100% of

	its total assets in deposits, cash, near cash, treasury bills, government bonds or short-term money market instruments.
Current Investment Strategy	**Revised Investment Strategy**
The starting point for the Manager's investment process is identifying the best mix of asset classes to create a strategic asset allocation ("SAA") customised for each 7IM risk profile. In creating the SAA, factors including expected risk and return are assessed by reference to quantitative and qualitative criteria, while the interaction between asset classes is also taken into account. The ever-changing nature of financial markets dictates that there are opportunities to enhance return and reduce volatility on a tactical basis. As a result, 7IM's investment process also makes use of tactical asset allocation ("TAA") which results in temporary and measured departures from the SAA. Any tactical changes are carefully monitored by 7IM's risk team. The investment strategy for the Sub-Fund encompasses detailed screening for sustainability as set out below using both negative screening to exclude investments which are significantly involved in unacceptable business areas and positive screening to select investments with high or improving environmental, social and governance standards. The Sub-Fund will only invest in individual shares and corporate bonds where the restrictions set out below are applied, as part of a two stage process. **<u>1) Negative Screening</u>** The first screen identifies companies from certain industries or with significant exposure to certain activities, taken to be more than 10% of revenue, are precluded from investment on ESG or ethical grounds at the outset. This is known as negative screening. These include: • Adult entertainment • Alcohol • Armaments • Gambling	The starting point for the Manager's investment process is identifying the best mix of asset classes to create a strategic asset allocation ("SAA") customised for each 7IM risk profile. In creating the SAA, factors including expected risk and return are assessed by reference to quantitative and qualitative criteria. The interaction between asset classes is also taken into account. The ever-changing nature of financial markets dictates that there are opportunities to enhance return and reduce volatility on a tactical basis. As a result, 7IM's investment process also makes use of tactical asset allocation ("TAA") which results in temporary and measured departures from the SAA. Any tactical changes are carefully monitored by 7IM's risk team. The investment strategy for the Sub-Fund encompasses detailed screening for responsible investing and sustainability as set out below using both negative screening to exclude investments which are significantly involved in unacceptable business areas (as defined below) and positive selection processes to select investments with sustainability characteristics (as set out below). As a result of this two stage process, the Sub-Fund will invest at least 70% of its value in collective investment vehicles and other assets that demonstrate sustainability characteristics. **<u>1) Negative Screening</u>** In respect of investments in company shares, corporate bonds and other funds, the Manager will firstly apply a negative screening policy to any such investments that are being considered for investment by the

- Genetically modified organisms ("GMOs") in agriculture
- Nuclear power generation
- Tobacco

A second screen reviews the remaining investment universe to identify securities in those companies which, although in acceptable industries, nonetheless exhibit unacceptable conduct, which may include corruption or poor labour or environmental practices.

2) Positive Screening

Having screened out individual securities with exposure to industries which are unacceptable, in accordance with the above criteria, the Manager then applies positive screening which consists of two further screens. Firstly, we identify those securities in companies which exhibit positive ethical conduct (such as sustainable environmental practices and conscientiousness with regard to human rights) and then secondly an ESG rating is applied

based on the above factors. Companies that fall below the scoring threshold set out in the Screening Document will not be invested in.

Other funds

When selecting collective investment vehicles managed by third parties, the Manager firstly applies the negative screens, as described above. Having applied these screens, the Manager then considers the following criteria for selection:

- the fund must systematically integrate ESG factors into investment decisions
- the fund must analyse ESG materiality before and after investment decisions
- the fund must act as good stewards and implement responsible investment and engagement practices.

Index linked products such as exchange traded funds or index linked open ended funds are selected for the Sub-Fund's portfolio on the basis that they

Sub-Fund. This negative screening policy will not apply to potential investments in government or supranational bonds, as these cannot be screened in the same way, and therefore investments in government or supranational bonds will progress to the next stage as described further below.

The purpose of the negative screening policy is to exclude investments in company shares, corporate bonds and other funds that in turn derive more than a maximum permitted amount of revenue from any of the following sectors or business areas:

- 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 but this will at all times be limited at Sub-Fund level as set out in the paragraph below.

The Sub-Fund will only invest in other funds where the Manager judges that this will not be in conflict with the Sub-Fund's objective, investment policy and strategy. Furthermore, and in any event, the Sub-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, as set out below.

track recognised ethical or socially responsible indices or are managed in accordance with the Manager's judgemental screening.

While consideration of environmental, social, and governance factors are an integral part of the fund selection process, the underlying funds may not operate exclusions equivalent to the exclusion policy. We have aligned the revenue limits with the negative screening criteria we apply when we invest directly, as described above, to the extent possible. However, there are some differences in the revenue limits we impose when investing in other funds and these are disclosed for each screen in our Screening Process Document (as described below).

Other assets

It is not always possible to apply ESG screens to certain asset classes for example, assets that are held for liquidity purposes (e.g. cash and money market funds).

Additionally, the Sub-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).

Screening Process Document

Further information on the screening process is set out in the Screening Process Document, which is available on the ACD's website at https://www.7im.co.uk/media/d4phbtxp/sustainable-balance_fund-screening-process.pdf or from the ACD on request. The screening criteria is subject annual review and any changes will be reflected in the Screening Process Document.
On-going monitoring

The Sub-Fund aims to invest in assets which meet high or improving environmental, social and governance standards and that demonstrate positive conduct. To achieve this, the Manager will continue to monitor and review the assets in the portfolio against weighted average carbon intensity

2) Positive Selection Processes

Positive selection process for companies

Having screened out individual securities that do not satisfy the above criteria, the Manager then uses two inputs to judge whether the security has sustainability characteristics. The inputs are a key issue score and a WACI score.

A company will be judged as having sustainability characteristics if it has:

- a key issue score that is above the global equity index "average"; or
- a WACI that is below the global equity index "average".

In both cases, to define the "average" the Manager uses a third party global equity index which represents 85% of all global investable opportunities. The Manager views the "average" of this index as a suitable minimum threshold for classifying an investment as having sustainability characteristics. This index is representative of the Sub-Fund's investable universe and is appropriate to determine whether an asset can be considered as having sustainability characteristics.

The inputs together measure:

- Environmental issues, including supporting and managing climate change mitigation (i.e. reduction of greenhouses 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.

Further information on each of the inputs is

and ESG ratings using third party data. The ESG rating apportioned by the third party data, assesses how the different investments manage the ESG risks that they face, depending on the risks material to their specific sector. At times and on an exceptions basis, due to the long term financial objective of the Sub-Fund, there may be assets in the portfolio that do not fully align to the sustainable investment strategy and any such assets will also be explained in our reporting. If the Manager otherwise finds through its monitoring activities that an investment is not in line with the investment strategy outlined above the Manager will investigate and engage with company management teams and boards to understand whether the information we have is correct and whether there is justification for the continued holding of the asset. If such engagement does not prove satisfactory the Manager will endeavour to disinvest within three months of identifying that the investment no longer complies with the sustainability criteria. On an exceptions basis, and only where disinvestment is either not possible or deemed to have an adverse impact on investors, the Manager may agree with the ACD that the divestment period may be extended beyond the three months.	set out below. *First input* The first input is a third-party key issue score which evaluates how well a company manages issues that are material to the industry that the company operates in. 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 for 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. This approach is aligned with the standards produced by the Sustainability Accounting Standards Board. The SASB standards are used to identify the sustainability-related risks and opportunities that could reasonably be expected to affect the ability of a company to earn revenues over the short, medium or long term. The International Sustainability Standards Board (ISSB) of the International Financial Reporting Standards (IFRS) Foundation currently has ownership of the SASB standards. This is an independent standard-setting body which is supported internationally. *Second input* The second input is a carbon intensity measure to judge environmental harm. 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 tCO2e/US$m revenues).

	The Manager uses an intensity measure instead of an absolute measure for two reasons. Firstly, an absolute measure does not allow easy comparison between companies of different sizes, which presents difficulties for diversified portfolios with many underlying companies. This metric can be also used across multiple asset classes which is useful for multi asset portfolios. This metric is recommended by the Taskforce on Climate-related Financial Disclosures (TCFD), which is a set of recommendations across four thematic areas focused on climate-related risks and opportunities financial disclosures. TCFD is a group originally established by the Financial Stability Board of the G20 nations, to focus on climate-related risks and opportunities disclosures. 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. Scope 3 emissions cover all other emissions produced through the value chain such as the operations, products and services of a business. Scope 3 emissions are not included in the carbon intensity measure. While Scope 3 emissions are broader, covering all indirect emissions in a company's value chain, measuring them is still in its infancy and questions remain regarding disclosure, incomplete reporting and data quality. <u>Positive selection process for other funds</u> A collective investment scheme (including an index linked product such as an exchange traded fund or index linked open ended fund) will be judged as having sustainability characteristics if it: • has a key issue score that is above the global equity index "average"; or

	- has a WACI 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 (examples of this may include but are not limited to ESG resource and experience, using ESG integration frameworks to guide investment decisions and embedding ESG considerations quantitively or qualitatively within financial modelling or risk management); or - the fund must analyse ESG materiality before and after investment decisions (examples of this may include but are not limited to ESG research capabilities, including data and systems, ESG proprietary scores and material ESG risk monitoring processes); or - the fund must act as good stewards and implement responsible investment and engagement practices (examples of this may include but are not limited to engagement with portfolio issues on ESG issues, participating in collaborative investor initiatives and actively exercising rights and responsibilities). Please see above for a description of the key issue score and the WACI, and an explanation of how the global equity "average" is defined. Where the Manager uses a collective investment vehicle to access government bonds, it will assess these on a look through

	basis using the country level ESG analysis explained below. <u>Positive selection process for government bonds</u> The Sub-Fund may also invest in government bonds. These investments are assessed on a periodic basis through a country-level ESG analysis which entails consideration of governmental policies (including for example, those relating to climate change). 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. **<u>Other assets</u>** It is not always possible to apply positive criteria and/or negative screens to certain asset classes, such as assets that are held for liquidity purposes (e.g. cash and money market funds). **<u>Screening Process Document</u>** Further information on the screening process for collective investment vehicles, index tracking products and government bonds is set out in the Screening Process Document, which is available on the ACD's website at https://www.7im.co.uk/media/d4phbtxp/sustainable-balance-fund-screening-process.pdf, or from the ACD on request. The screening criteria is subject to annual review and any changes will be reflected in the Screening Process Document. If required, the Prospectus will also be updated accordingly at the next available opportunity.
Current monitoring language	**Revised monitoring language**
N/A	The Sub-Fund invests in assets that demonstrate relevant sustainability

	characteristics, as explained above. To achieve this, the Manager will continue to monitor and review the assets in the portfolio against the screens and standards set out above. At times and on an exceptions basis, due to the long term financial objective of the Sub-Fund, there may be assets in the portfolio that do not fully align to the sustainable investment strategy and any such assets will also be explained in our reporting. If the Manager otherwise finds through its monitoring activities that an investment is not in line with the investment strategy outlined above, the Manager will investigate and engage with company management teams and boards to understand whether the information the Manager has is correct and whether there is justification for the continued holding of the asset. If such engagement does not prove satisfactory, the Manager will endeavour to disinvest within three months of identifying that the investment no longer complies with the sustainability criteria. On an exceptions basis, and only where disinvestment is either not possible or deemed to have an adverse impact on investors, the Manager may agree with the ACD that the divestment period may be extended beyond three months.
Current reporting language	**Revised reporting language**
The Manager actively screens the Sub-fund against the positive and negative ESG criteria stated above and as further described in the Screening Document and reports against the criteria in the Sub-Fund's Report and Accounts. These reports are published on the Manager's website at https://www.7im.co.uk/7im-funds/fund-documentation-performance.	The Manager will be reporting against the Sub-Fund's sustainability criteria annually, including by disclosing how these have been supported by its stewardship and also any implementation of its investigation and engagement approach, which is set out above. In particular, the Manager will report portfolio level metrics of the key issue score and WACI relative to the global equity index average, as explained in the Investment Strategy above. The Manager will report on the compliance with the negative screening criteria and

	metrics showing the proportion of assets with sustainability characteristics. These reports are published on the Manager's website at https://www.7im.co.uk/7im-funds/fund-documentation-performance.
Current stewardship language	**New stewardship and engagement language**
The Manager engages with investee companies on thematic issues, with the aim of positively influencing behaviour. The 7IM stewardship philosophy is fully described at https://www.7im.co.uk/inside-7im/how-we-view-stewardship-and-responsible-investing/stewardship-and-esg-in-the-investment-process.	The Manager engages with third-party fund managers and investee companies on thematic issues, with the intended outcomes of positively influencing behaviour and driving responsible behaviours, and therefore supporting the assets in which it invests to remain sustainable and/or accelerate improvements over time. The Manager's engagement themes are consistent with the sustainability criteria of the Fund. More details can be found in the Manager's Engagement Policy: https://www.7im.co.uk/media/sqqphsf3/7im-engagement-policy.pdf The Manager views collaborative engagements as one of the most effective mechanisms to achieve meaningful change. The Manager engages collaboratively to help facilitate real-world changes. The focus of this engagement is also to encourage better management of ESG topics by companies and issuers and support them in considering – and where relevant, mitigating – the impact of their operations on environmental and social factors in order to warrant their position in the portfolio. By way of example, the Manager's activities will contribute towards limiting, with the aim of halting, deforestation through working with other investors to engage with policy makers. The Manager's engagement and monitoring framework is designed to inform the Manager regarding whether external fund managers and direct holdings (for example, companies and investment trusts) are

	working to safeguard and maximise the value of their assets, with sound stewardship and taking thematic issues into account in their investment processes and operations. The Manager engages directly with external managers and direct holdings to gain understanding of their ESG approach and identify areas for improvement, if appropriate. In relation to indirect investments, the Manager regularly questions third party fund managers about their holdings, to ensure that they are implementing full stewardship in their portfolios. The Manager expects to do this by exercising voting rights, engaging with management where necessary, and encouraging the companies they hold to follow sound ESG policies. When considering how to prioritise engagements with third party managers and companies, the Manager focuses on issues that arise from regular meetings and from the engagement activities described above, highlighting potential issues and weaknesses in investment processes and products.