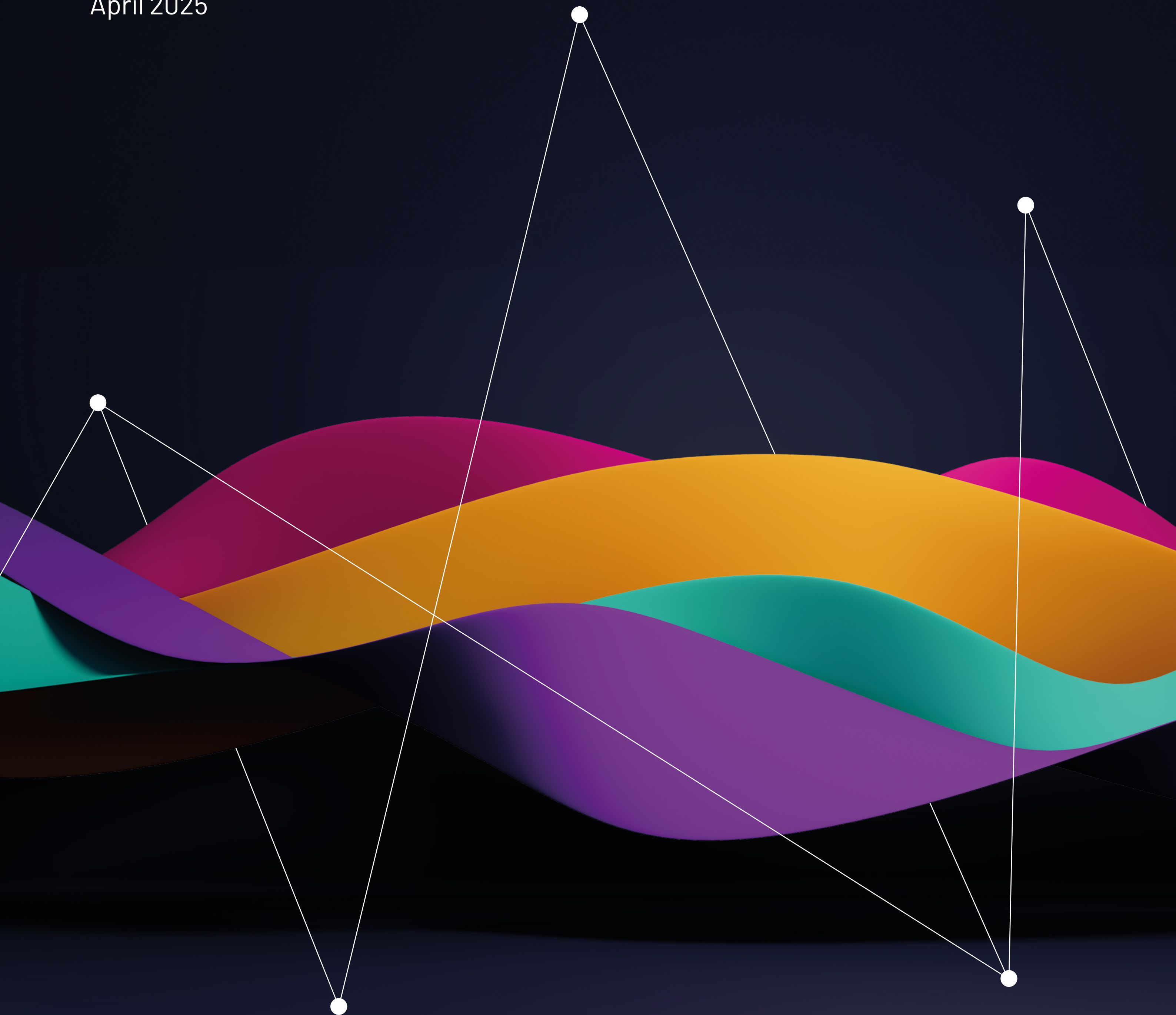
Our Stewardship Report 2024

April 2025



Succeeding together

7IM

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Welcome to our annual Stewardship Report

Stewardship has never been more important. In an era shaped by geopolitical tensions, economic uncertainty, and evolving expectations, businesses must take responsibility for maintaining high standards of governance and sustainability.

At 7IM, our priority is delivering for our clients—helping them navigate uncertainty, protect their investments, and achieve long-term financial goals. Stewardship is central to that responsibility, ensuring we make well-informed decisions that align with our clients' best interests while maintaining the highest levels of accountability.

This commitment is embedded in everything we do. Whether managing short-term risks or positioning portfolios for long-term resilience, we take a disciplined approach—always focused on delivering value for our clients.

The UK Stewardship Code

Over the years, our efforts have been widely recognised by several key players across our industry. 7IM has been a signatory of the UK Stewardship Code since 2021, which demonstrates our commitment to making a positive impact on markets and on society. This report details how we do so across the 12 principles that signatories must show best practices in place.

These principles include, among other practices, how we align our values, culture and investment practices for the long-term benefit of our clients, as well as how we make sure we're keeping up with changes in such a fast-changing environment.

I'm grateful to all my colleagues for their work, but it's my duty to remind everyone at 7IM there's still much more to do. These 12 principles act as a guiding light in how we approach our collaboration with industry stakeholders in order to ultimately improve our markets and reduce our impact on the environment, which is a goal on which we focus seriously.

On the next four pages, we highlight the principles of the Code and point to where we highlight much, if not all, of the work we've done to uphold any specific principle.

I hope the Report does justice to all the hard work everyone at 7IM has put into making contributions to improving our best practices which reflect increasingly better outcomes for colleagues, stakeholders and, most importantly, our clients.

Thank you for your continued trust, support, and partnership as we navigate this journey together.

Dean M. Proctor,
Chief Executive Officer, 7IM

Executive summary

Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.

Back in 2002, our founders wanted to create an organisation they'd like to invest with themselves. They wanted everyone to have access to the kind of service and expertise that institutional investors would expect. We explain our corporate purpose and vision on p. 10. Through our culture and values (p. 12), we aim to be 'Succeeding Together'. Our investment approach and beliefs are underpinned by being sound stewards of our clients' assets (p. 13). On p. 15, we outline how we integrate stewardship and environmental, social and governmental (ESG) issues into our investment process.

Principle 2

Signatories' governance, resources and incentives support stewardship.

Our Sustainability Committee is responsible for stewardship and related issues (p. 15) as well as the implementation of 7IM's Sustainability Framework in 2024 (p. 33). At the investment level, the ESG Investment Committee ensures full integration of stewardship through our investment processes, overseen by the Investment Committee (p. 16). We discuss our research and analysis resources and tools, including enhancing our portfolio monitoring process in 2025, to help us manage climate risk better (p. 18) as well as improving ESG research at fund selection (p. 18). 7IM's remuneration strategy described on p. 39 ensures incentives are aligned with the long-term value of our clients and beneficiary investment objectives.

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

We have several measures in place to identify and manage conflicts of interest (COI). These include a publicly available COI policy, training programmes on COI, personal accounting dealing for employees, compliance with the regulatory environment and controls that address COI within the investment management function. These are explained from p. 40.

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

We regard climate change as the key long-term market-wide risk (p. 44). In 2024, we have been examining how to further drive conversations around climate, which led us to partner with other wealth managers to create the UK Wealth Managers on Climate Group (p. 64). In 2024, we engaged with industry peers on Sustainability Disclosure Requirements (SDR) and FRC UK Stewardship Code Consultation, and UN Principles for Responsible Investment (PRI) Strategy Consultation (p. 47).

Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

From pp. 40-42, we explain how we ensure we comply with the regulatory environment, manage conflicts of interest and put client interests foremost at all times. In 2024, we continued to embed the enhanced Risk Management Framework that includes mandatory policy attestation, incident data improvements, 7IM's Conduct Risk Score, Third Party Supplier Framework and Policy, and AI efficiency and compliance (p. 42). In 2024, we implemented our enhanced fund selection, ESG research and ESG monitoring processes as well as voting and engagement policies (p. 44).

Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

We describe how we support our clients through regular communication, listening to their feedback and suggestions and have developed a suite of services, technology and products for clients across the UK (p. 13). We summarise our client assets by asset class and geography on p. 35. We look to support our clients by continuing to improve our client offering (p. 38).

Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Our investment approach (p. 47) addresses this principle. Our integration of stewardship and ESG into our investment process are evidenced via Strategic Asset Allocation, Tactical Asset Allocation, product selection and risk management (pp. 44-47). We started to implement our enhanced our external manager due diligence process applicable to all our third-party managers, to ensure they are aware of and carrying out their stewardship responsibilities (p. 52).

Principle 8

Signatories monitor and hold to account managers and/or service providers.

Part of being sound stewards of our client's capital is to regularly monitor corporate actions that rise from fund and investment holdings alerts. We monitor and hold third-party fund managers accountable for ESG and stewardship (p. 54). Given our investment approach, we set expectations for stewardship and ESG in our Door questionnaires and ESG conviction framework which applies to our third-party fund managers and fund managers we outsource stock selection to. We provide several examples later in this report. We track the voting output of our proxy voting service providers to ensure they are voted as directed, and we review resolutions above a holding threshold (p. 72).

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

We believe good stewardship practice is a basic obligation when we perform fiduciary duties for our clients. We outline how we prioritise our engagement on p. 48 and how engagements vary by asset class, region, and type of investment. We cover a wide range of engagements with several examples from 2024 from pp. 50-52. Most of our engagements are with third-party fund managers that we are invested with; we closely monitor how managers engage with their investee companies.

Note that over half of our assets under management are in our platform business. We don't select or manage these investments and cannot engage with their third-party managers. However, we're proud of the market-leading improvements we have made this year that should lead to better client outcomes.

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

We take part in collaborative engagements when we think we can enhance the value or lower the risks of client assets and expect our third-party managers to engage collaboratively on our behalf when appropriate (p. 63). In 2024, we continued to contribute to the IPDD Initiative, working with other investment houses to challenge regulators on deforestation (p. 63) as well as the UK Wealth Managers on Climate Group to drive progress on climate-related targets. Sarasin, who manage an equity portfolio for us, have been engaging vigorously to promote climate-conscious banking system and ethical AI (pp. 59).

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

On p. 67, we outline our approach to escalation. Most of our escalations are with third-party fund managers, with Fidelity / Geode as an example (p. 67). Given our investment approach, we are almost entirely reliant on third-party fund managers to vote, engage with and scrutinise companies on our behalf. We provide examples of what we consider effective escalation on p. 69.

Principle 12

Signatories actively exercise their rights and responsibilities.

Our voting policy is shown on our website and applied to all proposals for which 7IM has the right to vote on clients' behalf. From p. 73, we detail how 7IM vote on investments held directly via Broadridge Proxy Edge voting platform, as well as how we monitor voting from our third-party managers. While we have a modest number of direct votes because we invest mostly via third-party managers, we detail our 2024 voting record on p. 73.

The 7IM purpose and strategy

Our vision and purpose

At 7IM, we want to deliver an unrivalled experience for all of our clients – whether that's individuals, families or businesses.

For financial advisers and planners, this involves us standing alongside them to support them with whatever they need, so they can focus more on what really matters: nurturing their relationships with clients to deliver on their financial plans.

Our offering for advisers reflects that: an open architecture platform, multi-asset investment solutions to fit their investment philosophy, and help with discretionary investment management.

For our private wealth clients, it all starts with understanding the client, their families, and their goals and then creating a bespoke financial plan designed to help them achieve financial freedom.

We use cutting-edge technology to help make things simple and clear, but what really sets us apart is our real, honest, human service. No automated helplines or chatbots. You'll always talk to a person.

Today, from our offices in London and Edinburgh, our team of approximately 400 talented people are entrusted to manage over £20 billion (as at December 2024) for a range of clients, including individuals and families, financial advisers, corporates, charities and trustees. In January 2024, Ontario Teachers' Penson Plan, a global investor with net assets of $266.3 billion (as at December 31, 2024), acquired a majority stake in 7IM.

As a firm, 7IM has a vision, purpose and set of values that frame and drive everything we do. They are depicted on the next page.

Our vision as a firm is to deliver an unrivalled experience. This vision is supported by our purpose statement, 'Succeeding Together', which articulates the spirit of the long-term partnerships we foster with our clients, colleagues and suppliers. We want to continue growing, and to be known for offering the best-in-class investment & wealth management client service in the UK.

We offer more than just investment management, although that is at the heart of our business. We make investing easy via the 7IM Platform service, which delivers a unique, personal and digital client experience. We help individuals with pensions and retirement income, partner with advisers who want to focus on client relationships, rather than administration, and provide an overall unrivalled experience via the use of technology to make things simple and clear.

Everything we do is wrapped up with real, honest, human service – that's what sets us apart. If you call us, we'll answer. If we don't know something, we'll say so. And we try to make sure every one of our clients' experiences leaves them satisfied.

VISION

What we're aiming for

To deliver an unrivalled experience

PURPOSE

Why we're here

Succeeding together

VALUES

What we believe in

We value our people

We do the right thing

We succeed together

We listen and respond

We keep things simple

We put our clients first

We demand excellence

PERSONALITY

How we approach things

Sustainable	No Nonsense
Enthusiastic	Inclusive
Versatile	Modern
Engaging	

Our culture and values

The 7IM management and team want to build a great firm with a great culture. Our 7IM vision, purpose, values and personality (VPVP), originally defined in 2019 following our 'Succeeding Together' culture development programme, capture the essence of 7IM as a firm. In 2022, we decided to switch one of our core personalities from 'Spirited' to 'Sustainable' to reflect our commitment to operating in a responsible and sustainable manner, for the benefit of our stakeholders and the wider world.

> The most powerful tool for understanding people and culture is feedback."

We run regular surveys to learn what our people are thinking and feeling and seek their views on specific issues.

And over the last few years, 7IM has been on a journey to transform its approach to diversity and inclusion within the company culture, and we have made significant steps forward in all areas. From networks and internal training to our recruitment process, we've been award winning in our approach.

Our Diversity, Inclusion & Belonging Committee aims to champion initiatives that will make 7IM a more inclusive employer and deal with practices that exacerbate inequality and disparity amongst the workforce. It's chaired by an Executive Committee (ExCo) member but driven by volunteers from within the firm from a range of backgrounds.

Our Diversity, Inclusion & Belonging strategy focuses on two key areas: representation – currently gender and ethnicity - and an inclusive culture.

Our Gender Equality Network initiative aims to understand and address issues that may contribute to gender imbalance within the company and ensure that we provide an environment where everyone can succeed. Its mission is to help attract, retain and develop talented women to/in 7IM, by:

- Making ourselves an employer of choice for women and showcasing the amazing women we have in the business.
- Ensuring we deliver a working environment where everyone can succeed.
- Supporting the team in creating their own path to success and providing targeted training and well-matched mentoring partnerships.

To create a culture which fosters 'belonging,' rather than simply 'including,' alongside staples like flexible working, we hold company-wide training on 'Diversity of Thought,' share blogs from colleagues about their personal experiences across a range of issues and host a regular calendar of diversity, inclusion & belonging events.

In 2023, to accommodate the evolving regulatory framework and advance our sustainability strategy, a Sustainability Framework was developed and rolled out across the Group. This framework ensures a cohesive and directed strategy across People, Corporate, and Investment-related sustainability efforts. This is detailed later in the report.

Supporting our clients

7IM's business has been shaped in close collaboration with financial advisers, and more recently, with individual clients, over many years. Based on their feedback and suggestions, we have developed a suite of services, technology and products for clients across the UK, whatever their needs may be.

For individual clients, we complete a full analysis of personal and financial circumstances and an assessment of needs and requirements and make recommendations for appropriate solutions. When we work with professional advisers, they will complete this process on behalf of their clients and are responsible for making suitable choices.

Communicating clearly and frankly with clients is critical at 7IM. Our team of relationship managers meet their clients and advisers regularly to share information, performance and progress, review individual plans and answer questions. We have a centralised Client Experience function that combines marketing, communication and content, press, social media, digital and creative. This team ensures we communicate regularly and clearly through a variety of media to reach our base of clients and advisers – including emails, social media posts on key topics, and hosted webinars with in-house and external experts.

Our website hosts an interactive digital 'Fund Centre' where key marketing documents, information documents and annual accounts, can easily be searched and accessed. In addition, all our clients and advisers can access their accounts 24/7 on a web portal or dedicated mobile phone app, where they can review performance and drill into the specifics of their holdings at 7IM.

It's vital that we listen to our clients. Every day, our relationship teams meet clients and advisers and record and pass feedback to the Client Experience team. This team uses these insights to help decide what to focus on and what changes need to be made if something is not working as planned. We also commission two regular independent annual surveys, one for individual clients and one for advisers, to learn what our clients are thinking and where we can improve.

Through these processes and the insights gathered, we review and refine our communication approach. We shape our communications around our clients and their needs.

We have continued to improve the content on the 7IM website to guide our clients on how to use our systems, view the new features available on our platform, and understand what 7IM as a company believe in.

Inside 7IM: We have found that some clients aren't aware of what 7IM stands for, including our beliefs and company culture. We created a dedicated section of our website (www.7im.co.uk/inside-7im) to help companies that want to understand our values, clients who want to understand more about our ethos, or individuals who are looking to join our team and want to learn more about 7IM.

The 7IM Platform

We continue to invest in our proprietary platform technology to enable us to deliver an unrivalled platform service and experience; from enhancing the Adviser Portal, Client Portal and App, to digitising and automating key processes and journeys.

We are also investing in our data lakehouse and infrastructure which provides richer insight and business intelligence into the outcomes we are delivering for our clients and enables greater integration with adviser technology.

As an open-architecture platform, we support many investment solutions to enable advisers to build financial plans for their customers. In our fund research tool we have added a feature to show if a fund has a Sustainability Disclosure Requirements (SDR) label, allowing advisers to more easily access information on sustainability information and find funds that meet their clients' needs and preferences.

Our new, modern technology approach enables the platform to respond quickly to our adviser's needs and the ever-changing regulatory environment.

Stewardship and Responsible Investing

7IM underwent ownership and senior leadership changes over the course of 2023 and this was finalised in early 2024. Ontario Teachers' Pension Plan Board ("Ontario Teachers'" or "OTPP") has acquired a majority stake in 7IM, from Caledonia Investments plc ("Caledonia").

The strong cultural alignment between the two entities under our updated ownership structure has reinforced our dedication to responsible business practices and facilitate positive outcomes for clients. A key focus for us is to strengthen the functions of committees to ensure the full integration of ESG considerations across the business and investments.

Revisions to sustainability governance within 7IM were approved and implemented in early 2024. The below highlights the structure of our Sustainability Committee as of December 2024.

The Sustainability Committee was set up in 2020 and reports to the 7IM ExCo. The objective of the Committee remains the same. The Committee is held accountable for pulling together and embedding our commitments within our culture and related groups and activity and includes people from across the whole business.

The Committee comprises of the Committee Chair and representatives from the following:

- Investment Management team;
- People and Culture team;
- Charity Committee;
- Risk and Compliance team;
- Operations team;
- Finance team;
- Client Experience and Transformation team;
- Private Client team;
- Intermediary team;
- Partners Wealth Management; and
- Platform team.

A key focus for us is to strengthen the functions of committees to ensure the full integration of ESG considerations across the business and investments.

The Sustainability Committee is chaired by Russell Lancaster (Managing Director, Platform & Intermediary Partnerships, ExCo member).

The Sustainability Committee's responsibilities include: i) to act as guardian of the 7IM Stewardship Code and the Sustainability Framework; 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 (CSR); and iv) to make sure the 7IM culture is respected and advanced across the firm.

Through 2024, we refined 7IM's Sustainability Framework & Strategy, explained further on p. 33.

Investment stewardship and ESG integration at 7IM are managed by the ESG Investment Committee, also set up in 2020. It reports to the Sustainability Committee and to the Investment Committee, which is the senior decision-making body for all 7IM's investments and is ultimately responsible for investment performance.

The ESG Investment Committee is based in the Investment Management team and has five members. It includes representatives from every stage of the investment process at 7IM: Strategic Asset Allocation, Tactical Asset Allocation, Portfolio Management and Investment Risk. A member of the Investment Committee also sits on the ESG Investment Committee.

Our ESG Investment Committee

Chair: Jack Turner
Head of ESG Portfolio Management, Responsible Investing

Jack has been a member of the 7IM Investment Management team since 2016 and has been instrumental in driving forward ESG integration across the investment process. He is the lead portfolio manager on the Responsible Choice Model Portfolios and the Responsible Balanced Fund.

Matteo Ruozzo
Senior Quantitative Investment Strategist

Matteo joined 7IM in July 2024 as a Senior Quantitative Investment Strategist. He was previously at BlackRock, with extensive experience in Multi-Asset Strategies and Solutions.

Uwe Ketelsen
Head of Portfolio Management, Investment Committee member

Uwe joined 7IM as Head of Portfolio Management in 2021. He has 24 years of investment experience and was most recently Head of Fund Research at Coutts, where he helped to shape their approach to ESG integration in investment portfolios.

Loic Yebga
Investment Risk Developer

Loic joined 7IM in April 2022. He works in the Investment Risk team and is responsible for incorporating ESG analysis into the risk oversight process.

Wenqian Zeng
ESG Investment Analyst, Responsible Investing

Wenqian joined 7IM in February 2023 and has completed an MSc in Climate Change, Management and Finance. She is responsible for ESG investment research, ESG integration, and stewardship.

Corporate social responsibility (CSR)

Our commitments

As discussed in our previous Stewardship Reports, in 2021, we partnered with sustainability specialists Green and Good Consulting and developed four key business sustainability pillars that include commitments to: cleaner investments, sustainable choices, an inclusive team, and giving back.

Through 2024, we continued to work towards a sustainable and more inclusive future as a business, including partnering with an external ESG and sustainability consultant, Skopos ESG, to further benchmark and identify areas for improvement.

1. Cleaner investments

We have committed to a 30% reduction in the carbon intensity of our Strategic Asset Allocations (SAAs) by 2026. We completed the first phase in July 2021 with our US equity exposures. Phase two of our SAA reduction project was implemented in 2022, with a focus on making our credit investments cleaner, switching over £200m of assets in traditional corporate bonds to bonds that were 70% less carbon intensive, while retaining a similar return profile. In 2023, phase three of decarbonisation focused on Japanese equity exposures and the new products implemented were over 40% less carbon-intensive. In 2024, we researched into other asset classes to see whether further changes were needed and outline our next steps on p. 44.

In addition, following our ESG integration enhancement within our investment process via fund manager due diligence and ESG convictions framework last year, we explain how we put this into practice from p. 45. We continue to actively monitor and engage with our third-party managers with a notable example being our involvement in the UK Wealth Managers on Climate Group, detailed on p. 64.

2. Sustainable choices

Back in 2021, we committed to reducing our Scope 1, 2 & 3 CO2 emissions and pledged that our business would become carbon-neutral. Since then, we have partnered with World Land Trust (WLT) to offset our carbon footprint every year, by supporting the organisation's Carbon Balanced project in Guatemala. When selecting a carbon offset partner, we prioritised credibility. After comparing six options and extensive due diligence, we opted for the World Land Trust's Carbon Balanced program. The WLT was selected for their pedigree as well as their wide range of offsetting schemes and willingness to form a close partnership with 7IM. The World Land Trust works with hundreds of landowners, including local communities, to register and obtain land titles to protect threatened coastal forest for the benefit of the region's biodiversity. We are proud to continue our partnership with the World Land Trust for the third year in a row and we will soon offset 2024's unavoidable emissions through the same programme.

The consolidation of office space engaged in 2023 by the UK Group has led to a significant decrease in emissions in 2024 (30% less emissions reported when compared to prior year). Concomitant with the reduced office space, the reported CO2 emissions per full time employee have dropped when compared to prior year, despite a change in calculation method of travel emissions that support higher accuracy and better data capture in term of reporting.

In line with the sustainability commitment made by the business in 2021, more than half of the journeys reported by members of staff were undertaken by rail in 2024. We disclose our Scope 1, 2 and 3 CO2 emissions in our annual report and audited consolidated financial statements.[1]

3. An inclusive team

Building on 7IM's commitment to fostering a diverse and equitable workforce, we are proud to report further strides in developing an environment that is welcoming, inclusive, and supportive of diverse representations and diversity of thought. The Diversity, Inclusion and Belonging Committee (DIB)(previously, Diversity and Inclusion Committee), established in 2020, continues to lead with purpose, promoting initiatives that position 7IM as an example of inclusivity within the financial sector. This commitment was recognised within the industry and evidenced by our recent awards, including Best Wellbeing Initiative and Highly Commended Best Senior Sponsor at the PIMFA D&I Awards 2024. These awards reflect our commitment to creating a workplace that not only values diversity but thrives on it.

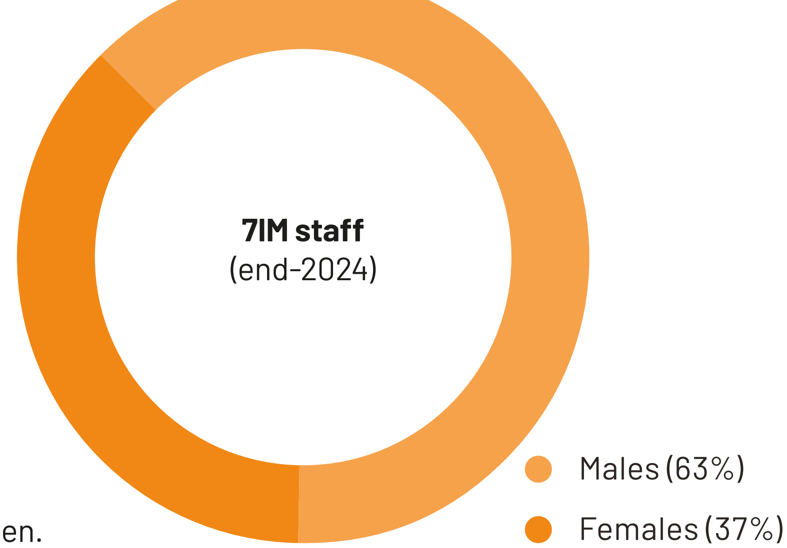
At 7IM, 84% of our colleagues have participated in providing equal opportunities monitoring information, a figure we are committed to increasing. This initiative is crucial for us to monitor progress effectively and adjust our diversity, inclusion and belonging strategies and efforts accordingly.

4. Giving back

7IM has a longstanding Charity Committee that oversees charitable contributions across the business and arranges fundraising campaigns for the charities we support. In 2024, 7IM raised more than £28,000 for charity through staff fundraising, matched funding, challenges and donations.

In addition to our "Give As You Earn" Scheme and Volunteer Day, we have also been running monthly volunteer walks that allow colleagues to volunteer their time once a month with our chosen charity.

[1] For the latest 7IM Annual Report and Audited Consolidated Financial Statements, see https://www.7im.co.uk/media/nuao3dii/annual-report-and-audited-consolidated-financial-statements.pdf



Our people

As of the end of 2024, our team stands at 388 members, with a gender distribution of 37% women and 63% men.

Gender pay pap

In 2024, our gender pay gap was reduced to its lowest level to date at 8.0%. We believe, based on currently available data, that this figure puts us lower than any of our direct peers in the financial services space.

More information can be found in our Gender Pay Gap Report, which is due for release in H2 2025.

Our Gender Equality Network (GEN), established in 2021, continues to play a pivotal role in promoting gender equality within the firm. The GEN's focus on balance and flexibility highlights the importance of supporting our colleagues in achieving a harmonious integration of work and personal life. This commitment is highlighted by the fact that in 2024, it is another year of 100% of women returning from maternity leave chose to stay with us, and all applications for flexible working were approved, demonstrating our commitment to accommodating the diverse needs of our workforce.

We proudly uphold our Hybrid Working Policies, recognising the significance of flexibility for achieving greater gender balance. This approach contrasts with trends elsewhere, where firms are increasingly requiring employees to return to the office full time. We believe our stance not only supports gender equality but also contributes to a happier, more productive team.

We extended organisational maternity pay, paid paternity leave, and introduced Fertility Treatment Policy, as detailed in our 2023 Stewardship Code Report. We continued to uphold these policies in 2024.

We remain committed to driving momentum in closing the gender pay gap and making data-driven decisions, led by our colleague demographic. We continue to introduce initiatives that will help attract and retain a diverse workforce, such as making job posts more inclusive to attract more female candidates; ensuring that our hybrid working approach is embraced across all the teams; promoting transparency about flexible working arrangements across departments; creating and promoting family-friendly policies (Hybrid Working policy, Maternity leave guides, Menopause policy); delivering workshops on imposter syndrome to help women increase in confidence in the workplace and develop into senior roles; and encouraging more women to participate.

Training and development

In 2024, 7IM remained committed to developing and empowering our people through a focused Training and Development Programme. This year, our efforts concentrated on role specific development, enhanced coaching support, and targeted sales training to meet evolving business needs.

Guided by colleague feedback, we delivered a blend of internal and external learning opportunities designed to build capability, support career progression, and unlock potential. These initiatives reflect our continued commitment to being a learning organisation that invests in the growth and success of every individual.

Key highlights of the 2024 programme include:

Performance Selling Programme

To support our client-facing teams, we worked with an external learning partner to launch our Performance Selling Programme, designed specifically for our Private Client advisers. Eleven advisers participated in this focused initiative aimed at enhancing sales effectiveness in the evolving private client market.

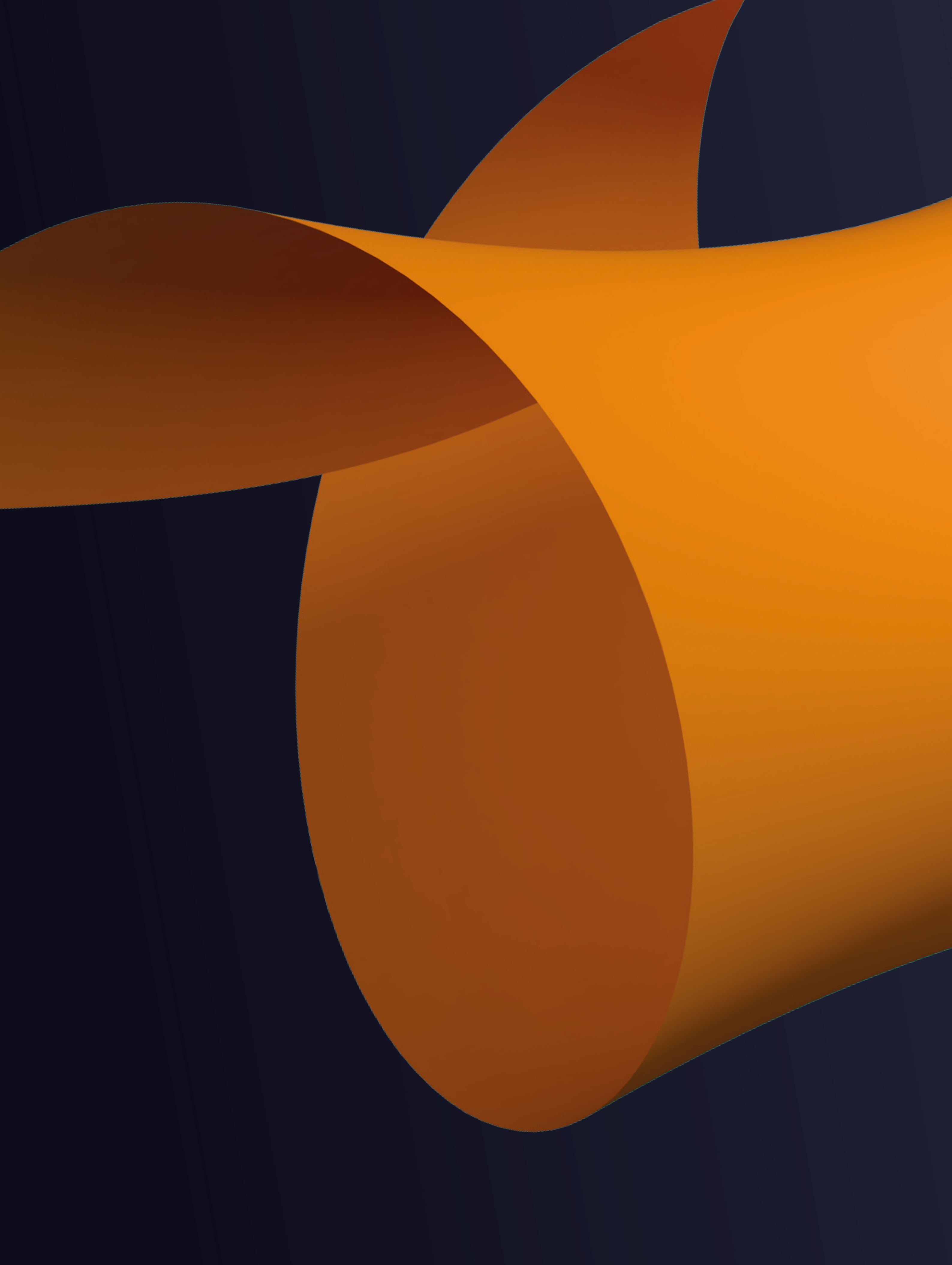
The programme concentrated on building the critical skills, knowledge, and mindsets needed to confidently and successfully present 7IM's products and services. Through tailored coaching and practical application, participants developed a more consultative and outcomes-driven approach to client engagement.

Elite Academy for sales advisers

We also introduced the Elite Academy, an internal training programme designed to elevate our advisers' skills and performance to the highest industry standards. Focused on refining our proposition, enhancing sales techniques, and driving better client outcomes, the Academy is a key part of our commitment to professional excellence. All advisers within the 7IM firm underwent this training.

Coaching with external learning partners

We expanded our coaching offering through a range of external partnerships, tailored to meet the diverse needs of our people across different roles and career stages. By working with multiple expert providers, we ensured that individuals received targeted support aligned to their specific development goals, whether that was leadership growth, performance improvement, or personal effectiveness. A total of 47 colleagues took part in tailored coaching programmes.



Designed to build capability, support career progression, and unlock potential.

You as a Manager programme

In 2024, 35 managers participated in the You as a Manager programme, designed to strengthen leadership capability and enhance managerial effectiveness. Through a series of structured sessions, participants developed the skills, confidence, and mindset needed to lead high-performing teams in a dynamic and evolving workplace.

Professional qualifications & courses

In 2024, we funded 44 staff members to pursue industry-recognised qualifications across various domains, from the Chartered Institute for Securities and Investment to the Chartered Insurance Institute, as well as 30 individuals to pursue Excel training. These programmes are integral to our strategy of investing in the continuous professional development of our team.

Mentoring programme launch

Launched in 2024, our mentoring programme blends coaching elements with a flexible approach, allowing relationships to develop naturally. This nurtures trust, knowledge sharing, and meaningful career growth. So far, 18 colleagues have been matched across the business, strengthening connections and professional development.

Diversity, inclusion and belonging

At 7IM, our dedication to cultivating an inclusive and supportive culture is fundamental to our organisational values.

Since launching our Diversity, Inclusion and Belonging, (DIB) strategy in 2020 (previously, Diversity and Inclusion strategy), we have been committed in our efforts to empower every colleague to engage fully and realise their potential.

This commitment is reinforced by our ongoing endorsement of the Women in Finance Charter and the Race at Work Charter, illustrating our determination to foster a workplace environment where diversity is not only recognised but celebrated, ensuring that each individual feels valued.

Diversity and inclusion play a pivotal role in shaping the environment at 7IM. The DIB Committee, led by an Executive Committee member and driven by colleagues from diverse backgrounds, advances our initiatives forward. This group is committed to making 7IM a model of inclusivity for other firms within Financial Services, actively addressing practices that contribute to workplace disparity. Our DIB strategy, openly shared with all colleagues, focuses on enhancing representation and fostering an inclusive culture.

Our DIB work took a further step this year with the appointment of a dedicated programme lead to drive our plans forward. Some highlights of the year include:

- The formation of two new networks – EmbRACE, which looks at racial diversity, and EnABLE which looks at physical disability and neurodiversity. As with our other networks, these are peer-led and aim to drive understanding and change within the business.
- The introduction of our DIB policy
- Our biggest ever World Food Day celebration, led by our EmbRACE Network and attended by the team at multiple office locations
- A Menopause Network-led awareness day in partnership with a specialist in the subject, including a mens-only session to help building understanding of what colleagues may be experiencing.
- Viewing our social activities, including our Christmas party, through an inclusion lens, challenging the normal way of doing things and making them more accessible activities for all.

Diversity and inclusion play a pivotal role in shaping the environment at 7IM.

Our Diversity, Inclusion and Belonging Calendar remains a successful way to promote awareness amongst colleagues and celebrate diversity throughout the year. Through this calendar, we spotlight significant days that matter to our diverse team, supporting a broader understanding and appreciation of diversity through events. Diversity events and communications not only improve our workplace culture but also encourage connections and understanding among colleagues by exploring global cuisines, music, and traditions.

Our faith networks have also been instrumental in enhancing understanding and support across religious practices. The Islamic Network, for example, has been key in educating our team about Ramadan and developing resources to aid managers in supporting observing colleagues. The "Together in Fasting" event further promoted empathy and understanding within our team. The team also shared their experiences of Diwali and the significance for them, while also encouraging the team to engage in outside events where they could learn more.

Together, these initiatives and resources symbolise 7IM's commitment to a workplace where diversity is not just acknowledged but actively celebrated and supported, paving the way for a truly inclusive and empowering environment.

Inclusive Policies

In our ongoing commitment to ensure we have an inclusive and supportive workplace, 7IM continuously evaluates and evolves our policies to ensure they meet the diverse needs of all colleagues. Over the years, we have implemented and refined a range of policies that reflect our efforts to creating a workplace environment where every colleague feels valued and supported.

Inclusive health and wellbeing support

Our Menopause Policy provides colleagues with the reassurance that they can speak to their Line Manager should they be going through this transition, we also have guidance for line managers to effectively support staff experiencing menopause, emphasising empathy, understanding, and practical adjustments in the workplace.

Family-Centred Policies

We are proud to offer our Family Centred Policies, which include progressive measures such as paid leave for both parents in the event of stillbirth or miscarriage—setting us apart from many organisations by offering one week of paid time off to support families. Additionally, our Fertility Treatment Policy acknowledges and supports those undergoing fertility treatments, recognising the physical and emotional challenges involved.

Promoting equality and diversity

The implementation of our Transgender Equality Policy and our Equal Opportunities Policy further demonstrates our commitment to fostering an equitable environment. These policies ensure that all colleagues, regardless of gender identity or background, can succeed in a respectful and supportive workplace.

Flexible Working Arrangements

Our Hybrid Working Policy supports our team in balancing personal and professional responsibilities. This policy is designed to accommodate the varying needs of our colleagues, who have other responsibilities outside of work.

Cultural Advancement

As the company rapidly expands, we focused on two key areas of cultural advancement in 2024: reaffirming our value of listening and responding, and how we onboard new team members.

Our listening programme included:

- Our annual colleague engagement survey. Once again, we maintained an overall score of 4.0, with belief in our Executive Committee and understanding of our Vision and Purpose coming out as the top scoring areas.
- The introduction of an anonymous suggestion box. This gave colleagues the opportunity to raise questions and suggestions in an anonymous forum, with issues being raised to various areas across the business for actions and responses to be provided.

For our colleague onboarding programme, we:

- Reviewed and increased the number of key touchpoints in the early stages of joining us, giving an opportunity to engage with a wider range of individuals across the business.
- Revised our induction session to focus on cultural induction rather than an education about the business. This new session aims to equip new joiners with everything they need to understand the environment they're working in and has received outstanding feedback from all colleagues who have participated.

7IM's environmental footprint

In 2024, we carried out the new Energy Savings Opportunity Scheme (ESOS). Actions were made as a result of this audit, which included increased education across the workforce on recycling and how to lessen their impact in both the workplace and day to day living.

Overall, as a business, we had a positive ESOS score following timely reporting.

We consider sustainability in our procurement processes and project delivery channels. Over time, we will review our downstream business impacts (Scope 3 emissions) and try to lower emissions further. Key changes this year have been the review of all our sites and ensure we have LED lighting installed throughout, where practicable. In our Edinburgh office refit detailed in last year's Stewardship Code report, we replaced old fluorescent units with new LED lighting modules and added window furnishing which are efficient at maintaining office temperature.

As the 7IM Group continues to grow, so does sustainability improvement areas. As part of our due diligence, we look at operational status of our new sites and will put action plans in place to support their existing functions and the roll out of improved operational sustainability.

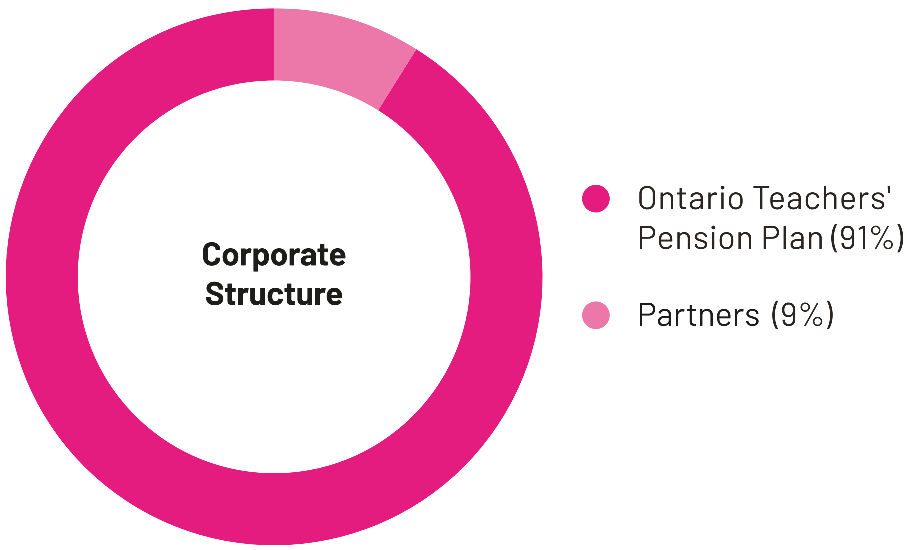
About 7IM

Corporate structure

Seven Investment Management LLP ("7IM LLP") is a limited liability partnership within the 7IM group, the ultimate holding company as at the start of 2024 was Caledonia Investment PLC, owning 92%.

In January 2024, Ontario Teachers' Pension Plan Board became the new majority shareholder of the group, now owning 91%. The remaining 9% is owned by partners from the 7IM Management Team.

This structure has allowed 7IM to take a long-term approach to the development of the business, just as we recommend our clients do with their money. This report relates to Seven Investment Management LLP.



Corporate governance

7IM has a comprehensive and agile corporate governance framework. Committees operate with clear areas of focus and Terms of Reference. All Executive Committees are chaired by Accountable Executives from the Executive Committee (ExCo) and enable Executives to discharge their Executive and/or Senior Management Function obligations to manage the group accordingly. These committees monitor and provide oversight of key risks and escalate any risk or concerns to the Executive Risk Management Committee, People Committee, and Executive Committee as per their Terms of Reference.

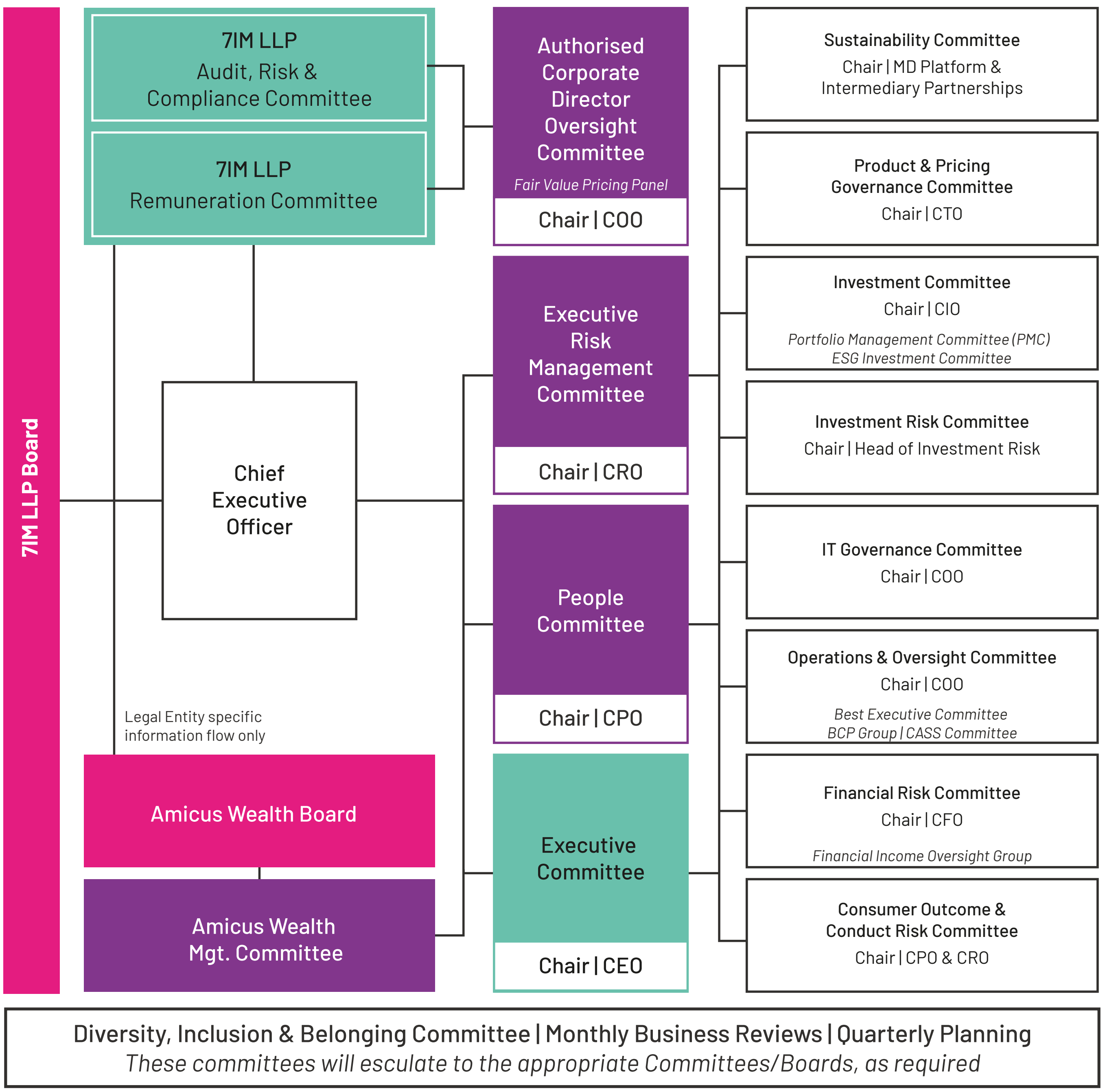
The Executive Committees report to the Board sub-committees (Remuneration Committee and Audit, Risk & Compliance Committee) on a quarterly basis. All Executive Committees are attended by at least one member of the second-line Risk Function who provide support and challenge to the stewardship process.

Key
- Board
- Board Sub-Committees
- Executive Committees
- Executive Sub-Committees

BCP: Business Continuity Plan
CASS: Client Assets Sourcebook

At the end of 2024, the corporate governance framework was as follows:

7IM corporate governance framework



Stewardship governance

We reviewed and upgraded our stewardship governance framework in 2020 to support 7IM's stewardship more effectively and explicitly. At the corporate level, as noted earlier, the **Sustainability Committee** is responsible for stewardship and related issues. The Sustainability Committee is chaired by a member of ExCo.

At the investment level, the **ESG Investment Committee** ensures full integration of stewardship through our investment processes, overseen by the Investment Committee.

As discussed in our previous report, much thought went into the design of 7IM's current governance structure and the underlying processes. We believe they support our targets and ambitions with regard to stewardship in two ways. First, the roles and responsibilities of these two committees have been formalised. Second, stewardship metrics have been incorporated into the objectives and reviews of the key people involved.

We continue to monitor our stewardship governance to ensure it remains fit for purpose and adequately covers both 7IM's stewardship objectives and the full suite of potential harms to which it and our clients are exposed.

Enhancements were made to the Risk Management Framework and systems to support key risk management processes, explained in our 2022 and 2023 Stewardship Report with further information later on in this report.

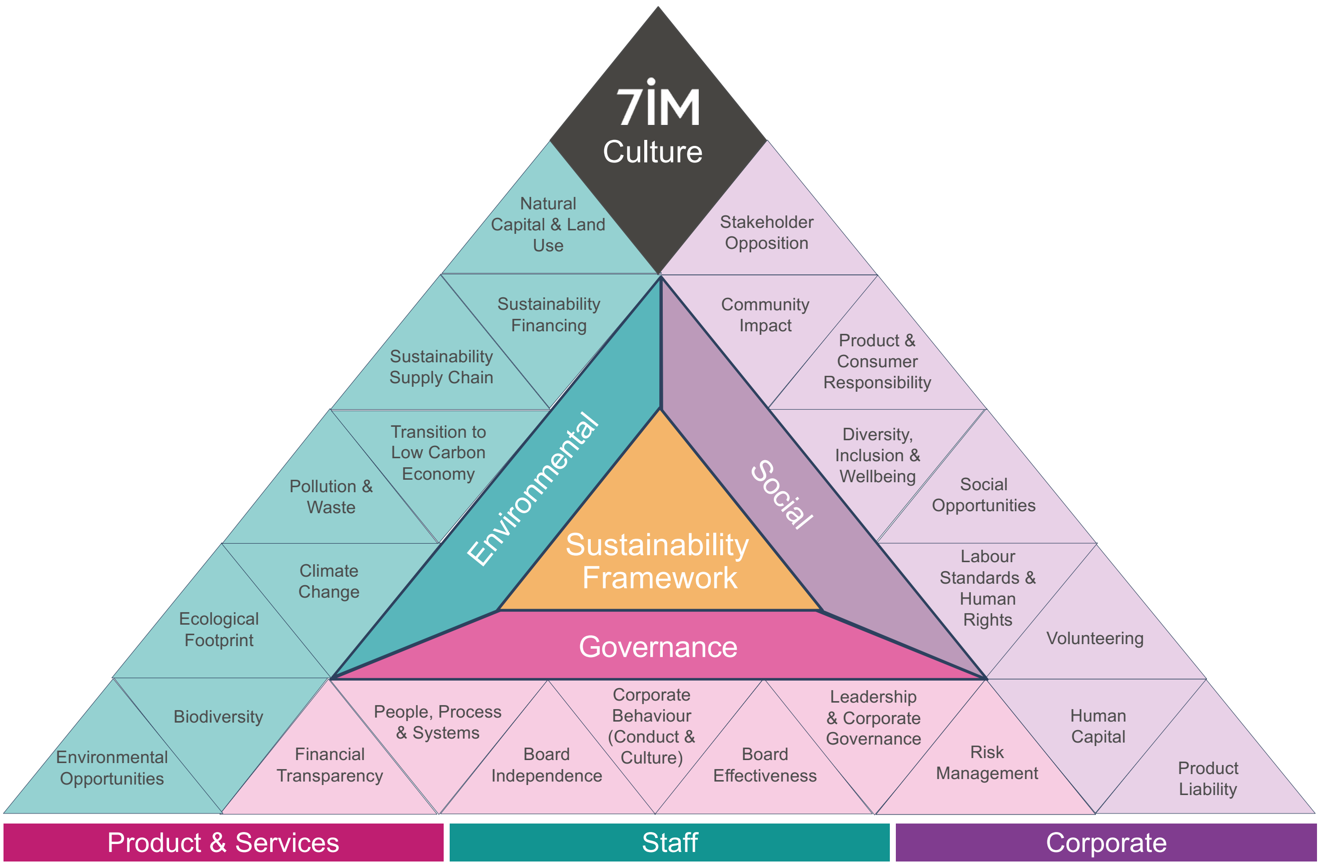
Sustainability Framework & Strategy

In our 2023 Stewardship Report, we introduced our newly adopted Sustainability Framework. The framework ensures a consistent and focused approach across People, Corporate and Investment-related Sustainability initiatives. The Sustainability Committee are responsible for the oversight and implementation of the Sustainability Framework and will continue to embed the framework throughout 2025.

The purpose of the framework is to cater for the evolving regulatory landscape. Underpinned by the Risk Management Framework, the Sustainability Framework will support in providing a consistent approach to the delivery of the Task Force on Climate-Related Financial Disclosures (TCFD), Sustainability Disclosure Requirements (SDR), and Corporate Social Responsibility (CSR) requirements, as the FCA (amongst other regulators) continues to define the future sustainability regulatory landscape.

The framework consists of the following components:

- **Sustainability Areas**
  This refers to the three key areas of Environmental, Social and Governance (ESG).
- **Sustainability Factors**
  This refers to the 25 key factors within the three key Sustainability Areas.
- **Sustainability Lens**
  This refers to the three Sustainability Lenses through which each Area or Factor can be assessed.



The Sustainability Framework continue to enhance our Sustainability Strategy, outlined in the figure below:

Governance

Cleaner Investments	Sustainable Choices	An Inclusive Team	Giving Back

The Sustainability Pillars are underpinned by our Sustainability Focus Factors within the Sustainability Framework

Risk Management

The governance structure and Risk Management Framework inform and oversees 7IM's Sustainability Strategy. The four sustainability pillars are refined to embed our previously mentioned Sustainability Framework. This is achieved by underpinning the sustainability pillars with the relevant action plans within the Sustainability Factors.

Enhancements to our Sustainability Strategy continue to be led by the Sustainability Committee. In December 2024, the business partnered with an external ESG and sustainability consultant, Skopos ESG. To support our strategy, Skopos ESG proposed two initial stages – stage 1: 'Independent Assessment', and stage 2: 'Strategy Support'. Stage 1 benchmarked our framework and strategy against industry peers (across investment management, platform, and wealth management) and the results were positive, placing our approach within the upper quartile across E, S, and G. There were also some recommendations identified as part of the assessment, which will inform stage 2, 'Strategy Support'. The Sustainability Committee will continue to work closely with Skopos throughout 2025 and implement agreed recommendations.

Assets under management

At the end of 2024, 7IM held £22.1bn of assets on behalf of its customers. Of this total, approximately £7.5bn was in discretionary funds and portfolios managed by 7IM. The remaining £14.5bn – referred to below as 'assets under administration' – was held on our platform and were not managed by 7IM.

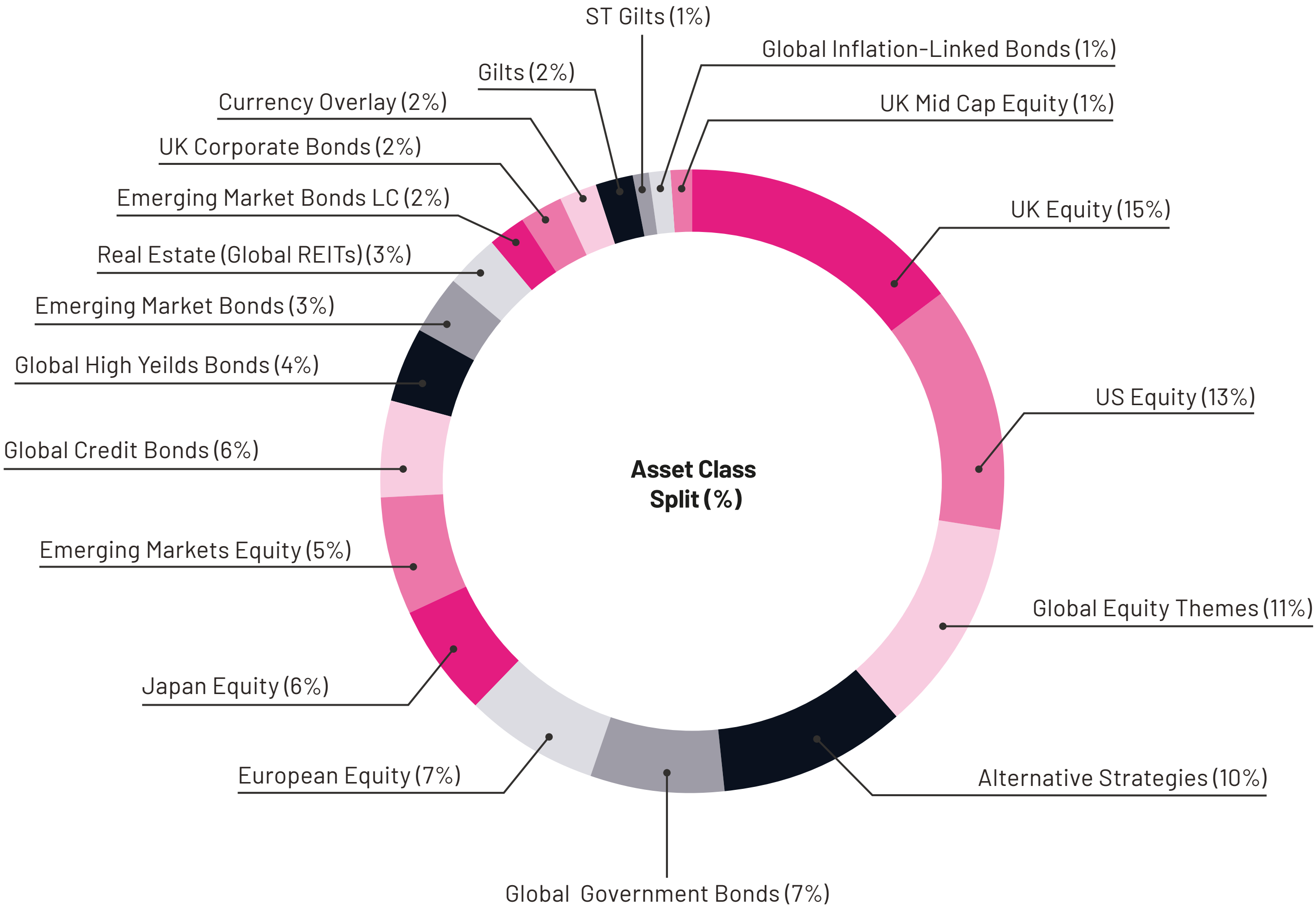
Discretionary assets

7IM managed £7.5bn of discretionary assets in funds and portfolios at the end of 2024. These assets were approximately 99% invested in third-party actively managed, quantitative or index-tracking products.

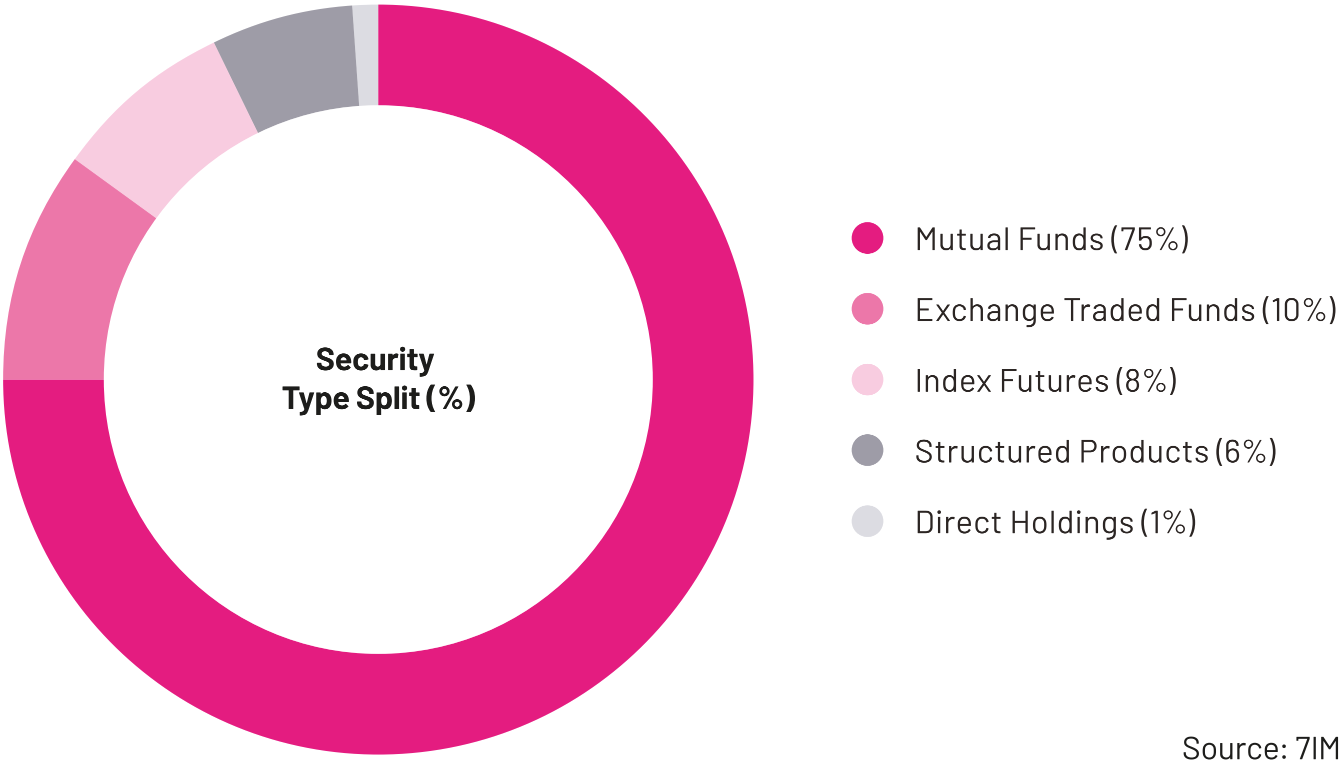
This breakdown drives the types of engagement techniques that we follow, as described in the 'How we prioritise our engagements' section on the next page.

Looking through to the underlying holdings of third parties and our directly held assets, the charts below show the breakdown of this £7.5bn, by asset class and by region, at the end of 2024:

Asset Class Split (%)



Source: 7IM, Cash not included (-1.3%)



Source: 7IM

These discretionary assets can also be broken down by security type, excluding cash and cash equivalents.

All our funds and portfolios follow the same investment process and risk oversight methods to ensure they follow their investment objectives and stay within the investment limits of our underlying clients. This involves monitoring by the Portfolio Managers, Investment Risk team and Compliance team, to ensure that client interests are kept front and centre at all times.

These assets are spread across the range of investment products and services that we offer, from open-ended investment funds available to investors via their financial advisers on third-party platforms to discretionary portfolios that we provide through our Private Client service. Of the discretionary £7.6bn, £2.7bn sits in our custody, where we have direct relationships with the underlying clients. About 55% of this £2.7bn was held via intermediaries, and 45% were private clients (including wealth management, family office and self-invest).

Geographically, our clients are almost entirely UK-based. The UK has always been the sales focus of the business and allows us to maintain solid interaction with clients from our London and Edinburgh offices.

Assets under administration

At the end of 2024, 7IM held about £14.5bn on our platform in non-7IM products. We oversee the administration of these assets but do not make discretionary investment decisions on them. Despite not being able to engage on these assets, we still have the duty to be sound stewards of this capital in other forms. Earlier in the report we outline how we have improved our platform to better serve clients.

Our range of products

We manage a number of different multi-asset fund and model portfolio ranges, each of which contains investment solutions across the whole, or some of, the risk profile spectrum: Cautious, Moderately Cautious, Balanced, Moderately Adventurous, Adventurous and Adventurous Plus.

Our Multi-Manager and Select ranges are designed to give clients exposure to our overall investment views, with active manager expertise within asset classes where we think stock-picking can add further value.

Our AAP (Asset-Allocated Passive) fund range incorporates the benefits of our Investment Management team's active allocations and views but keeps costs down through the use of largely passive, low-cost instruments.

The 7IM Pathbuilder fund range is a diversified suite of funds with a keen focus on costs. They use streamlined versions of our Strategic Asset Allocations (SAAs) to help us to keep costs low.

We also offer funds designed to meet specific needs, such as the 7IM Real Return Fund and the 7IM Responsible Balanced Fund (previously known as the 7IM Sustainable Balance Fund).

The 7IM Model Portfolios are a range of risk-rated portfolios designed to meet the varying needs and goals of our clients.

Our Active Model Portfolios adopt the same investment process and active asset allocation process as our funds, with the asset allocation implemented using predominately active funds and products.

Our Blended Model Portfolios, like our Active range, follow the same active asset allocation process as our funds but the asset allocation is implemented using a blend of passive and active investments.

The 7IM Passive Model Portfolios is a diversified range of passive multi-asset model portfolios underpinned by our robust SAA process. They are built purely using a streamlined version of 7IM's robust SAAs.

7IM Responsible Choice is a diversified range of multi-asset model portfolios that invest in ESG and responsible products only. Based on adviser demand, we completed our Responsible Choice Model Portfolio range in September 2023, with the launch of the 7IM Responsible Choice Adventurous Plus Model Portfolio to cater for clients with a higher risk tolerance.

7IM offers a Partnership Model Portfolio Service, supporting specific adviser firms with the design and delivery of their centralised investment proposition through the creation and management of separate and distinct model portfolio ranges for each firm, co-branded and potentially tailored to their specific needs and requirements.

The 7IM Funds and Model Portfolios are available through the 7IM Discretionary Service and 7IM Platform, as well as through other third-party platforms.

Incentives and remuneration

The 7IM remuneration strategy has been designed to assist the organisation in achieving its strategic goals and objectives by attracting and retaining talented staff within the business, while promoting and rewarding behaviours that drive a high-performing culture. When reviewing staff remuneration annually, thorough salary benchmarking exercises are conducted, providing an impartial and accurate picture of remuneration to help the business make informed and effective remuneration decisions across departments.

To mitigate the focus on short-term financial goals, we utilise Balanced Scorecards with four key segments that encapsulate our long-term strategy. These segments—Financial, Strategic, Risk & Compliance, and Values & Behaviours—are used to evaluate staff performance quarterly, ensuring a balanced consideration of both immediate and future objectives.

Staff bonuses and members' variable drawings remain discretionary across the business and depend on overall 7IM performance, individual performance on Balanced Scorecards, and external market conditions. No management or staff reward is made on a transactional basis, and no commission is paid except in exceptional circumstances. The Remuneration Committee has the ultimate sign-off on compensation across the business and is underpinned by the remuneration policy, which ensures that these principles are applied and followed consistently. 7IM's culture shapes the remuneration processes to ensure that staff understand how their work impacts the firm, sets clear targets, and puts processes in place to support training behind achieving these.

We run initiatives across the business to help colleagues to succeed and encourage collaboration across a matrix or outside individual silos. Personal Development Plans support Balanced Scorecards to bring out people's potential and help develop the managers and leaders of the future. The 7IM remuneration policy is publicly available on our website, **www.7im.co.uk**.

Internal checks & balances

Conflicts of interest

7IM maintains a conflicts of interest (COI) policy that is publicly available on our website.[2] It forms part of 7IM's corporate governance and documents the firm's approach to identifying, preventing and managing conflicts of interest. In addition, there is a register of identified COI and the controls in place to manage and monitor them.

Key elements of the policy that support good stewardship include Executive Committee accountability for identifying and managing COI, with oversight of the process provided by the Compliance team. 7IM manages COI based on the following steps: i) identification (and escalation), ii) assessment and evaluation, and iii) appropriate management action. The key is to ensure that 7IM has in place appropriate controls to prevent COI incidents or, at a minimum, robust detective controls.

The Compliance team provides mandatory training on the COI and Personal Account Dealing policies as part of the comprehensive 7IM induction training provided to all new joiners. Regular mandatory COI training is provided to all employees at least annually.

As part of our continual assessment of potential conflicts within the business, the register of potential conflicts was updated in 2023, and a summary of the registered potential COIs, plus the mitigating actions we take, is given below.

Risks of COIs around external interests, gifts, hospitality and inducements exist regardless of role or department at 7IM. The Executive Committee is responsible for managing risks within their individual departments. Colleagues are reminded of the 7IM policy on accepting gifts, for example, at Christmas, as well as hospitality that could be viewed as excessive or designed to influence 7IM decisions.

Compliance with the regulatory environment

As a business within the financial services sector, it's vital that we monitor for and prevent COIs that would breach the guidelines and regulations governing our industry. In the Discretionary Investment business, our suitability checking process ensures that COIs do not impact the suitability of investment solutions recommended.

On every business day at 7IM we are entrusted to execute thousands of trades on behalf of our clients. We consider it a privilege to do so, and the checks and controls around this part of our business are extensive.

7IM follows a three lines of defence model. Those responsible for managing client portfolios and executing on their behalf are responsible for identifying, assessing and managing the harms posed to our clients, the firm or the markets we operate in.

Our Risk and Compliance teams set the regulatory policies and expectations across the firm and work with (and train) the front office and client-facing teams to ensure appropriate mechanisms are in place to manage and monitor regulatory risk and comply with the regulatory environment. Their remit is to challenge and escalate where behaviours are below the standard expected. Incident management and failures to complete mandatory training are provided as inputs to employee conduct risk scores, which are included in semi-annual performance reviews.

[2] See https://www.7im.co.uk/regulatory-and-legal/7im-conflicts-of-interest-policy

Internal Audit independently delivers a programme of audit reviews on behalf of the Audit Risk and Compliance Committee (ARCC). This provides the 7IM Board and Executive Committee with ongoing assurance in respect of operational and regulatory risk exposures.

Within our complaints process, we actively manage COI risks, e.g., the risk of a 7IM colleague failing to report a complaint because of a personal COI. As a learning organisation, lessons learned are taken forward in the form of remediation plans where appropriate. These plans are documented and tracked through our governance structure.

Managing conflicts in investment management

Investment management is at the heart of our business and working to manage COIs robustly is central to our operating model. Our Chief Investment Officer is responsible for ensuring that COIs within our investment process are managed appropriately. Several policies address potential conflicts of interest in the investment management function.

First, there could be a potential COI if a client or group of clients have a large holding in a 7IM fund and seek to influence an investment decision. A fund must be managed in the best interests of all the fund holders, not just the large holders. This is monitored by the Authorised Corporate Director (ACD) Committee of the fund, which will receive reports from the Investment Management team on any issues that arise.

Second, there is a potential COI when buying or selling a holding that is in a number of 7IM funds. There is a policy in place that requires the trades to be allocated proportionately across all funds, by value.

Third, conflicts of interest can arise when an individual on the Investment Management team is made an insider and can no longer act as a decision-maker on the subject of the inside knowledge, nor deal in related shares. This can occur when there is a potential corporate action and may be the result of a broker taking a market sounding. Team members are required to report any conversation about being made an insider or that touches on market soundings to the Compliance department.

Sanctions compliance

7IM complies with all sanctions regimes that are legally applicable. Following Russia's invasion of Ukraine, 7IM undertook the necessary steps to mitigate the risks associated with any emerging sanctions developments. 7IM continues to monitor the changing geopolitical environment and assess the impact that this may have on the economic sanctions landscape. To prevent dealings with sanctioned parties, 7IM conducts automated name list screening of all clients and suppliers against sanctions lists issued by the United Kingdom's Office of Financial Sanctions Implementation (OFSI), in addition to lists issued by other internationally recognised competent authorities including the US Department of the Treasury's Office of Foreign Asset Control (OFAC), the United Nations Security Council (UNSC), and the European Union (EU). 7IM restricts direct investments in securities and companies that may be subject to primary, sectoral, or other types of sanctions. Additionally, 7IM undertakes proactive monitoring with respect of indirect investment exposure. Via annual due diligence exercises, 7IM ensures that third party fund managers comply with applicable sanctions regimes and have appropriate risk-based systems and controls in place.

Enhancing product governance

The 7IM Product Governance & Pricing Committee (PGPC) oversees all matters relating to the governance of our products and services at 7IM. Existing products and services continue to be subjected to an annual Product Governance (PROD) review, while launches of new products or services, or significant changes to existing ones, go through a similar review process with approval required by the PGPC – the emphasis being on the requirement for the product or service to have a clear target market, be priced fairly and in line with the market, and be designed to deliver sound outcomes for customers.

In last year's report we explained how following the implementation of the Consumer Duty, 7IM had embedded the fundamental principles of the Duty into our PROD framework. During 2024, each 7IM product or service was again subjected to an annual PROD review using our enhanced templates that explicitly consider the key themes and outcomes of the Duty. Additional activity took place during the year including the first of what will be an annual Consumer Duty report to the 7IM Board, the rolling out of an enhanced consumer outcomes' monitoring framework as well as reviews of all our closed products – covering products that have been closed to new business but are still held by consumers, to ensure that they meet all aspects of the Duty, including continuing to provide good customer outcomes and provide fair value.

Personal account dealing

7IM maintains a Personal Account (PA) Dealing policy, designed to prevent behaviour that may conflict with the firm's obligations to its clients or mislead other market users and prevent misuse of privileged information. The policy is owned by the Risk and Compliance team. The last all-staff communication on the policy and its key features was issued in December 2024 post an all-staff mandatory face to face Risk and Compliance training session. All new employees are subject to mandatory induction training and attestation to 7IM's regulatory policies, which includes personal account dealing. In the period covered by this report, we did not record any material personal account dealing issues.

Risk management process milestones in 2024

During 2024, 7IM continued to implement and embed its enhanced Risk Management Framework approved by the 7IM Board in 2022. Mandatory policy attestation supported by Star Compliance and related mandatory online training for all employees provided by LRN Corporation are now fully embedded.

Resolution Teams responsible for the investigation of incidents are fully embedded within the business and PowerBI dashboards have been developed to support their work and to also support teams to better understand root causes and themes relating to incidents to ensure that appropriate remediation actions are taken to prevent recurrence. These dashboards are used widely at governance committees to support consistency of data use and context.

Consolidated incident data enables the Risk Function to identify themes and to focus resources on deep dive activity – leading to good consumer outcomes.

Key Performance Indicator (KPI) dashboards using PowerBI are now embedded to support business leaders with management information relating to key risks for which they are responsible and enable pro-active risk monitoring.

During 2024, 7IM's Conduct Risk Score (CRS) methodology continued to be embedded post the lowering of driver thresholds at the end of 2023. At the end of 2024 the CRS scores were again used in performance review discussions.

The 7IM CRS methodology considers a number of drivers (dependent on the role of an individual), including incidents and failure to complete mandatory training, to determine a conduct score per person which can then be calculated at varying levels within the organisation and ultimately a score for the firm as a whole.

During 2024, our Third-Party Supplier Framework and Policy was embedded. Our third-party document management system – LawVu – supports in efficient contract management and provides for a consolidated view of risk assessment and contractual documentation.

The Risk Management Framework once again supported the timely completion of the Internal Capital and Risk Assessment (ICARA), which was delivered in June 2024.

Our Risk Management Framework recognises the risks and opportunities that exist with Artificial Intelligence (AI). During 2024, post significant work to establish proofs of concepts across pockets of the business, we signed a contract with Aveni to embed AI efficiency and compliance monitoring solutions across all our advisers to support in the delivery of good client outcomes.

We have also implemented Clever Nelly, a knowledge retention AI tool which supports colleagues by providing daily multiple-choice questions via MS Teams on specific topics, which becomes targeted to areas of development needs as questions progress.

How we approach investment management

Our cornerstone: The 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.

Our goal is to ensure that the risk profile of each portfolio harmonises with the investor type. Since our inception, we have constructed SAAs for our clients' investments, consistently achieving positive outcomes.

Each year, we refine the SAA by incorporating the latest academic insights and updating data inputs. Beyond the traditional focus on volatility and correlation, our approach extends to analysing the fundamental drivers specific to each asset class. By understanding these underlying investment factors, we enhance our ability to construct robust portfolios that deliver long-term diversification.

We discuss in detail on p. 45 how we target climate concerns in our SAA investment process.

Responsible investing and sustainability in the long run

There were two major developments in 2024 that are likely to impact responsible investing over the coming years. The first development was the introduction of new regulation in Europe and the UK. These are the European Securities and Markets Authority (ESMA) Guidelines and the FCA's Sustainability Disclosure Requirements (SDR), which both looked to improve information available to consumers. In both cases, there was a focus on sustainable terms used in security names and marketing materials. Despite there being teething issues, the impact of the new regulation is likely to be positive and help improve client outcomes.

The second and arguably bigger development was the election of Donald Trump. Trump's administration was expected to promote deregulation, particularly in the environmental sector, which conflicted with the principles of responsible investing that emphasise sustainability and ethical governance.

Trump's approach to governance, which often includes controversial and unpredictable decisions, have contributed to market volatility but also led to doubts on how firms will react, especially those that take a long-term approach to integrating environmental and social concerns.

The market reaction to the election result was initially negative for those industries that are at the heart of responsible investing especially those sectors relating to healthcare and climate change. However, the start of 2025 showed these trends were beginning to reverse.

It's still early days for the Trump administration but political policy elsewhere remains positive. For example, the Labour government in the UK has a large majority and remains committed to climate goals. Also, the new German coalition recently approved a boost to green investment. China remains a leader in many technologies that will help mitigate climate change.

At 7IM we remain committed to responsible investing, emboldened by our new owners and the positive feedback we continue to receive from clients.

Climate change: Decarbonising our SAA

In previous reports, we have described the journey that has been undertaken at 7IM to reduce the carbon intensity of the Strategic Asset Allocation (SAA). Through 2020, we began a research programme aimed at decarbonising our SAAs and reducing the emissions-intensity of all portfolios. 7IM's Executive Committee agreed to a programme by which the carbon emissions of the Strategic Asset Allocations of all portfolios will be reduced by 30% at the SAA level between 2021 and 2026.

We began by lowering the carbon-intensity of our US equity and corporate bond exposures in 2021–22. This was then followed in 2023 by allocating to a low carbon ETF that follows the EU's Climate Transition Benchmark (CTB) regulation.

In 2024 we researched whether further changes were needed and took some time researching options in Europe and emerging markets. Following this analysis, we decided further changes were not needed. Alongside the annual changes made as part of this project there are also reviews of the traditional risk and return characteristics of the SAA. In 2024 this process led to small reductions in High Yield Credit and an increase to US and European equities at the expense of emerging markets.

These changes, which were driven by the factor optimisation process, had the added effect of reducing the carbon intensity of the SAA. In early 2025, further changes were made which meant the target was achieved across all our SAA risk profiles.

Next Steps – In 2024, we researched how this project may evolve in the future. We have not formalised the next steps, but our inclination is to lean more heavily on engaging with our investments and encouraging them to adopt more robust climate targets, building on the work we have already been doing over the last few years. This new policy will be finalised in 2025.

Our ESG integration approach

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.

ESG issues are considered at each stage of the 7IM investment process: Strategic Asset Allocation (SAA), Tactical Asset Allocation (TAA), Portfolio Implementation, and Investment Risk. One person in each area is designated the ESG champion and makes sure that ESG issues are addressed appropriately when decisions are made. They report back to the ESG Investment Committee, where progress is discussed and monitored.

Our tactical views can be a powerful tool to position the 7IM portfolios to navigate a world impacted by climate change, including reviewing ESG metrics of TAA positions and identifying investment opportunities with appropriate valuations.

Similarly, when we select third-party funds or direct investments, we incorporate ESG considerations into the decision-making process. This is achieved by our fund due diligence process that 7IM updated in collaboration with Door, as explained in our 2023 Stewardship Code Report. We explain later in the report how we put this into practice.

Finally, our Investment Risk team is a cornerstone of our investment process and ESG metrics are increasingly being incorporated into the risk oversight of the funds. In 2024, we did much to further integrate the metrics that we use within risk management and portfolio management. This is discussed in the next section.

In the long term, we believe market-wide and systemic risks can be reduced by taking an ESG focus. We have implemented this view by exercising our stewardship responsibilities through challenging fund managers to show that they are addressing ESG as corporates, within the funds they run, and by voting at annual general meetings to promote ESG issues. We provide multiple examples of this later in the report.

As signatories of the UN PRI, we submitted our first public UN PRI report[3] in 2023 and achieved well above median and four stars across almost all modules. We will be submitting our second UN PRI report in 2025.

In 2024, we also submitted our first Taskforce on Climate Related Disclosures (TCFD) report.[4]

Upgrading portfolio management, ESG monitoring and products

ESG Risk Metrics Enhancements

One of the main upgrades to our portfolio management capabilities was the move of our risk system from MSCI Barra to Bloomberg PORT. This follows moving our portfolio management system to Bloomberg AIM in 2022. As mentioned in our last Stewardship Code Report, our Investment Risk team spent 2023 reviewing the capabilities of PORT, including ESG capabilities. We implemented the transition in 2024.

The move further builds on the improvements from Bloomberg AIM, enabling seamless integration of risk analysis with portfolio management. It is now much easier for risk analysts and portfolio managers to analyse Funds and Models, gaining deeper insights of the drivers of portfolios.

This was a huge effort by our Investment Risk team. Further work was needed to integrate the ESG risk metrics, such as Carbon Emissions, Climate Value at Risk, and Implied Temperature Rise, into the new risk system, which was our focus in 2024. The dedicated effort yielded great results and we are now able to analyse the ESG metrics of all our Funds and models with greater efficiency and ease.

Market functioning and market-wide risks

During 2024, 7IM participated in several collaborative engagements with regulators and the investment industry. Some key engagements are described below.

The Sustainability Disclosure Requirements (SDR)

When the FCA's Policy Statement for the Sustainability Disclosure Requirements (SDR) was released in late 2023, we were pleased to see that the FCA had listened to industry feedback. Throughout 2024, we engaged with industry peers through The Investment Association SDR forum and our underlying managers on their approach

[3] For 2023 7IM UN PRI Transparency Report, see https://www.7im.co.uk/media/xfwhie1d/pri-public-full-transparency-report-7im.pdf. For 2023 7IM UN PRI Assessment Report, see www.7im.co.uk/media/gmslr1u0/pri-private-assessment-report-7im.pdf

[4] For 2024 7IM TCFD report, see https://www.7im.co.uk/media/usynwc12/7im-task-force-on-climate-related-financial-disclosures-report.pdf

to SDR. We examined, researched and educated internally the implications for us as predominantly a fund-of-funds manager.

UK Stewardship Code Consultation

The Financial Reporting Council (FRC) initiated a review of the UK Stewardship Code in 2024, launching a consultation to the Code's updated principles and reporting framework. The proposed updates focused on long-term sustainable value, streamlined reporting, and tailored principles for different types of signatories.

The revised Code included changes in definition, reporting frequency and process, the addition of "How to Report" guidance, tailored principles for asset owners and asset managers, referencing related publicly available reports and more. As an investment manager committed to responsible stewardship, 7IM actively participated in the consultation process. We attended two of FRC's Stewardship Code roundtables, UN PRI's UK Stewardship Code drop-in session for broader industry discussion, and finally fed back with a formal written response by the requested deadline.

Our consultation response highlighted both our support for and concerns about the revised Code. While 7IM welcomes the enhancements aimed at strengthening stewardship practices, we believe certain revisions could be improved to ensure the Code remains a robust and globally recognised standard. We remain committed to effective stewardship and continue to support the UK Stewardship Code as a vital framework for driving transparency, accountability, and long-term sustainable value in the investment industry.

> In the long term, we believe market-wide and systemic risks can be reduced by taking an ESG focus.

UN PRI Strategy Consultation

In 2024, the UN PRI consulted with signatories to finalise its newly developed strategy. As a signatory, we responded to the consultation.

The Consultation covered four main areas: new strategic plan, changes to fee structure, new approach to signatory progression, and future of mandatory reporting and signatory value. As a fund-of-funds investment manager, 7IM engaged in the consultation to assess how these changes would impact responsible investment (RI) practices, engagement, and reporting requirements for fund-of-funds.

Overall, we were supportive of the progression framework and streamlining of reporting, as well as the valuable resources UN PRI provide to guide our responsible investment approach. As a relatively small asset manager, we find these resources and collaborative initiatives opportunities beneficial. However, we pointed out our concerns the progression approach may have for a multi-asset manager. 7IM supports benchmarking against peers but highlighted the need for clarity on how progression claims will be validated.

Stewardship and engagement at 7IM

How we prioritise our engagements

Our core investment services provide multi-asset class portfolios, usually via collective investment vehicles.

Externally managed products total around 99% of 7IM assets under management, and our manager monitoring system is designed to inform us whether external managers are working to safeguard and maximise the value of their assets, with sound stewardship and taking ESG issues into account in their investment processes.

We engage with fund managers directly, where we have concerns about their investment strategy, performance, governance, remuneration or approach to risks, including those that may arise from social and environmental matters. We regularly question them about their holdings, to ensure that they are implementing full stewardship in their portfolios – via voting, engaging with management where necessary, and encouraging the companies they hold to consider ESG risks.

For collective investments, we prioritise our engagements in the light of UN PRI guidance. This prioritisation differs across asset classes but is consistent across geographies.

01

Active equities

We focus our equity engagements on active funds that we have material holdings in, and managers that have scored a 'Low' ESG conviction score. We engage mostly with active managers since they have discretion over concentrated portfolios and often work closely with their companies. We will engage where we've identified material issues that represent specific risks or following a material controversy.

02

Passive equities

We define these to include index funds, index ETFs and diversified quantitative products. We expect managers to engage where possible with the companies in their portfolios. We check that they are using the weight of their assets under management to vote on important issues and are taking their stewardship obligations seriously.

03

Credit

We engage with credit managers based on the size of our holdings and where we identify material ESG risks in portfolios where we can influence change. As a holder of credit, it is possible to engage, but without the use of a vote to make the point some companies choose to ignore bond holders. Votes on bonds tend to be narrow, with little impact on the firm's operations. Occasional opportunities may arise for managers to engage. Emerging market debt managers, for example, can engage with the governments of some countries.

04

Alternative strategies

With direct equity exposure, like event or equity long-short. For these products, we follow a similar approach to stewardship as for active equities. We note, though, that stock holding periods are often shorter than for fundamental equity strategies, giving managers less scope to influence company behaviour.

05

Alternative trading funds

Like trend-following, put-selling or commodity strategies. There is little or no scope to influence manager stewardship in such cases. Our role is limited to ensuring that managers are looking after the best interests of their clients.

Where 7IM holds equities and bonds directly, we endeavour to ensure that companies are appropriately managed and meet our environmental, social and governmental requirements. We monitor, engage and are prepared to escalate issues that we consider to be material with companies and issuers. In 2024, we have limited direct holdings, representing less than 2% of our assets under management. More detail is provided on p. 62.

Implementing engagement priorities in 2024

In 2023, we enhanced our engagement policy[5] as part of the annual review by adding E, S, and G engagement themes. These are Climate Change, Biodiversity, Diversity & Inclusion, Human Rights and Labour Rights, Board Composition and Audit Independence, and Transparency. Our engagement themes promote consistency in how we interact with our investment managers and the companies we invest in.

Climate Change remained one of our main themes in 2024 as we continued to pursue engagement on climate-related targets, exemplified by activities within the UK Wealth managers on Climate Group, detailed on p. 64. Another focal theme was Biodiversity, via a collaborative investor initiative Investor Policy Dialogue on Deforestation (IPDD), explained on p. 62. In addition, given our investment position in the metals and mining sector, as detailed in last year's Stewardship Code Report, we targeted human rights related engagement through escalating with the relevant active manager, explained on p. 68.

ESG integration within fund selection is key to our investment process. We engage in extensive preparations prior to establishing a new partnership with a manager, typically involving numerous face-to-face meetings and thorough research into the sector or strategy space. In 2023, we refined our approach through the combination of using Door and 7IM's ESG Conviction Score, as detailed in last year's Stewardship Code Report. In 2024, we put this into practice, and an example of our discussions with Robeco is detailed on p. 53. We are seeking to understand a manager's awareness and incorporation of ESG considerations when constructing the investment philosophy and process, as well as firm-level sustainability considerations.

Summary of case studies

In this section of the report, we provide case studies of our engagement and voting efforts, and examples of how our third-party asset managers engage, escalate, and vote on our behalf. These are summarised in the table in the next page:

[5] For 2023 7IM Engagement Policy, see https://www.7im.co.uk/media/sqqphsf3/7im-engagement-policy.pdf

Type of Engagement		Equity Case Studies	Fixed Income Case Studies
Engagement	7IM with external managers	Sarasin monitoring BlackRock's NZAM departure Vanguard and Stewardship Ninety One's Net Zero Takeaways	Robeco leading the way
	7IM direct holding	Investment Trust	N/A
	Sarasin engagements on our behalf	Zoetis Ethical AI engagements	N/A
	External manager engagements on our behalf	AB International Healthcare Fund HSBC and a healthcare electronics company	CANDRIAM and Teva Robeco and Meituan
	7IM collaborative engagement efforts	Investor Policy Dialogue on Deforestation (IPDD) Initiative UK Wealth Managers on Climate Endorsements	
	External manager collaborative engagement on our behalf	LGIM and ShareAction Sarasin advocating for climate resilience in banks	Barings and Emerging Markets Investors Alliance (EMIA)
Escalation	7IM with external managers	Fidelity and Geode Ruffer and Transparency BlackRock World Mining Fund and human rights	
	External manager escalation on our behalf	Schroders and Sanofi Ninety One and TE Connectivity	BlueBay and corporate governance BNY and green finance framework escalation
Voting	7IM direct holdings		
	External manager votes on our behalf	Voting on deforestation risks Royal London and executive compensation DWS voting on governance	
	Sarasin votes on our behalf	Microsoft and human rights TSMC and board diversity Air Liquide and remuneration	

External manager stewardship and ESG monitoring

Implementing our external manager due diligence process

As detailed in previous Stewardship Reports, since 2021, we have been upgrading our due diligence process for fund selection. In 2024, our process now consists of the manager ESG Conviction Framework and Door questionnaires.

To summarise, in 2021 we upgraded our due diligence process by signing up to Door, a digital platform where asset managers exchange due diligence information with manager research teams. In 2022, we further developed our ESG questionnaire to all our third-party fund managers to avoid generic responses. In 2023, we fully digitised the due diligence process by creating a tailored questionnaire on Door through filtering Door's standardised question set and incorporating 7IM's bespoke questions. The objective remained unchanged: 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. We have formalised 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.

Our Manager ESG Convictions Rating Framework, formalised in 2024, 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. We provide an example of one of the leaders identified in this process.

Case study: Robeco leading the way

We have been holding Robeco's global credit funds for a number of years. As part of the ESG Conviction framework described above, we met with Robeco to assess its ESG capabilities.

Robeco is an early mover in sustainable investing (SI), embedding ESG deeply into its investment process. Its early adoption, proprietary research, and focus on decarbonisation and advanced ESG metrics demonstrate leadership in the field. Robeco's focus on SI is evidenced by the senior representation and responsibilities within the Sustainability & Impact Strategy Committee and its sub committees. Given the firm has identified four strategies priorities of Climate, Biodiversity, SDGs and Social issues, they have built governance structure around that. Robeco's extensive, experienced and diverse resource pool has been in place since 2005, demonstrating high levels of commitment to SI resource. The team operates like traditional analysts, ensuring deep sector expertise and integration. Robeco's structured engagement process is supported by its PLATO system, which tracks and monitors engagements transparently, with a clear escalation process ensures engagement effectiveness.

We were impressed with Robeco's comprehensive approach as the firm demonstrates a high conviction in sustainable investing through its governance, research and integration, and active ownership.

Engagements

The 7IM stewardship philosophy has an ownership mindset. A crucial element of this mindset is active engagement with the third-party fund managers that manage the products in which we invest.

We base our engagement policy with third-party managers on five principles. These are based on The Investor Forum's guidance on good engagement.

Firstly, we are long-term investors, and our engagements are set on that basis. This recognises that change is a gradual process but should be pursued, nonetheless. Our engagements focus on long-term value creation for the end client.

Secondly, our engagements are framed by a close understanding of the fund manager and their investment style. This may mean adapting our approach depending on whether a fund manager is active or passive, or focused on small or large cap stocks.

Thirdly, our engagements are based on setting clear objectives with a focus on effecting change. We want to be clear with the investment managers we invest with so that they understand our aims.

Fourthly, we employ consistent, direct and honest messages and dialogue.

Fifthly, involves reflection so that lessons are learned and we can improve future engagement activity. This will ensure that engagement activity remains focused, appropriately resourced, and ultimately successful.

As multi-asset multi-manager investors, we engage with companies and managers on assets in different asset classes and geographies. We question our active managers about their holdings of stocks with poor ESG ratings and controversies and expect them to engage with companies and encourage them to improve their stewardship and ESG performance.

We describe some of these engagements in the examples on the following pages, which include engagements with both equity and bond managers, across a number of geographies.

Engagements with external managers on ESG and stewardship

Passive Managers Net Zero and Stewardship Engagement Project Follow Up

Last year, we launched a deep-dive review of passive providers' stewardship approaches and resources, as well as the honesty and feasibility of their climate commitments, as detailed in 2023's Stewardship Code Report. In light of growing scepticism toward ESG initiatives, evolving political dynamics, and recent headline developments, we engaged with BlackRock and Vanguard to follow up on our Net Zero and Stewardship Engagement project.

BlackRock's NZAM departure

In January 2025, BlackRock announced they were withdrawing as a signatory of the Net Zero Asset Managers initiative (NZAM). We asked for a call to fully understand the implications of leaving NZAM given the limited detail in the announcement letter. In particular, how this decision will impact their stewardship activities that were set out as part of the NZAM commitment, and other climate related strategy that were put in place. We were concerned that the departure contradicted with discussions in previous meetings that were conducted as part of the net zero and stewardship engagement project in 2023.

Blackrock advised that the way they manage their portfolios would not change, however their exit is seen as a retreat from their initial leadership in sustainable investing. BlackRock joined NZAM in 2021, motivated by the desire to help the industry evolve and raise awareness about sustainability. However, the political and legal climate has since shifted. BlackRock cited growing confusion surrounding NZAM's mission and political and legal pressure as key reasons for their departure.

We questioned BlackRock if there will be any changes to the on-the-ground stewardship efforts related to climate. BlackRock assured that they continue to focus on material sustainability factors and vote on behalf of clients. They will continue to engage with companies on material issues, for example, to better understand climate risk and opportunity and encourage disclosures.

In summary, BlackRock's departure from NZAM raises questions about its commitment to sustainable investing and effective stewardship. This remains an ongoing conversation, and we will continue to engagement with BlackRock and assess its stewardship actions to understand alignment with long-term climate and stewardship objectives.

Vanguard and stewardship

Following our Net Zero and Stewardship Engagement project in 2023, Vanguard was flagged as a laggard on its climate-related commitment and stewardship front. Given these concerns, we reached out to gain further clarity on recent developments and assess whether Vanguard was making meaningful progress in its stewardship practices. In early 2024, we initiated contact with Vanguard to follow up on the firm's latest stewardship enhancements, particularly regarding its proxy voting developments, the Investor Choice program.

In response, Vanguard provided an update on its Investor Choice pilot program, which allowed individual investors in certain US equity index funds to express their policy preferences on shareholder matters during the 2023 and 2024 proxy voting seasons. Vanguard indicated that they are now preparing to expand this initiative beyond the US and are keen to engage with clients about the voting options they would like to see. Vanguard offered to schedule a discussion on the results of the US trial and the planned expansion of its voting options internationally. However, they suggested waiting until their stewardship team was available to provide a more comprehensive update.

While Vanguard's developments in shareholder voting may represent progress, key concerns remain regarding its broader stewardship efforts on climate-related risks. We will continue to monitor their actions and engage further when there is more clarity on the Investor Choice program in the UK.

Ninety One's Net Zero Takeaways

While we encourage third-party managers we invest in to progress on sustainable investing and stewardship, where relevant, we also seek to learn from leading managers. In 2024, Ninety One shared its approach to net zero, their target-setting methodologies, and how they balance impact with investment returns with us. This case study explores their lessons learned, corporate transition plan assessments, and approach to measuring real-world impact.

Ninety One committed to net zero to help mitigate the systemic risks of climate change. Their target is based around the proportion of assets aligned with the Science-Based Targets Initiative (SBTi). To do this, Ninety One assesses corporate transition plans via their Transition Plan Assessment tool with RAG (Red-Amber-Green) status. This framework helps identify transition risks and opportunities, guide company engagement strategies, and drive real change by supporting credible transition plans.

We learnt that through this journey, Ninety One identified give key lessons:

- Emissions are relatively concentrated in certain sectors so addressing these sectors is crucial for impact;
- Most of emissions are from emerging markets;
- A region-specific approach is essential;
- Divestment is ineffective for real-world impact; and
- Avoiding high emitters does not solve the problem.

Ninety One maximises impact as an investor through three ways: allocate capital in the transition and invest in solutions, active engagement, and allocate to aligned or aligning assets.

We were pleased to see that Ninety One's strategy focuses on real-world emissions reductions, not just portfolio alignment. This engagement provided valuable insights into how asset managers can optimise net zero strategies while ensuring both financial returns and climate impact.

Sarasin monitoring

A crucial allocation of the 7IM Responsible Balanced Fund's equity assets has been managed by Sarasin, a UK-based investment manager, since the inception of the fund. We conduct quarterly review meetings on Sarasin's investment process, portfolio activities and ESG integration. We demonstrate this with a few examples below.

As detailed in the 2023 Stewardship Code Report, Amazon is a stock that we frequently scrutinised regarding human rights issues. After learning about some advancements Sarasin had previously identified, in 2024, they provided further details on how they have addressed this issue. We learnt that Sarasin has visited Amazon's London fulfilment centre, Amazon's largest site in Europe, to assess the accuracy of their statements regarding working conditions, safety performance, and employee engagement. Observations showed clean and structured work environments, extensive automation, strong safety measures, and career progression opportunities. Employee feedback mechanisms were transparent, and wages continued to rise above the National Living Wage. The visit contradicted negative media and union narratives. Based on these findings, Sarasin marked this engagement as a milestone in its work practices goal.

Through our quarterly meetings, we learnt that Sarasin is currently undergoing an investment process and ESG systems enhancement. In particular, they are working on developing a more automated and standardised approach to their proprietary ESG scoring framework and data collection process. This transition will involve running the new automated system with the current process and compare outcomes. We are pleased with that Sarasin is looking for ways to improve and look forward to seeing how this can enhance efficiency and deliver better client outcomes.

Sarasin engagements on our behalf

7IM has had an investment mandate for a portion of the Responsible Balanced Fund's (previously known as the Sustainable Balance Fund) equity assets with Sarasin & Partners for over 18 years. Sarasin operates an integrated approach to ethics and stewardship, being an active owner to promote effective governance of the companies held in the fund on behalf of 7IM clients. This includes voting on the holdings in the fund in line with its investment objectives, e.g. favouring greater diversity in companies and voting in line with climate change objectives and the Paris Agreement.

We have confidence in Sarasin's commitment to stewardship, especially in their ability to convert engagement into successful outcomes, often in collaboration with other investors, as described in last year's Stewardship Report.

SARASIN
& PARTNERS

Sarasin engagement case studies

Zoetis

Zoetis is held in Sarasin's Responsible Balanced mandate. Sarasin initiated discussions with Zoetis, a global animal health company, through an introductory letter to the Chair. This led to engagements on antimicrobial resistance and antibiotics, director succession, and executive remuneration.

Zoetis outlined its efforts to reduce antibiotic use by expanding preventive treatments such as vaccines and nutritional supplements. The company has already taken steps to lower antibiotic sales and continues to invest in research aimed at developing viable alternatives.

Sarasin highlighted the importance of considering tenure limits to ensure ongoing board independence and effectiveness. The company shared its plan to facilitate one board retirement per year, however, this process is based on an age limit of 75 rather than board tenure, meaning two directors approaching 12 years of tenure will not be affected.

Sarasin also raised concerns about the company's below-median performance targets for executive compensation. Zoetis explained that its approach aligns with industry practices and is recommended by compensation consultants. The company also aims for 50% of its Long-Term Incentive Plan (LTIP) to be performance-based. While this is a positive step, Sarasin expressed their preference for a higher portion to be linked to performance. Additionally, Sarasin encouraged Zoetis to formalise the inclusion of non-financial indicators in its Short-Term Incentive (STI) or LTIP structures, as the current approach lacks transparency. The company acknowledged this feedback and committed to reviewing it as part of its annual compensation policy evaluation.

Ethical AI engagements

One of the main stewardship focuses for Sarasin over the last few years is addressing risks and corporate accountability associated with artificial intelligence (AI), given the increasing momentum and integration in businesses. As part of World Benchmarking Alliance (WBA) Collective Impact Coalition on Ethical AI, they have led engagements on ServiceNow and Alphabet.

ServiceNow

Sarasin engaged with ServiceNow's product and legal teams to discuss AI-related risks and governance. While its business model carries lower human rights exposure, the company acknowledges risks in customer use. The company follows a shared responsibility model in AI governance involving various stakeholders and internal parties as well as an AI Steering Committee for oversight. Sarasin recommended increased transparency around the governance framework, particularly the board's role, and proposed independent third-party evaluations such as human rights due diligence. ServiceNow valued the feedback and agreed to consider the suggestions.

Alphabet

Sarasin initiated engagement with Alphabet, one of the leaders in fostering responsible AI. This included praising the multinational technology conglomerate on their efforts in publishing and embedding ethical AI and human rights policies, frameworks, governance and commitments. An example of this is the regular publication on AI risk management via its annual "AI Principles Progress Update." The letter also requested clarification following media reports of reduced resources for Alphabet's ethical, responsible, and safety teams, particularly on the board's role in overseeing ethical AI. While their request for direct engagement was declined, Alphabet shared updated public resources detailing its approach, including red-teaming, harm assessment frameworks, and bias reduction efforts. However, questions remain about how these principles are enforced in practice, which Sarasin will continue to follow up on.

Third-party managers engaging on our behalf

As a multi-asset fund-of-funds business, 7IM invests with a range of external managers, both active and passive. We seek external managers with sound engagement practices for the benefit of investors and clients. As stewards of clients' assets, we expect and encourage managers to engage with their companies and holdings on ESG. Several case studies of managers engaging with companies in their portfolios are described below.

AllianceBernstein (AB) and West Pharmaceutical Services

In 2024, we held AllianceBernstein International Healthcare Fund. AB has engaged with a company that provides drug therapy introduction services to global markets, on social and governance issues. In 2024, AB focused on their compensation and human capital development.

The firm has gone through a reorganisation in 2024, which has resulted in positive changes to the organisational and pay structures. AB encouraged the introduction of metrics such as operating margins within its compensation structure. To improve retention and attract talent, the company expanded its equity offerings. AB also engaged on board-level diversity, which the company recognised the need to enhance. When it comes to human capital development, AB learnt that the firm is increasing development opportunities and autonomy for managers and top performers, respectively.

HSBC and a healthcare electronics company

We hold a number of HSBC's passive products, and one of the main stewardship "levers" a passive asset manager can pull is engagement. HSBC engaged with an advanced healthcare devices producer regarding its cultural and management changes on the back of product quality issues which resulted in a sales ban, a high fine and a damaged reputation. Furthermore, HSBC engaged with the company on circular economy and biodiversity enhancements.

HSBC conducted multiple site visits to meet company staff and share expectations to understand the changes being implemented within the company. They learnt that the CEO has made significant changes to the quality management systems within the organisation, including hiring a product quality lead. HSBC encouraged further disclosures on the progress of embedding quality management.

The conversations around circularity and biodiversity allowed HSBC to gain an understanding of the company's innovations on recyclable materials which the company has agreed to share more publicly. HSBC appreciated that addressing biodiversity in the supply chain will take longer given many suppliers are relatively new to ESG. Overall, HSBC was impressed with the firm's progress.

CANDRIAM and Teva

Candriam provided us an example of their engagement with Teva, a multinational pharmaceutical company held within the Global High Yield Fund. Candriam has been engaging with the issuer since 2022 on governance controversies, the opioid case and fixed pricing.

In 2022, following litigations regarding Teva's alleged role in the US opioid epidemic, Candriam conducted a call with the issuer to gain further understanding, identify progress and discuss implications. While it was positive to see some progress in compliance and governance procedures as well as training, in 2023, Candriam continued to follow the legal developments closely as various settlements were made throughout the year. In 2024, Candriam's engagement with the company recognised notable progress in ethics, compliance, and sustainability.

Overall, Candriam found the most recent engagement to be positive on business ethics and sustainability issues. However, they continue to remain very cautious on governance and human rights. Given the weak ESG performance, the issuer is not included in Candriam's sustainable strategies. Candriam's Engagement and ESG research teams will continue to monitor developments closely.

Robeco and Meituan

We hold Robeco's Global Credit and Global SDG Credit funds across our portfolios. Robeco provided us an example of how they engaged one of the largest Chinese online food delivery companies, Meituan, on social issues. Robeco has been focusing on labour practices in a post Covid-19 world in retail, the gig economy and hospitality sectors. With Meituan, the engagements centred around worker health and safety.

In 2021, Meituan faced significant challenges, including courier protests and government-mandated labour reforms. Over the last three years, the company has regularly revised its delivery algorithms to prioritise courier safety. This included embedding more reasonable delivery time limits and optimising routes, revamping incentive structures to reduce reckless driving, and adding delivery accident insurance coverage. The company also introduced mandatory training and delivery restrictions for couriers flagged repeatedly on road safety violations.

Through Robeco's ongoing engagement, the company has emerged as a leader in integrating health and safety considerations into its operational algorithms which have already proved to reduce accident rates.

7IM direct equity engagements

Less than 2% of 7IM assets under management are held in direct stocks and bonds, many of which are UK investment trusts. At the end of 2024 and in January 2025 we took the decision to sell down most of the investment trusts we own. As explained in previous reports, we use these structures to get exposure to specialised investment themes or market segments. We monitor them closely and engage with them, where appropriate, on stewardship and ESG issues.

The investment trusts we held, and much of the wider industry, have been trading at a significant discount to Net Asset Value (NAV). These discounts have partly been driven by the increase in bond yields, changes to costs disclosure regulation and specific factors linked to the underlying investments. In 2024, we continued to engage with the investment trusts we held and how they were managing their discounts. In some cases, managers were taking the opportunity to buy back shares, others were disposing of assets.

At the end of the 2024, we decided to exit most of the holdings. The decision was based on doubts on when discounts would close but also the uncertainty on the success of underlying infrastructure projects, especially those linked to renewable technologies.

Collaborative engagements

There are occasions when shareholders might collaborate with other investors to increase their influence on specific company decisions, to ensure that outcomes benefit their clients. We take part in collaborative engagements when we think we can enhance the value or lower the risks of client assets and expect our third-party managers to engage collaboratively on our behalf when appropriate.

As an investment management firm that primarily uses fund-of-funds structures, the opportunities we have to engage directly with companies are limited. Directly invested equities make up less than 2% of our assets under management, with unitised products or closed-ended investments making up the rest.

Case study: Investor Policy Dialogue on Deforestation (IPDD) Initiative

As detailed in last year's Stewardship Report, in 2023, we joined the Investor Policy Dialogue on Deforestation (IPDD) Initiative as a working group member in order to help and address nature-related, in particular, biodiversity-related issues within our portfolios. We wanted to make nature a stewardship priority, therefore, we continued our active participation in the initiative in 2024.

As a member of the initiative, 7IM joins monthly and bi-monthly IPDD meetings with other investor participants to discuss issues and policies around deforestation. Our main participation is within IPDD's Consumer Countries Working Group, focused on engagements in the EU, US, UK. This workstream considers how the regulatory environment can help tackle commodity-driven deforestation, given the increase in deforestation related regulation currently being debated and passed in consumer countries.

In 2024, as part of the IPDD Consumer Countries Working Group, we co-signed a letter to the UK Department for Environment, Food and Rural Affairs. This letter explained the importance of halting deforestation to investors, highlighting both the systemic risks and the financial, reputational, operational, litigation and regulatory risks due to investment in companies or instruments that are directly or indirectly linked to global supply chains containing forest-risk commodities. The letter called on the government to introduce the Forest Risk Commodities legislation set out in the Environment Act 2021 as a priority. This engagement remains ongoing.

Case study: UK Wealth Managers on Climate Group

In 2024, 7IM joined forces with partners across the wealth management industry through the 'UK Wealth Managers on Climate' group to encourage asset managers to embrace net zero. In an increasingly challenging political and regulatory landscape for sustainability, the role of this group in driving collective action and advocating for meaningful climate commitments has become more critical than ever.

As a founder member of 'UK Wealth Managers on Climate' 7IM aims to create positive impact through its focused environmental goals. Recognising the industry's potential to leverage positive action, the group's nine members, which have a combined total AUM of £165 billion, have come together to co-sign a letter[6] outlining three clear climate change ambitions for asset managers:

- Set a net zero commitment and ensure that targets are clear and transparent
- Communicate the approach clearly to both the business and clients
- Ensure that stewardship activities reflect net zero commitments and deliver tangible results.

These 'asks' reflect 7IM's own sustainability goals including a drive towards cleaner investments and commitment to a 30% reduction in the carbon intensity of its Strategic Asset Allocations (SAAs) by 2026, detailed previously in this report.

We are proud members of 'UK Wealth Managers on Climate' and by signing this letter, we hope to encourage more wealth management firms to commit to a more sustainable future and join us in delivering positive change.

[6] For the letter, see https://www.7im.co.uk/media/upenpobe/uk-wm-on-climate.pdf

Endorsing initiatives

7IM aims to support environmental and social initiatives, when relevant and appropriate. As a member of the UN PRI, we have opportunities to be part of initiatives supported by the PRI.

In 2024, 7IM remained endorsers of 'SPRING', a new collaborative stewardship initiative on nature launched by the UN PRI and 'Advance', a PRI led initiative seeking to advance on human rights and positive outcomes through engagement with metals and mining sector and renewables sector, targeting around 40 companies.

For more details, please see last year's Stewardship Code report. As endorsers, we have joined training sessions provided to educate ourselves on most recent developments, and utilise insights with our managers, where relevant.

For both initiatives, we have decided to be endorsers rather than participants. While we understand the greater impact of being a participant of engagements, the expectations of a participant do not align with a fund-of-funds house.

We are continuously looking for ways we can contribute to environmental and social outcomes. Looking ahead, we will explore meaningful opportunities to participate in a relevant social initiative.

Fund managers engaging collaboratively on our behalf

Sarasin advocating for climate resilience in banks

It has been made evident that climate change poses material financial risk, and risks to financial stability. Therefore, in early 2024, Sarasin and a group of investors wrote to the Bank of England's Prudential Regulation Authority to express concerns on the banking sector's approach to climate change and seek support in delivering improve climate risk disclosures.

The letter[7] highlighted that the lack of climate risk integration into banks' financial statements, auditor reporting, and capital adequacy reporting, adversely effects the functioning of Pillar 3 of the Basel Framework – market discipline. The letter suggested potential actions for consideration, including using severe but plausible climate scenarios, disclosure if key conclusions from regulatory climate stress-testing exercises, and proactive enforcement of reflecting climate risks in financial statements and auditor reports.

In September 2024, PRA's annual letter[8] to banks and building societies explicitly pointed to enhance disclosures on climate risks in Expected Credit Loss measurement and assumptions for investors as a focus for 2025, to help users understand the effect of climate risk on a firms' exposure to credit risk.

The success of this initiative underscores the powerful impact of collaborative efforts. We are impressed by the work Sarasin has done on this front and will continue to support them on advocating for bank's climate risk disclosures.

[7] https://sarasinandpartners.com/stewardship-post/investors-could-play-a-key-role-in-promoting-banks-climate-resilience/

[8] https://www.bankofengland.co.uk/prudential-regulation/letter/2024/thematic-feedback-on-accounting-for-ifrs-9-ecl-and-climate-risk

LGIM and ShareAction

We are invested in a number of LGIM' index tracking products. Through engagements led by LGIM as part of the ShareAction's Chemical Decarbonisation Investor Coalition, LGIM has taken a proactive approach in engaging with 13 leading European chemical companies, to encourage them to align their decarbonisation strategies with the goal of limiting global warming to 1.5°C. These engagements aim to encourage selected companies to set and disclose various emission and chemical related targets, set Scope 3 emissions targets, and commit to align capital expenditure plans with the objective of limiting global warming to 1.5°C. Since 2021, LGIM has co-signed letters, directly engaged with selected companies, and provided joint submission to the Science Based Targets initiative (SBTi) on their consultation for draft guidance for the chemical industry's target setting criteria.

Barings and Emerging Markets Investors Alliance (EMIA)

Barings Emerging Market Debt Fund is one of our core holdings. Through EMIA and its regular meetings, Barings are working with other investors to drive greater engagement with emerging market firms to encourage climate change and financial inclusion considerations. An example that was provided for 2024 were Baring's collaborative engagement with an integrated and diversified telecommunications group operating in Europe and Latin America.

The key area of discussion is the company's renewable energy programme. The company has set an ambitious target to contribute to low carbon transition through sourcing 100% renewable energy by 2025. The conversation focused on how the company intends to achieve the target.

Barings and EMIA were able to learn that the company aims to lobby for change and have already seen some improvements in Latin American countries through engaging with key government leaders. Barings will continue to monitor progress and follow up with the company in 2025.

Escalation

We define 'escalation' as situations where engagement has not worked successfully, and a more proactive approach is required. Since 99% of our assets under management are held in third-party products, we expect external managers to escalate with companies on our behalf, when appropriate.

Likewise, on occasion we have found it necessary to escalate issues with investment managers, where we believed their management, product strategy or implementation was not appropriate and that our concerns were not being considered seriously. The issues we escalate will depend on how material they are, and on our capacity to influence outcomes. We might collaborate with other investors in an escalation process, to raise our chances of securing a positive outcome.

7IM escalation with external managers

Geode / Fidelity

We have been engaging with Fidelity on its passively managed product range, managed by a firm called Geode, since 2021 following our initial roll-out of our ESG questionnaire. Geode, based in the US, predominantly manages passive and systematic low-cost investment strategies. We continue to build on conversations on stewardship in 2024, detailed in our previous Stewardship Reports.

Since 2021, after identifying Geode's areas of weakness, we have engaged with Fidelity International on its passively managed products, sub-advised by Geode, focusing on stewardship, proxy voting, and engagement efforts. Since this engagement started, Geode has increased their ESG Stewardship Team from two in 2021, to four in 2022, to six in 2023. In 2022, we encouraged Fidelity International to reconsider the investment management arrangement with Geode, though this is unlikely, given the historical relationship between the two firms. In 2023, we encouraged Fidelity to explore various options that may enhance the voting and engagement on the sub-advised assets on behalf of European investors. Fidelity was able to take us through the options they were considering internally as well as the likelihood of each, such as the necessary infrastructure and logistics required. Fidelity also emphasised that they themselves are already engaging on a lot of the holdings that Geode sub-advises.

In 2024, we followed up to assess whether any progress had been made. Progress on Geode's stewardship has been minimal due to capacity limits within certain stocks, requiring Fidelity to find a way to manage both active and passive books. While alternative solutions were considered, it was noted that cost concerns, leadership changes, and resource constraints added uncertainty to Fidelity's priorities. Discussions on Geode's stewardship and in-house passive capabilities remain stalled, with limited influence from Fidelity International. Despite this, Fidelity stressed that sustainability remains a consideration, though no visible commitment changes have been seen.

We appreciate the efforts made to explore potential solutions; however, we were disappointed to see little tangible improvement in stewardship practices. In the meantime, we have reduced our passive position with Fidelity. Looking ahead, we will continue to monitor Fidelity's approach to Geode stewardship practices.

Ruffer and transparency

We held the Ruffer Diversified Return Fund in our Managed Select Service (MSS) model portfolios in 2024. In April, we expressed concerns on the lack of transparency on client-facing documents, such as the factsheet. Given the fund's investments in derivatives and short positions, we were concerned with the lack of disclosure regarding the economic exposure of these instruments.

During discussions with Ruffer, we referenced the FCA Consumer Duty document which emphasises enabling and empowering consumers and distributors to take responsibility for their decisions. Furthermore, the IA Fund Communication Guidance sets out that investors should receive an unambiguous picture of the fund through factsheets. We pointed out that that all client communications should clear, consistent and not misleading, failing to disclose significant positions may negatively impact investor trust.

Following our discussions, Ruffer took steps to improve transparency by adding a couple of sentences in their factsheet to explain that credit and derivatives strategies are presented at market value. Ultimately, our engagement with Ruffer highlights the importance of clear and transparent client communications, particularly in complex investment strategies involving derivatives and short positions.

BlackRock World Mining Fund and human rights

As detailed in the 2023 Stewardship Code Report, as an endorser of UN PRI's Advance, a collaborative initiative on human rights in the metals and mining sector, we have been engaging with BlackRock, the manager of the World Mining Fund. From our 2023 engagement, while BlackRock stated human rights are already a core focus and having "Company Impacts on People" as a key engagement theme, it was unclear how this was integrated into its investment and engagement processes in practice.

In 2024, we followed up our initial engagement with a call. We were able to learn more about BlackRock's approach along with a few company examples and how they have reacted to severe controversies. We identified that there is room for improvement in human rights due diligence prior to investment, broader industry participation to advance on human rights, and enhancing human rights stewardship within the sector. Subsequently, we provided feedback, highlighting that we are conscious of the complex nature of human rights issues in this sector and strongly encouraged BlackRock to further enhance efforts in addressing human rights issues through joining Advance. We suggested joining Advance to work with other investors and industry experts to encourage disclosure and transparency and foster best practices. This may also help with prevention and mitigation of negative impacts of tragic events, going beyond post-event stewardship activities.

BlackRock responded that while it belongs to numerous trade groups and evaluates memberships regularly, it's primary focus is maximise returns for clients and such affiliations do not impact how it manages client portfolios. We were disappointed with BlackRock's response as our concerns remain regarding the depth of human rights due diligence, engagement efforts, and transparency. We sold our position in early 2025.

Escalation by external managers on our behalf

Our expectations for asset managers

Given our investment approach, we are almost entirely reliant on third-party fund managers to vote, engage with and scrutinise companies on our behalf. Our expectations are high when it comes to external managers being aware of controversies affecting a company they are invested in, proactively addressing issues via continuous engagement, and being ready to escalate (and possibly divest) if responses by the investee company's management remains unsatisfactory.

Schroders and Sanofi

Schroders, a core asset manager which we hold across several portfolios, escalated with Sanofi, a French pharmaceutical and healthcare company, regarding the lack of executive remuneration transparency.

In recent years, Sanofi has faced approximately 6% of votes against its executive pay due to the opaque nature of performance targets for the annual bonus. In response, Schroders escalated their concerns to the board's remuneration committee, advocating for gradual, incremental improvements rather than quick changes.

This approach has yielded some progress in the disclosure process, including the introduction of key performance indicators (KPIs) that better align with external financial metrics and peer benchmarking.

While Schroders acknowledge the improvements in the disclosure process, they expressed their voting position and the need for significant increase in pay transparency. Schroders recognises transparency as key for best practice, especially from a large European company. In the future, they intend to continue to advocate for enhanced transparency.

Ninety One and TE Connectivity

We have held Ninety One Global Environment for a number of years now. Ninety One gave us an example from 2024 of how they had escalated with TE Connectivity, a leading connectivity and sensor solutions provider, focusing on Scope 3 emissions, which account for the majority of the company's emissions.

Collaborating with another investor, the issue was escalated to the Chairman of the Board, encouraging improved downstream emissions disclosures and highlighting the importance of creating roadmap for setting a Science-Based Targets initiative (SBTi)-approved net-zero target.

In response, TE Connectivity detailed the challenges of managing emissions across its 10,000 suppliers and outlined actions such as supplier training, renewable electricity surveys, and reducing resin waste. Ninety One will continue to engage on the progress towards greater transparency and SBTi alignment.

BlueBay and corporate governance

BlueBay Asset Management, a fixed income specialist that manages an ESG high yield fund held by 7IM, gave us an example from 2024 of how they had engaged with a company on corporate governance concerns.

BlueBay engaged with a family-owned German pharmaceutical company that markets branded drugs, medical products, supplements, and cosmetics. The issuer had been growing through acquisitions and the team had concerns in management's ability to integrate and oversee a rapidly expanding product portfolio. The weaker earnings results prompted engagement which re-enforced this concern, highlighting the need for stronger operational oversight.

Following the conversation, the BlueBay team remained sceptical about management's ability to address these governance challenges. Therefore, they divested the remaining allocation within the fund.

BNY and green finance framework escalation

Insight Investment, the asset management arm of BNY, illustrated their engagement capabilities through their escalation with a French recycling and waste management services company on their green finance framework.

Insight expects issuers to publish annual allocation reports detailing use of proceeds on any green bonds issued. The company's lack of allocation report was flagged, which prompted engagement with the issuer. Insight initiated contact via email to query reasons behind the lack of publication and the initial response was deemed unsatisfactory. To follow up, Insight held a meeting with the issuer to further discuss the importance of producing allocation reports and highlighted that it is market standard to publish one for any impact bond. Insight stressed that they may sell the bond if there was no intention of publishing.

This is currently an ongoing engagement, and Insight is monitoring the publication. If there is continued lack of intention, Insight may downgrade the issuer's green bond framework to 'Red,' leading to the required divestment from Article 8 and 9 funds.

Governance and voting

7IM is responsible for the effective stewardship of all companies in which we invest. We have a duty to vote on our shareholdings to preserve and grow client capital, encourage good business behaviour and support sound corporate governance. We exercise our rights and responsibilities on all assets held in our funds.

As a multi-asset multi-manager asset manager, 7IM exercises its rights and responsibilities mainly through the votes made by third-party managers of the funds it invests in. Listed equities form a small proportion of overall assets under management – less than 2% – and these are the holdings that are directly voted on by 7IM and for which 7IM applies its own voting policy.

Voting on investments held directly

7IM seeks to vote on all shares held actively and passively where voting rights are held. 7IM considers the UK Corporate Governance Code and other international guidance on governance when voting on issues like board structure, remuneration and shareholder rights. As a rule, we expect to vote with management unless dissatisfied by a company's adherence to these governance codes, or there is a specific ESG-related or other issue that we support.

7IM does not use an advisory service to recommend how to vote. We prefer to vote ourselves, making decisions using internal resources, since that better reflects 7IM's governance views, rather than taking an external adviser's recommendation. There are relatively few direct holdings that need to be voted on, so voting can be managed in-house.

House policies on voting

For listed equity assets held directly in our centrally managed propositions, 7IM decides how to vote following discussion within the investment team on proposals. 7IM has relatively few direct equity holdings, so most of the voting on listed equities is done by managers of third-party funds we invest with. 7IM engages with managers, asking them to disclose their approach to stewardship and Environmental, Social, and Governance (ESG) as a company and for their funds, and to explain their voting policies. While 7IM cannot vote on these third-party funds, we seek to understand, monitor and may influence how a fund will vote.

For third-party funds with voting rights, the house policy on voting is to vote based on materiality. We review the votes on funds where we either hold more than 20% of the fund's assets or the fund is a top 20 holding in absolute terms across all centrally-managed propositions, as at the end of the first quarter of the calendar year.

We review the votes for all investment trusts held across all centrally-managed propositions.

There are occasions when this house rule is overridden, e.g. where investments are held for clients in a private open-ended investment company (OEIC) or in their own name, and they wish to vote on the shares themselves. It would therefore be possible for 7IM to vote one way in the main funds and another way for a client who holds the same shares in a private OEIC or directly. These directly-held client assets are held through a different nominee company to the investments held in the 7IM funds and there is a separate voting policy in place whereby the nominee company can arrange for votes to be exercised in line with client requests.

Further details can be found in our Voting Policy.[9]

Proxy voting service

7IM uses a proxy voting service to execute voting decisions and maintains a voting record on these listed equity assets. The policy on disclosure of voting activity is to make records available on the 7IM website on an annual basis.[10]

Some clients require voting records to be disclosed, and for these clients we will arrange a report that covers the specific votes within the required period and report on any engagements that have taken place.

There have been few requests to view voting records, but if a client wants to see specific votes such as for an individual company or for a fund then these are available. If the number of requests to see the voting records were to rise, 7IM would consider moving to half-yearly or even quarterly reporting.

Apart from the voting done by the third-party fund managers and Sarasin, 7IM monitors voting timetables through regular alerts from its proxy voting services. This means the voting decisions can be managed efficiently and the appropriate members of the Investment Management team can decide how the votes should be cast.

[9] See 2024 Voting Policy here: https://www.7im.co.uk/media/l02pz44u/7im-voting-policy.pdf

[10] For 2024, see https://www.7im.co.uk/media/g0ypisfn/full-voting-records-2024.pdf

How we voted in 2024

7IM uses proxy voting services provided by Broadridge to vote on directly-held investments. Team members monitor corporate actions and voting proposals on shares and securities above a certain minimum threshold, to assess whether the recommendations made by the management are, in our view, in the best interest of the investors.

We monitor service providers by requesting reports on specific votes or on how a fund has voted. When we receive client requests for voting on funds, we are able to pull specific reports.

7IM voting record in 2024	
Voted shares	935,492,705
Shareholder meetings	83
Proposals voted	2,671
With management	2,654
Against management	17
Not voted	0

During 2024 we voted on 2,671 proposals. These votes represent a modest proportion of the overall votes made on 7IM's behalf, because most listed equity votes on holdings in 7IM funds are not made by 7IM directly but by the third-party managers of the products held in 7IM funds, or by Sarasin which manages a portfolio of listed equities on 7IM's behalf.

How we monitor voting and engagement with our third-party managers

In the past year 7IM has reviewed the voting processes and reporting of the third-party asset managers that exercise rights and responsibilities on 7IM's behalf. As described earlier, we analyse manager's ESG and stewardship capabilities through our enhanced fund due diligence process and ask our managers to respond to questionnaire(s) on Door. This is to establish ESG conviction ratings which includes conviction on how their engagement and voting policies are and how they are implemented.

We asked whether the manager has a voting policy and to provide us with a copy of it. We expect to see a clear voting and engagement policy and we questioned whether this explicitly covers environmental and social proposals. When it does not, we urge the manager to include them. We question their decision-making process, whether this is within the investment team or a specific stewardship or responsible investing team, whether they use a third-party provider to support voting or engagement, details of their voting and engagement activity, with statistics on votes against management and case studies, and finally, how this is communicated to shareholders.

Managers of non-equity assets like fixed income and alternatives do not vote at company annual general meetings, and their approach to voting and engagement is necessarily different. The better managers said that even if they did not have a vote they would engage with a company, as holders, for instance, of corporate bonds, because as owners of the company's debt they expect to be able to influence its approach to environmental, social and governance matters.

We will work with fund managers where we have identified weaknesses, particularly those we think can upgrade their voting and engagement.

Third-party managers voting on our behalf

Voting on deforestation risks

We hold an income fund across our active portfolios, which invests in an US consumer staples company specialising in household products. In 2020, the third-party manager supported a shareholder proposal urging the company to report on eliminating deforestation in its supply chain. In 2023 and 2024, descendants of the company's founders urged shareholders to oppose elections of board directors and the CEO citing inadequacies in the company's management and disclosures of deforestation in the supply chain.

Due to the lack of progress, the third-party manager voted against the re-election of a director responsible for ESG oversight as the company failed to respond to shareholder concerns regarding deforestation risks. The resolution passed with majority support.

Royal London and executive compensation

We have held Royal London Sustainable Leaders Trust since 2023. Royal London voted against the advisory vote on executive compensation in 2024 within Ferguson Enterprises, a large distributor of plumbing, waterworks and industrial products. This is due to concerns around the substantial increase in long-term incentive opportunities together with a reduction in performance-based component for both the CEO and CFO, which positions the total variable incentive opportunity at the higher end of their peer group. Royal London also preferred greater transparency on long-term incentive plans and more quantitative disclosure for the ESG goals under short term incentive plans.

DWS voting on governance

Given our investment in Xtrackers S&P 500 Equal Weight UCITS ETF since 2023, it is important to us to understand how passive managers are voting on our behalf. A case study provided was DWS's votes on management proposals voted against management proposals at The Estee Lauder Companies Inc, a leading beauty and personal care products manufacturer. The manager either voted against or withheld votes on the election of a number of directors and remuneration related items. DWS cited concerns on board independence, over-boarding and lack of transparency around the system of performance measurement and remuneration.

The 7IM Responsible Balanced fund

The 7IM Responsible Balanced fund (previously known as "7IM Sustainable Balance Fund") is managed to a balanced risk profile, meaning returns are expected from both income and capital-enhancing assets. In addition to holding third-party funds, 7IM outsources the stock selection of a portfolio of sustainable global equities to Sarasin & Partners LLP as external manager.

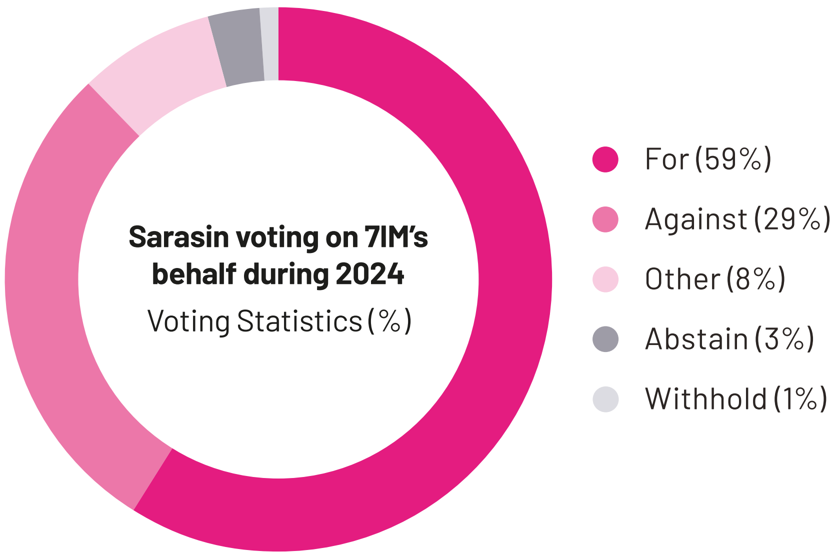
We also use third-party funds for tactical tilting purposes, having researched their sustainable credentials extensively, and some thematic funds that enhance the sustainability of the fund overall. For the fixed income exposure, we invest in third-party funds to get exposure to other sustainable and impact investments in fixed income assets.

In 2024, as part of the UK SDR, we updated the Prospectus to include more information on how we select third-party managers, how we report on the sustainability, and how we monitor the underlying investments.

Sarasin voting on 7IM's behalf during 2024

Sarasin engages with the companies in the Responsible Balanced portfolio and vote on 7IM's behalf, reporting back to us at our quarterly meetings where we discuss their rationale and can challenge their decisions. We have confidence in Sarasin's commitment to stewardship, especially in their ability to convert engagement into successful outcomes.

These are just a few examples of the reasons Sarasin voted against management at annual general meetings.



Sarasin voting case studies

Microsoft and human rights

While Microsoft is a leader in publishing Responsible AI principles and commitments, there is limited insight into how these principles are implemented in practice and the effectiveness of the tools used. This prompted Sarasin's support for a shareholder resolution urging the company to produce a report on its data centre operations in countries with significant human rights concerns, along with the company's strategies for mitigating the associated impacts. The resolution did not receive majority shareholder support.

Taiwan Semiconductor (TSMC) and board diversity

As a shareholder, Sarasin advocates for annual director elections and greater board diversity. Therefore, they voted against the nomination committee chair for a few reasons. Firstly, the length of all the directors' terms exceeds one year, extending through to 2027 which Sarasin views as poor governance practice. Additionally, Sarasin expects portfolio companies to maintain at least 30% board-level gender diversity (40% for UK companies), while TSMC currently stands at just 20%. While the vote did receive majority shareholder support, Sarasin has yet to see significant progress on board diversity despite previous engagement.

Air Liquide and remuneration

Following engagements and sending a proxy letter to the Chair in 2022 and 2023 highlighting concerns related to executive remuneration structure, Sarasin voted against the remuneration policy of the CEO and the re-election of remuneration committee chair due to inadequate response. More specifically, remuneration lacked long-term shareholder requirement by the CEO, had weak performance thresholds, and consisted for a small weighting of climate in performance metrics. The resolution was approved through majority shareholder support.

Glossary of terms

Active ownership
Investors using their voting rights alongside engagement to effect change and improve the long-term management and value of a company.

Authorised Corporate Director (ACD) Committee
The entity in an investment management firm that holds legal responsibility for funds in the UK. It protects investors by providing independent governance and stewardship.

Carbon footprint
The amount of carbon dioxide released into the atmosphere due to the activities of a household, company or country.

Clean energy
Energy produced by non-polluting sources such as solar, wind and hydro.

Climate change
The long-term change in the expected patterns of average weather of a region or the Earth, linked to global warming.

Corporate governance
The system of rules, practices and processes by which a company is directed and controlled. Boards of directors are responsible for the governance of companies. The shareholders' role includes appointing directors and auditors and making sure an appropriate governance structure is in place.

Corporate Social Responsibility (CSR)
The term under which companies report on their social, environmental and ethical performance, having recognised their responsibility to the community and environment in which they operate.

Energy Savings Opportunity Scheme (ESOS)
A mandatory energy assessment scheme introduced by the UK government in 2014 to make sure large enterprises in the UK are energy efficient.

Engagement
The practice of shareholders entering into dialogue with management of companies to change or influence corporate behaviour and decision-making.

ESG
The consideration of environmental, social and governance factors alongside financial ones in the investment decision-making process. E, S, and G are the three key factors in assessing whether an investment is sustainable in the long run.

ESG integration
The incorporation of ESG factors and analysis into investment decisions.

Fiduciary duty
Fiduciary duties exist to ensure that those who manage other people's money act in beneficiaries' interests rather than their own.

Financial Conduct Authority (FCA)
The conduct regulator for financial services firms and financial markets in the UK. It aims to make financial markets honest, competitive and fair.

Financial Reporting Council (FRC)
The independent regulator that regulates auditors, accountants and actuaries in the UK, and draws up the UK's Corporate Governance and Stewardship Codes. The FRC seeks to promote transparency and integrity in business.

Impact investing
An investment philosophy that favours companies working to provide significant societal or environmental benefits, in addition to generating a financial return.

Low-carbon economy
An economy based on low-carbon power sources with minimal greenhouse gas emissions into the environment.

Markets in Financial Instruments Directive II (MIFID-II)
A European Union regulatory framework from 2018 that aims to increase investor protection and encourage competition by ensuring a set of common standards and rules for investment firms.

Negative screening
An investment approach that excludes some companies or sectors from the investment universe based on criteria relating to their policies, actions, products or services.

Paris Agreement
The Paris Agreement sits within the United Nations Framework Convention on Climate Change. It sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C compared to preindustrial times and was signed in 2016.

Principles for Responsible Investment (PRI)
The United Nations-supported Principles for Responsible Investment initiative was launched in 2006 and is the world's leading advocate for responsible investment. Signatories commit to supporting six principles for incorporating ESG issues into investment practice.

Proxy voting
Proxy voting allows shareholders to exercise their right to vote without needing to attend annual general meetings (AGMs). This can involve shareholders with voting rights delegating their votes to others who vote on their behalf.

Responsible investment (RI)
Responsible investment involves incorporating environmental, social and governance (ESG) considerations into investment decision-making while practising active ownership. RI is expected to help deliver sustainable, long-term returns for investors.

Scope 1, 2 and 3 emissions
Carbon emissions are a key metric to how an entity contributes to climate change. The Task Force on Climate-related Financial Disclosures (TCFD) recommends that organisations disclose their Scope 1 and 2 greenhouse gas emissions, and if possible, Scope 3 emissions too.

Scope 1 emissions comprise all greenhouse gas emissions generated directly at the company site. This includes, for example, emissions from on-site heating boilers or chemical processes.

Scope 2 covers all indirect greenhouse gas emissions linked to energy generation by energy suppliers, particularly electricity.

Scope 3 covers all other greenhouse gas emissions produced through the operations, products and services of a business.

Stranded assets

Typically refers to fossil fuel reserves that may become 'un-burnable' due to climate, regulatory, technological or market changes.

Strategic Asset Allocation (SAA)

A strategy by which investors set target allocations for a broad range of asset classes in a portfolio and rebalance portfolios periodically back to the targets.

Streamlined Energy and Carbon Reporting (SECR)

A regulation from 2018 requiring large and medium-sized business in the UK to report on their carbon emissions and reduce the amount of energy they use.

Sustainability Accounting Standards Board (SASB)

An independent non-profit organisation that aims to develop and disseminate accounting standards that help firms disclose material financial information on sustainability issues to investors.

Sustainable Development

The concept of meeting present needs without compromising the needs of future generations.

Sustainable Development Goals (SDGs)

A collection of 17 interlinked global goals set by the United Nations in 2015 for the year 2030, covering poverty and hunger, health and well-being, education, gender equality, water and sanitation, energy, work and infrastructure.

Sustainable Finance Disclosure Regulation (SFDR)

A set of European Union rules that aim to make the sustainability profile of funds more comparable and better understood by end-investors. Article 6 funds have no sustainability focus, Article 8 funds incorporate ESG features, and Article 9 funds have sustainable investing as their objective.

Tactical Asset Allocation (TAA)

An investment strategy that involves making shorter-term or tactical adjustments to a portfolio to maximise returns or hedge against risks.

Task Force on Climate-related Financial Disclosures (TCFD)

A group established by the Financial Stability Board of the G20 nations, to focus on reporting on climate-related risks. It first reported in 2017.

Taskforce on Nature-related Financial Disclosures (TNFD)

A large group of investors, scientists and governments that's developing a framework for organisations to report and act on nature-related risks. Its first report appeared in 2022.

UK Stewardship Code

A code first published by the Financial Reporting Council in 2010. The Code underwent a substantial revision in January 2020.

Weighted Average Carbon Intensity (WACI)

A measure of a portfolio's exposure to carbon-intensive companies, and hence to potential climate change-related risks. It is defined as the weighted average of [Scope 1 + 2 Emissions / $1M Sales] for each company in the portfolio.

Get in touch

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