Portfolio Carbon Emissions Report

2022

ST. JAMES'S PLACE
WEALTH MANAGEMENT

Portfolio Carbon Emissions Report

Helping clients achieve financial wellbeing in a world worth living in

The view that investments are measured by value alone is changing. In a world which faces a number of challenges such as climate change, energy consumption and pollution, investing today is about achieving financial wellbeing in a world worth living in.

We believe what gets measured, gets managed. By reporting the carbon footprint of our Portfolios, we can identify risks and opportunities for change. We'll continue to align our Portfolios with science-based targets, limiting the harmful impact of climate change on people, our planet and the economy. Not only will this help us use money as a force for good, it makes investment sense.

Robert Gardner, Director, Investment Management

Contents

Executive summary

Our Portfolios Carbon Emissions Report is a key reporting metric of our responsible investment strategy.

Understanding climate change risk is increasingly important across the globe. Our commitment to support our clients over the long-term, and across generations, involves demonstrating the impact investment decisions have on climate change to support long-term returns and mitigate climate risk.

As part of our distinctive approach to investment management, we carefully assess external fund managers' attitudes to responsible investing, including climate change. We review how they address environmental, social, and governance (ESG) factors in their decision-making, and how their investment strategy helps reduce climate risk.

We joined the Net-Zero Asset Owner Alliance in 2020, publicly committing our investments to be net-zero by 2050, if not sooner. We will set interim targets to ensure this commitment is achievable and realistic.

What do we do to ensure carbon emissions are measured and managed effectively?

- As members of the Net-Zero Asset Owner Alliance we have publicly committed to make our investments net zero by 2050, if not sooner.
- We are setting interim goals to reduce carbon emissions in the shorter term.
- Our responsible investment team provides sophisticated climate and responsible investment insight through education and training.
- We participate in collaborative collective action in conjunction with other asset owners as members of the Net-Zero Asset Owner Alliance, Climate Action 100+ and The Institutional Investors Group on Climate Change.
- We set minimum standards for our fund managers during selection so they can meet our expectations for climate and wider responsible investment factors.
- We continuously monitor fund managers to verify that their investment decision-making robustly incorporates climate change.
- Our control enables us to remove mandates if fund managers do not meet our expectations.

Who we are

We are a FTSE 100 company that places trusted advice at the heart of everything we do.

Since we began our journey in 1992, we've grown rapidly to become one of the largest UK financial services business. We recognise that every client has different needs and aspirations and so offer personalised advice that covers financial, investment and tax planning, designed for their specific life stage and goals.

Responsible investing is considering the effect of our money on environmental and social concerns; it also makes financial sense. The way a company approaches ESG issues plays a significant role in its long-term prospects and appeal to its investors, suppliers and customers. As stewards acting on behalf of our clients we recognise our responsibility to drive long-term positive change.

Take a look at **our approach to responsible investment**.

Proud to be members of:

TCFD Task Force on Climate-related Financial Disclosures

Signatory of: PRI Principles for Responsible Investment

UN environment programme finance initiative

Climate Action 100+

IIGCC The Institutional Investors Group on Climate Change

We have significantly evolved our approach to responsible investment over the past seven years

2021
- Appointed Robeco as our engagement partner
- Joined Institutional Investors Group on Climate Change
- Joined Climate Action 100+

2020
- 100% of fund managers are PRI signatories
- Publication of first Portfolio Carbon Footprint Report
- ESG added to Investment Committee's responsibilities
- Joined Net Zero Asset Owner Alliance
- Responsible Investment Manager Assessment rewritten

2019
- Responsible Investment Team Formalised
- Signatories to the Task force on climate related financial disclosures (TCFD)

2018
- Signatories of the Principles for Responsible Investment (PRI)
- Launch of Sustainable & Responsible Equity Fund
- Signatories to UK Stewardship Code

2016
- Responsible Investment Committee formalised
- Adoption of Responsible Investing Policy

2014
- ESG assessments initiated for all fund managers

Managing our own impact

We are committed to protecting both the financial and environmental futures of our clients; and are taking key steps to ensure our business has a positive impact on the planet.

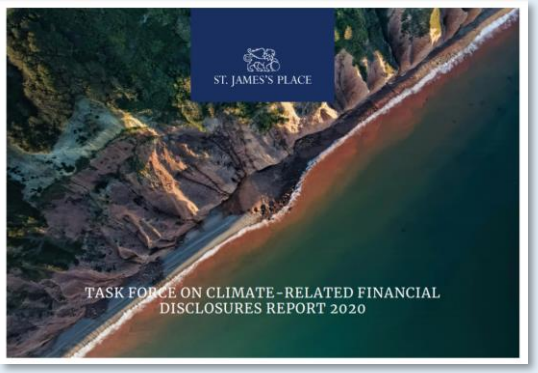
We appreciate that effective management of both the risks and opportunities of climate change is critical to our long-term success.

Whilst the company's direct footprint is relatively small, we are committed to continual improvement, to reduce our emissions, and be on the right side of climate history.

As a business we:

- Purchase 100% renewably sourced electricity in our UK offices
- Installed electric vehicle charging points in our car parks
- Offset our carbon emissions
- Publish our Scope 1, 2 and 3 emissions in line with Greenhouse Gas Protocol and SECR* requirements
- Introduced flexible working practices for our employees, which in turn has allowed a significant reduction in business travel, a key factor in our Scope 3 emissions
- Introduced digital client signatures, enabling more paperless correspondence, which will save 16,503kg of carbon and 1,143kg of paper each year
- Became part of the Good Business Charter to demonstrate our commitment to becoming a leading responsible business
- Manage climate-related risks as part of our risk appetite statement

Task Force on Climate-related Financial Disclosures (TCFD) report



We recognise that the TCFD framework is an essential step on our industry's journey to tackle climate change.

This year, we published our first TCFD report, setting out our climate strategy, risk management and environmental impact metrics. Take a look **here**.

* SECR stands for Streamlined Energy and Carbon Reporting

The importance of limiting climate change

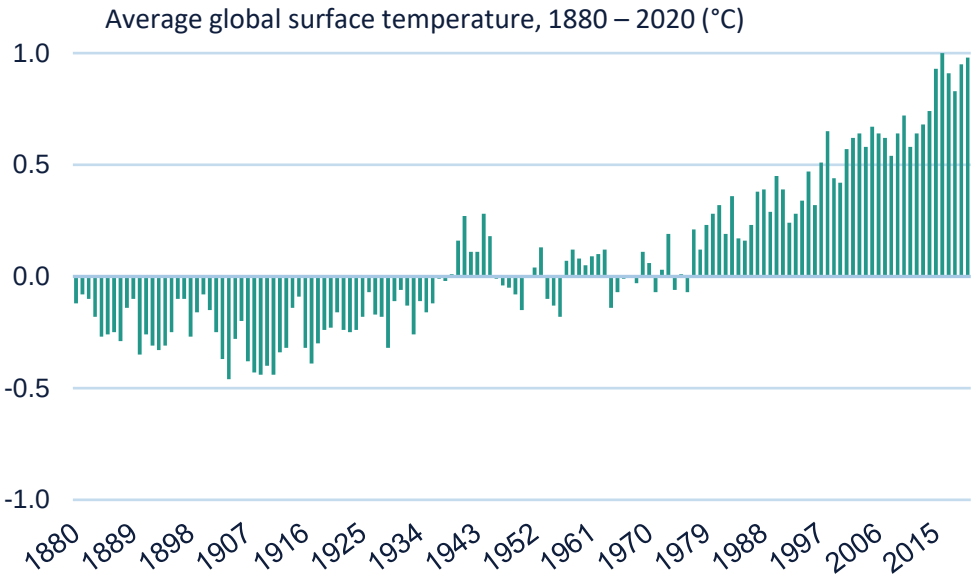
Climate change is one of the greatest risks faced by humans in the world today, largely caused by greater levels of carbon dioxide being released from increasing human activity.

> “There is no question that climate change is happening; the only arguable point is what part humans are playing in it.”
>
> Sir David Attenborough

During the last 50 years, the global population has more than doubled, the demand for food has tripled, the use of fossil fuels has increased by 2.8 times and water use has increased by a factor of 1.8*.

This increased human activity has already led to a global temperature rise of over 1ºC compared with the time of the industrial revolution. Scientists, governments, industries and individuals have recognised that temperature rises will alter the lives of countless future generations. Sea levels will rise, vast areas of land could become barren and acute weather events such as floods and drought will become more frequent.

Major governments, including the UK, have set legally binding targets to reach net-zero emissions by 2050. ‘Net zero’ emissions means that the level of carbon released into the atmosphere due to human activity equals that being absorbed from the atmosphere. Achieving this equilibrium will help to limit global warming, aligned to scientific targets. We have committed to making all of our investment portfolios net zero by 2050, and are committed to disclosing our progress towards this imperative.



Source: NOAA National Centres for Environmental Information, 2021

The five warmest years since records began in 1880 have all occurred since 2015, while nine of the 10 warmest years have occurred since 2005.

* Source: IGBP, Great Acceleration, 2015

Assessing risks and opportunities

All companies face key climate risks and opportunities depending on their location, the materials they use, and how they manufacture their products and services.

Transitioning to a net-zero economy will create a range of risks and opportunities. Our external fund managers consider factors that are materially relevant to the industries and companies in which they invest. Their drive is to mitigate climate risk and seek long-term financial performance on behalf of our clients.

> "Global climate change has significant implications for the financial services industry, creating risks and opportunities for investors. It's vital that climate change, like any risk type, is understood, recognised and managed actively."
>
> Mark Sutton, Chief Risk Officer

Transitional risks

Regulation, policy & legal	Climate policies, targets, commitments, laws and regulation are altering business practices, profitability and company viability.
Market & reputation	Mismanagement of climate risk can lead to reputational damage and a fall in demand. In recent years companies with poor ESG practices have suffered increasingly from this type of risk.
Technology	The introduction of new technology can disrupt production and services.

Physical risks

Acute	Increased severity of extreme weather events such as fires and floods will damage assets and could halt or dramatically disrupt production.
Chronic	Long-term shifts in climate patterns will alter sea levels, land availability and use, food production, ecosystems and demands for refrigeration, heating and air conditioning.

Opportunities

Brand & reputation	Companies with solid climate credentials could benefit from increased client loyalty.
Resource efficiency	Production and distribution efficiencies will save costs and reduce environmental damage.
Products & services	Innovations solving environmental issues will be well positioned for future success.
Resilience	Companies proactively managing risks and seizing opportunities, are likely to thrive in our changing world.

Limiting emissions

Planetary carbon dioxide levels are measured in parts per million (ppm). The magnitude of this figure can help indicate the 'health of the planet'.

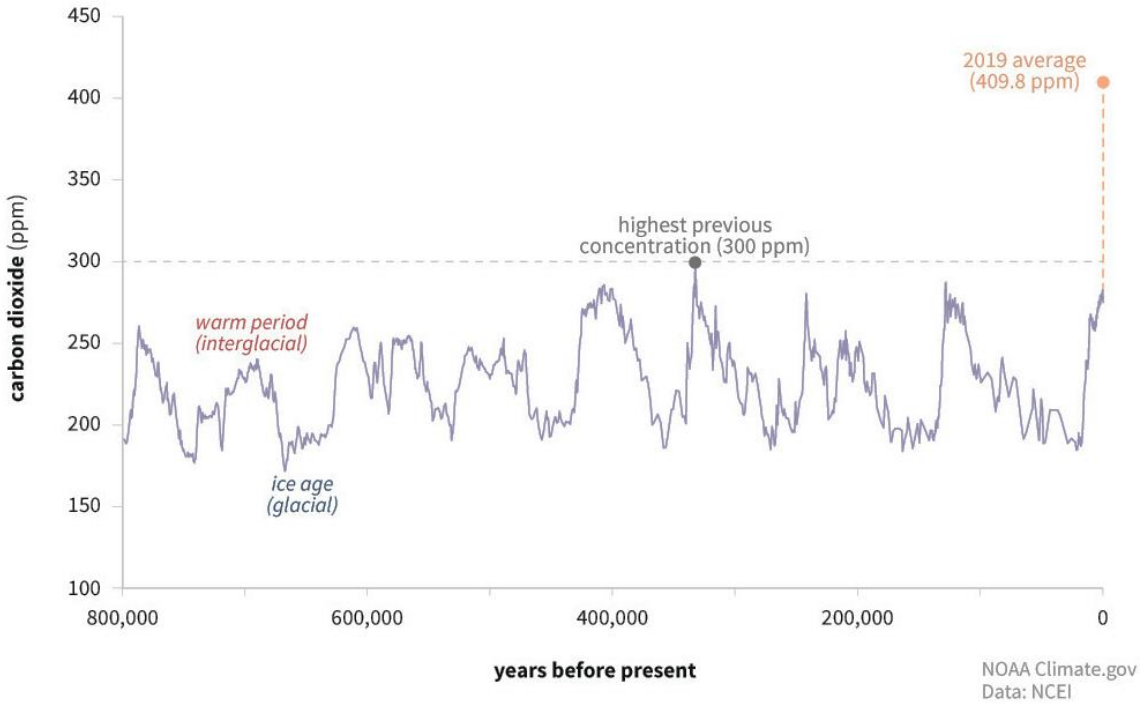
In 2018, the global average atmospheric carbon dioxide was 407.4 ppm. This is the first time in at least 800,000 years that concentrations of carbon dioxide passed 400 ppm, and the figure is rising rapidly.

The COVID-19 pandemic showed how governments, businesses, and individuals are united when faced with a global emergency. Together we can change.

Increased government pressure, client demand and collective engagement from asset owners, including ourselves, is encouraging companies to reduce their carbon emissions. This is achieved by investing in renewable energy solutions and developing more efficient or alternative processes.

Some companies are making their own net-zero commitments, just as we have.

> "The transition to a low-carbon economy and how quickly this can be achieved will directly impact the quality of life of future generations.
>
> As a business that supports clients over the long-term and through the generations, we believe we have an important role using investments to shape the future.
>
> Sam Turner, Head of Responsible Investment"



How we monitor and manage our fund managers

We appoint fund managers from across the world with expertise in a geography, style and/or asset class. Their approach to responsible investment is also considered during the selection process and on an ongoing basis.

We use third-party data to continually monitor our funds and track progress on any reported metric, including that of the carbon emitted by the companies held by each of our fund managers.

We conduct annual responsible investment assessments of our fund managers to measure their alignment with our objectives, including our climate expectations. Our standardised assessment framework, differentiated by asset class, is used to allow for appropriate comparisons between fund managers.

We work closely with our fund managers to ensure climate risks are considered in their investment decision-making process. Whilst we do not mandate a specific carbon intensity target for our Portfolios or funds at present, we actively monitor this metric. Our analysts, supported by our responsible investment team, will engage with managers if there has been a substantial increase in carbon intensity, and this will typically involve a stock-specific case study on a firm which has particularly high emissions.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.

Responsible investing is a fundamental area of ongoing fund manager monitoring.

Annually, we will assess every fund manager on the following:

- Level of responsible investment resource, including their approach to governance and training
- Case studies to demonstrate activity: in 2020 we specifically asked for fund managers' responses to climate change and COVID
- Stewardship and engagement policies
- Use of third-party ESG data to support decision-making
- Voting policies and records
- Participation in industry forums

Portfolio carbon intensity

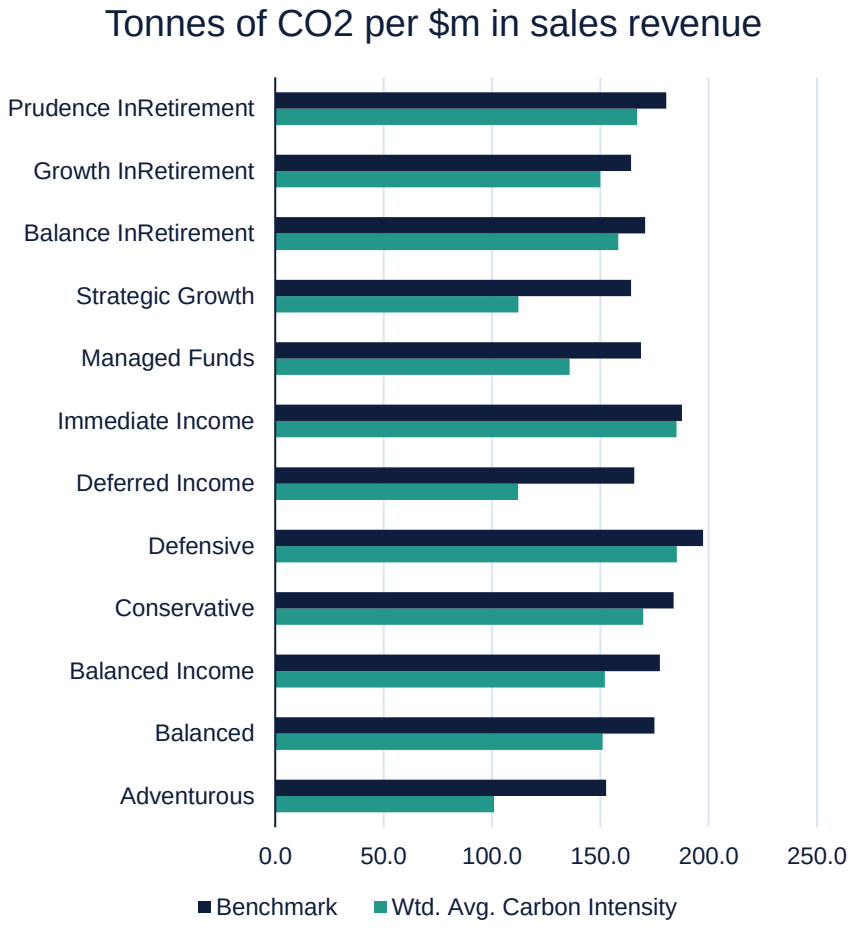
The carbon footprint of the St. James's Place Growth and Income Portfolios and InRetirement Range is collated by the data provider, MSCI. This allows us to monitor and review the carbon footprint of all our underlying holdings.

We are transparent about our current position and our progress on this key sustainability metric across our proposition. However, we are conscious that this is a single, albeit important, measure. As data becomes more reliable and available, we are committed to reporting wider metrics.

Analysis has been undertaken on what sectors within each Portfolio are significantly contributing to the overall intensity. Some industries, such as energy production, manufacturing and construction are historically very carbon-intensive; so we, and our fund managers, assess companies relative to their sector. Industries emitting high levels of carbon are facing increasing pressure to transition to lower-carbon alternatives. Some companies are at the forefront of this change, whilst others are lagging behind.

For Portfolios other than the InRetirement Portfolios, clients holdings, and therefore relevant carbon emissions, may vary depending upon the date of investment. As more time elapses, the variance in holdings will increase.

We, and our fund managers, actively engage with companies to encourage them to develop less harmful, more efficient practices. Some changes can happen quickly, but most take much longer to implement. More information about our engagement and stewardship activities can be found **here**.



Conservative Portfolio

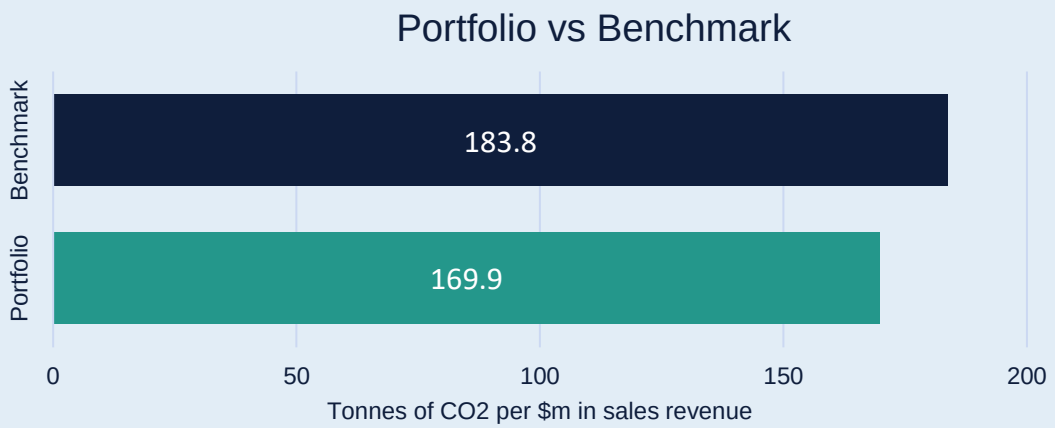
View the methodology »

Portfolio carbon intensity compared to a weighted benchmark:

- 8%

Data coverage of the Portfolio:

55%



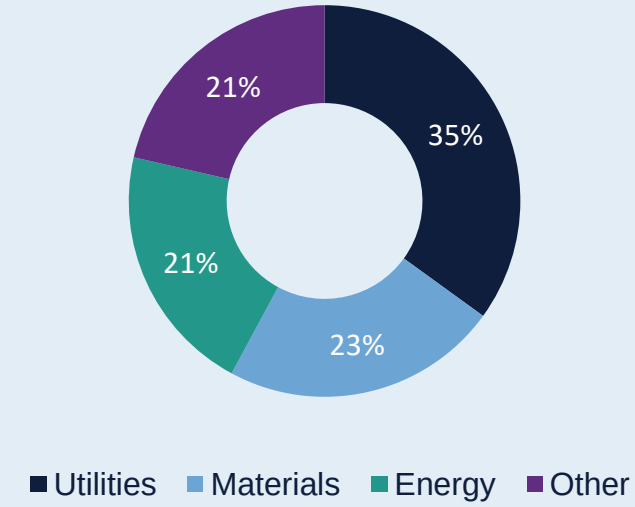
Lower carbon intensity than the appropriate weighted benchmark.

This Portfolio has reasonable data coverage given the asset classes held. Data availability is limited for gilts and alternative assets.

The sectors in this Portfolio that emit the largest amounts of carbon are utilities, materials and energy.

Data accurate for Portfolio composition at 31 December 2021

Sector carbon intensities



Balanced Portfolio

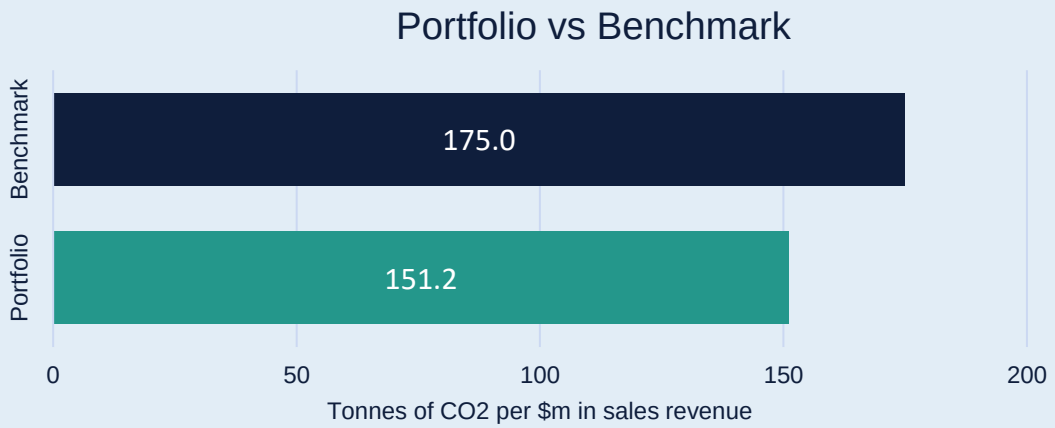
View the methodology »

Portfolio carbon intensity compared to a weighted benchmark:

- 14%

Data coverage of the Portfolio:

64%



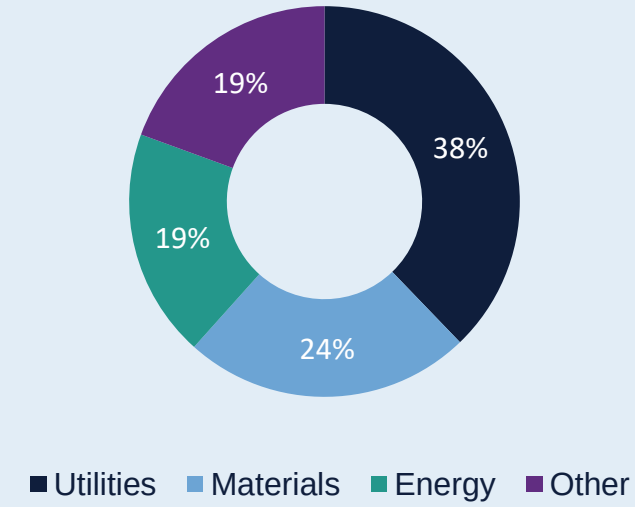
Lower carbon intensity than the appropriate weighted benchmark.

Reasonable data coverage given the asset classes. Limited data for alternative assets & property.

The sectors in this Portfolio that emit the largest amounts of carbon are utilities, materials and energy.

Data accurate for Portfolio composition at 31 December 2021

Sector carbon intensities



Managed Funds Portfolio

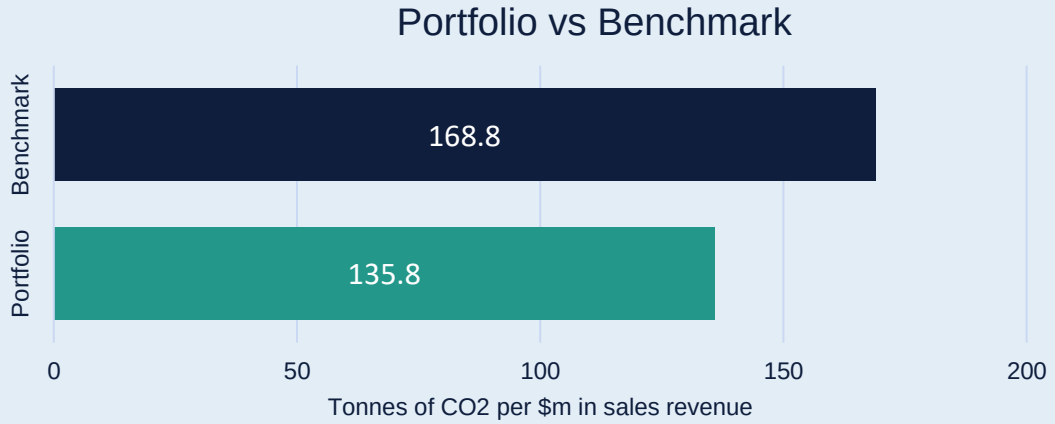
View the methodology »

Portfolio carbon intensity compared to a weighted benchmark:

- 20%

Data coverage of the Portfolio:

70%



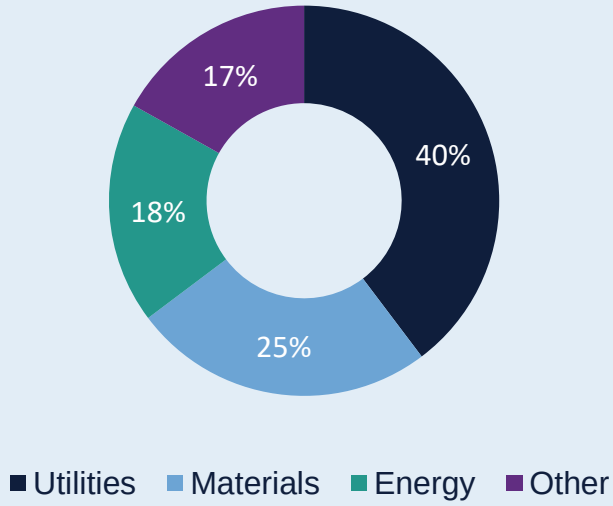
Lower carbon intensity than the appropriate weighted benchmark.

This Portfolio has good data coverage given the asset classes held.

The sectors in this Portfolio that emit the largest amounts of carbon are utilities, materials and energy.

Data accurate for Portfolio composition at 31 December 2021

Sector carbon intensities



Strategic Growth Portfolio

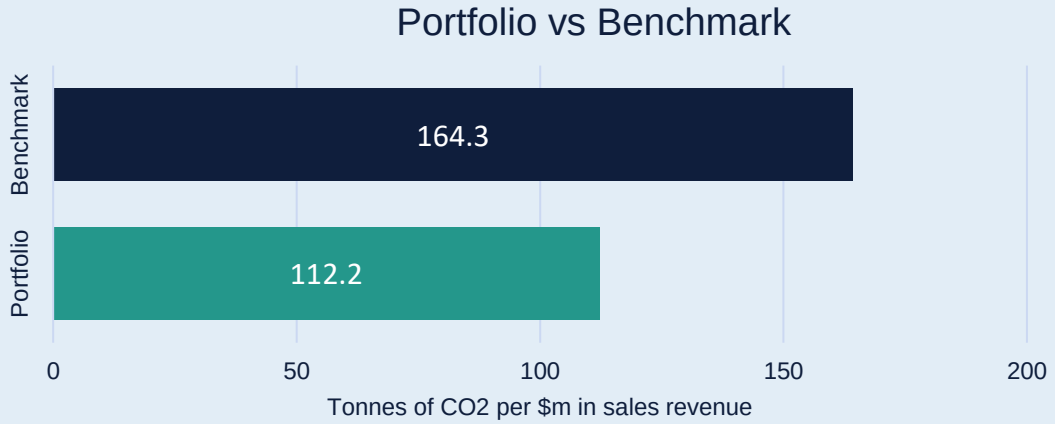
View the methodology »

Portfolio carbon intensity compared to a weighted benchmark:

- 32%

Data coverage of the Portfolio:

86%

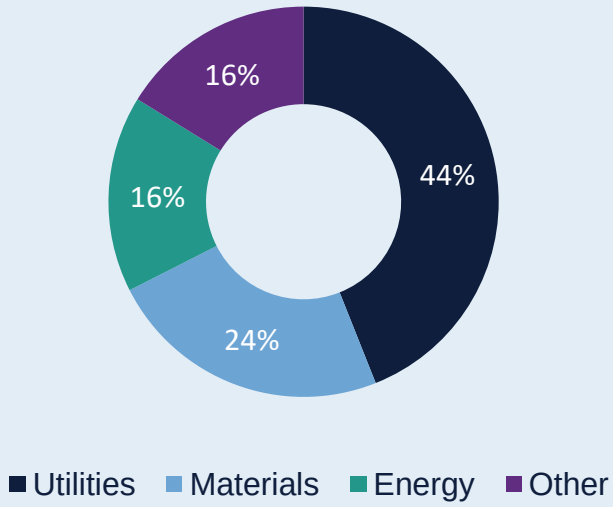


Significantly lower carbon intensity than the appropriate weighted benchmark.

This Portfolio has good data coverage.

The sectors in this Portfolio that emit the largest amounts of carbon are utilities, materials and energy.

Sector carbon intensities



Data accurate for Portfolio composition at 31 December 2021

Adventurous Portfolio

View the methodology »

Portfolio carbon intensity compared to a weighted benchmark:

- 34%

Data coverage of the Portfolio:

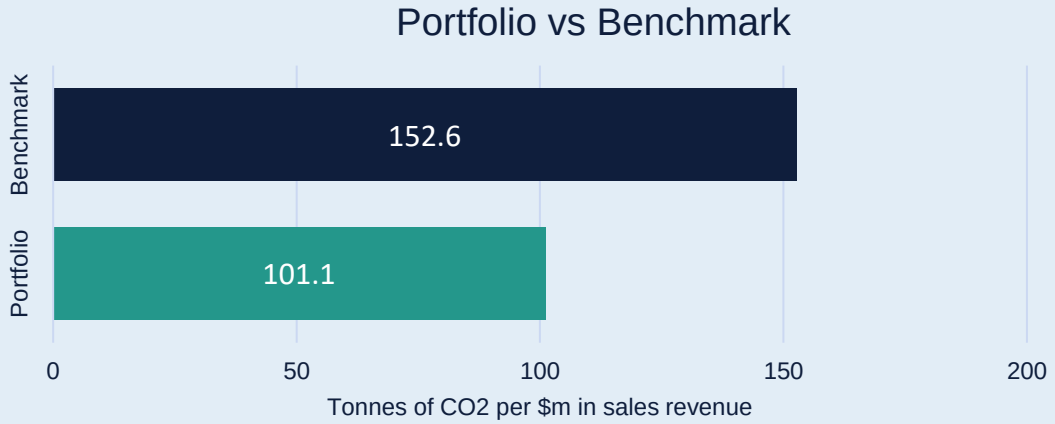
95%

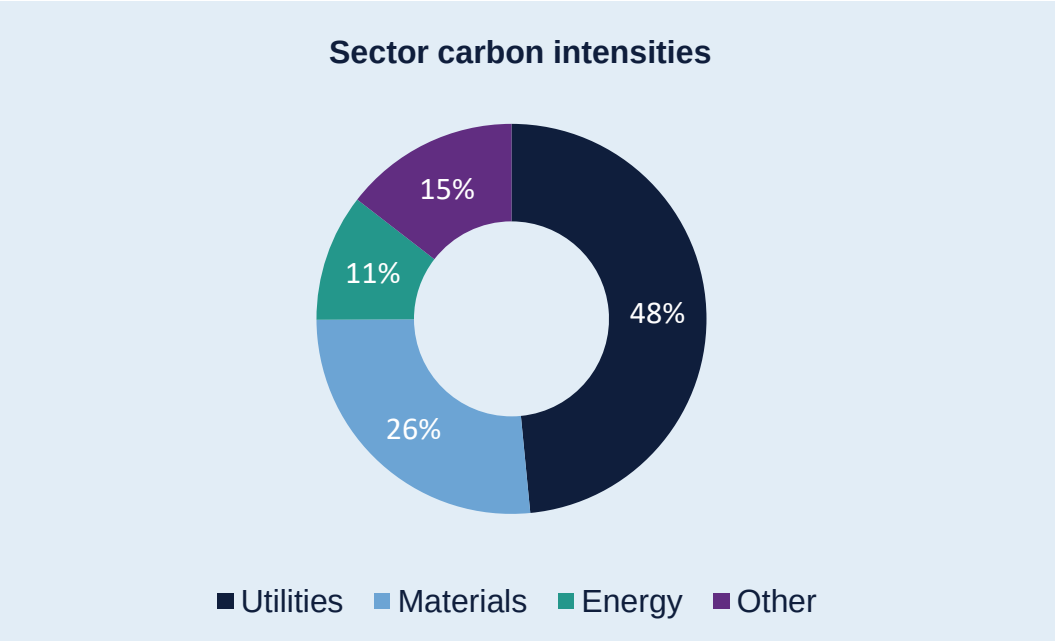
Significantly lower carbon intensity than the appropriate weighted benchmark.

This Portfolio has good data coverage. Primary asset classes in this Portfolio are equities.

The sectors in this Portfolio that emit the largest amounts of carbon are utilities, materials and energy.

Data accurate for Portfolio composition at 31 December 2021





Immediate Income Portfolio

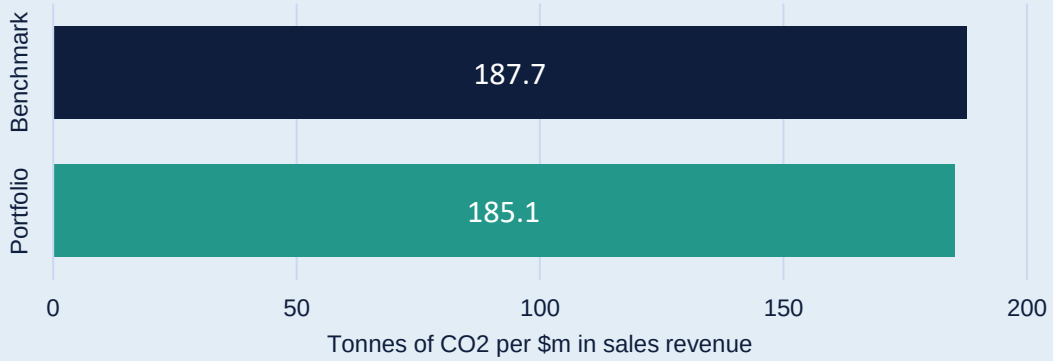
View the methodology »

Portfolio carbon intensity compared to a weighted benchmark:

- 1%

Data coverage of the Portfolio:

56%

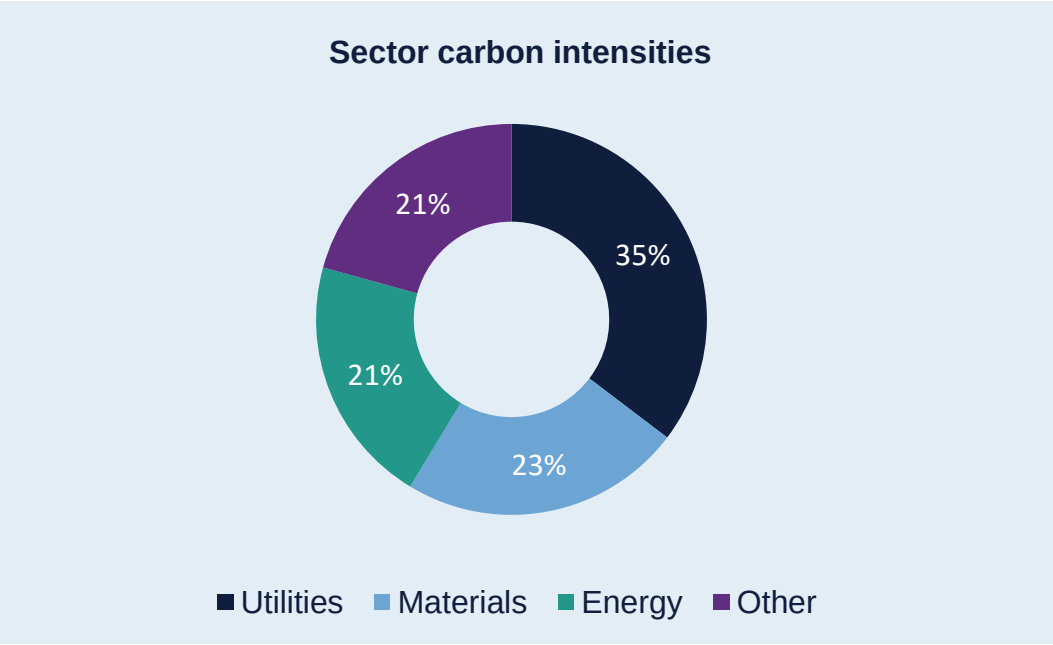


Slightly lower carbon intensity than the appropriate weighted benchmark.

This Portfolio has reasonable data coverage given the asset classes held. Data availability is limited for bonds

The sectors in this Portfolio that emit the largest amounts of carbon are utilities, materials and energy.

Data accurate for Portfolio composition at 31 December 2021



Balanced Income Portfolio

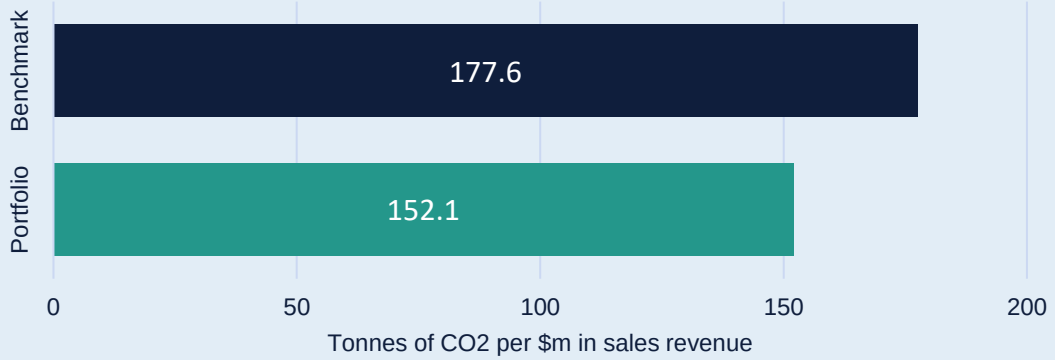
View the methodology »

Portfolio carbon intensity compared to a weighted benchmark:

- 14%

Data coverage of the Portfolio:

63%

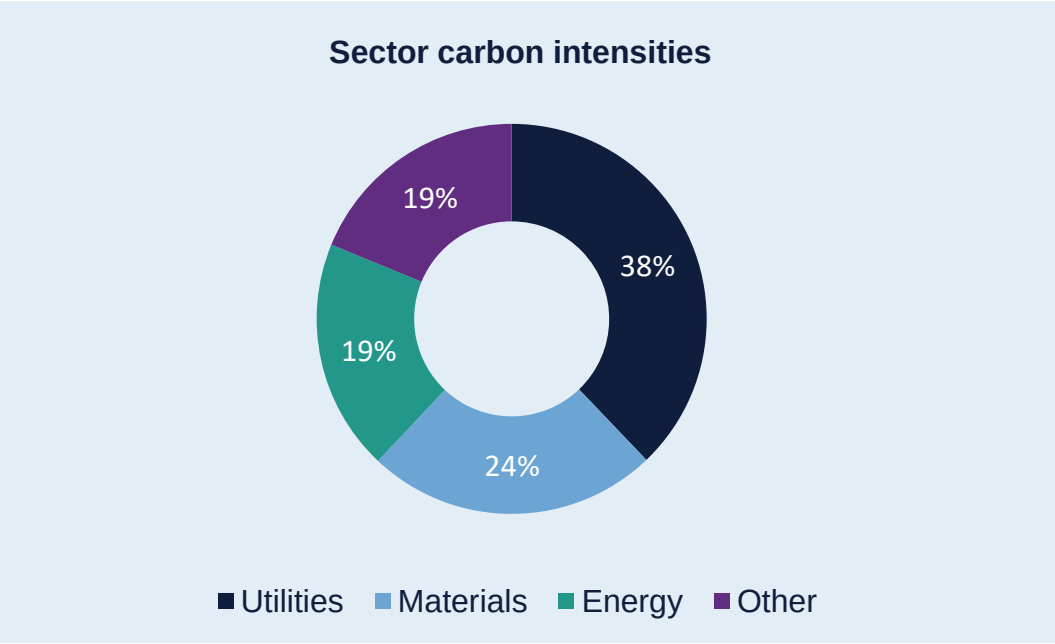


Lower carbon intensity than the appropriate weighted benchmark.

This Portfolio has reasonable data coverage given the asset classes held. Data availability is limited for bonds and property

The sectors in this Portfolio that emit the largest amounts of carbon are utilities, materials and energy.

Data accurate for Portfolio composition at 31 December 2021



Deferred Income Portfolio

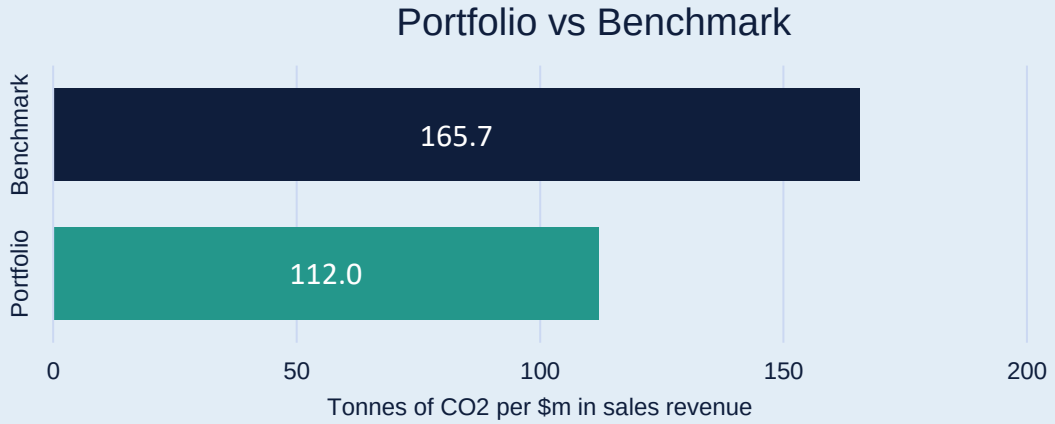
View the methodology »

Portfolio carbon intensity compared to a weighted benchmark:

- 32%

Data coverage of the Portfolio:

74%



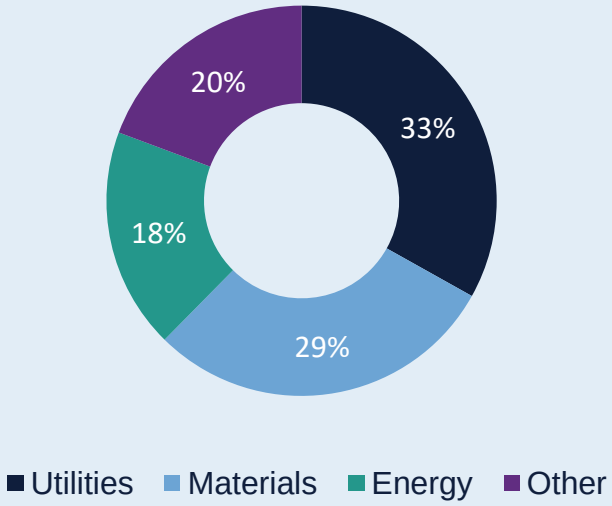
Significantly lower carbon intensity than the appropriate weighted benchmark.

This Portfolio has good data coverage given the asset classes held.

The sectors in this Portfolio that emit the largest amounts of carbon are utilities, materials and energy.

Data accurate for current Portfolio composition at 31 December 2021

Sector carbon intensities



Prudence InRetirement Fund

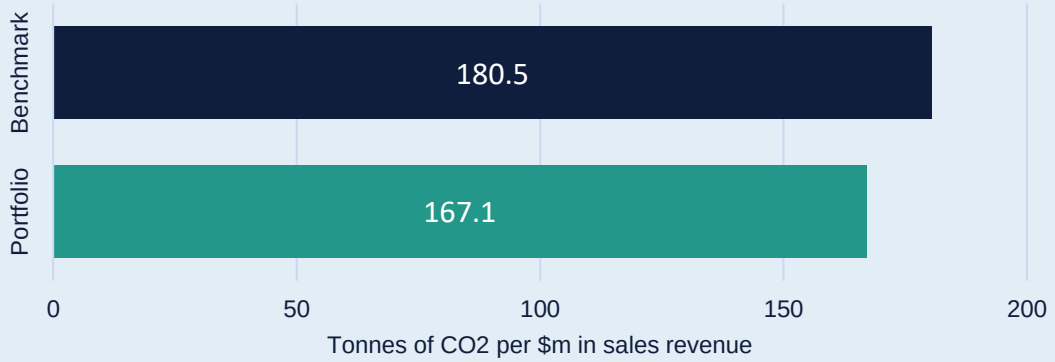
View the methodology »

Portfolio carbon intensity compared to a weighted benchmark:

- 5%

Data coverage of the Portfolio:

62%

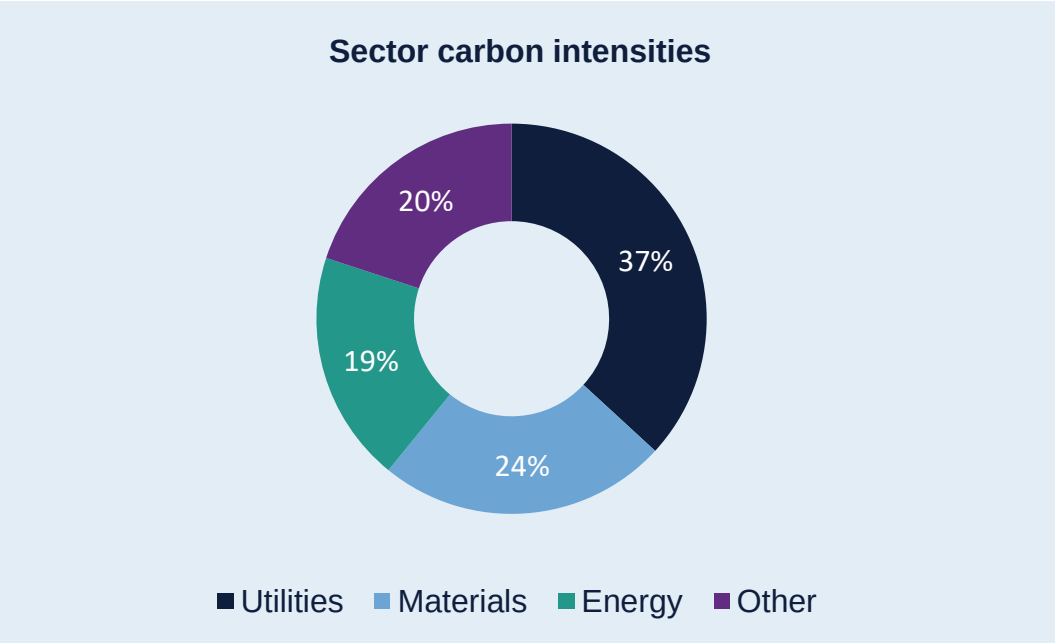


Lower carbon intensity than the appropriate weighted benchmark.

This Portfolio has reasonable data coverage given the asset classes held. Data availability is limited for bonds

The sectors in this Portfolio that emit the largest amounts of carbon are utilities, materials and energy.

Data accurate for current Portfolio composition at 31 December 2021



Balance InRetirement Fund

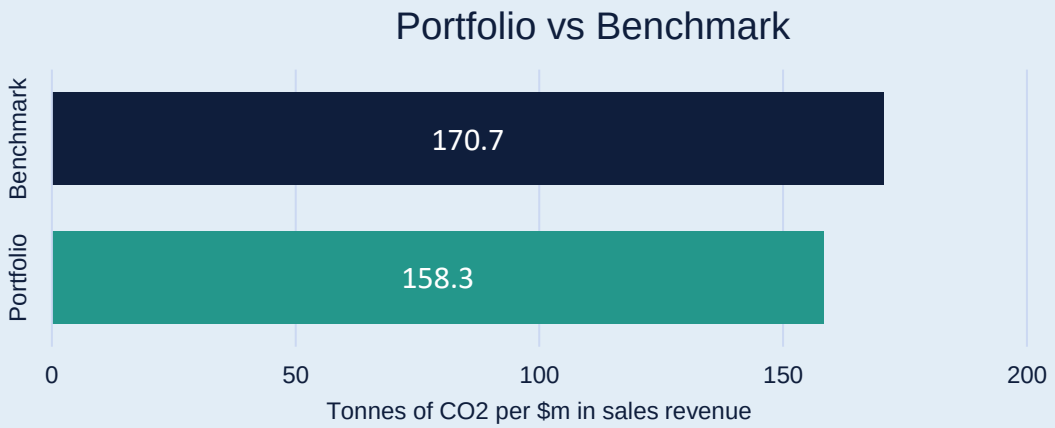
View the methodology »

Portfolio carbon intensity compared to a weighted benchmark:

- 7%

Data coverage of the Portfolio:

72%

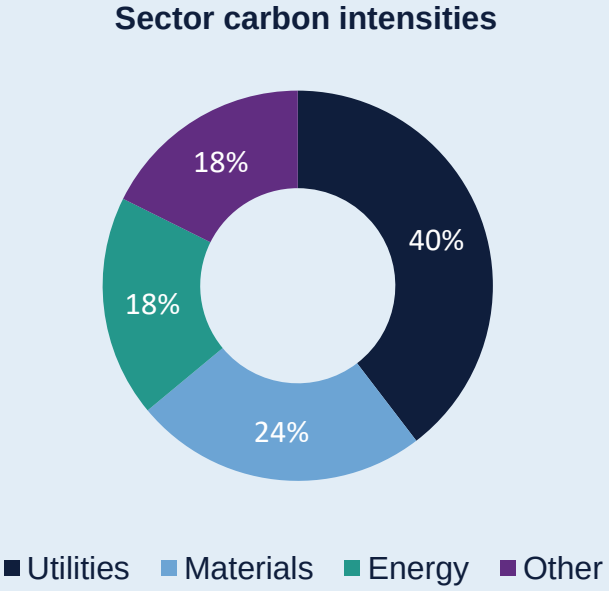


Lower carbon intensity than the appropriate weighted benchmark.

This Portfolio has good data coverage given the asset classes held.

The sectors in this Portfolio that emit the largest amounts of carbon are utilities, materials and energy.

Data accurate for Portfolio composition at 31 December 2021



Growth InRetirement Fund

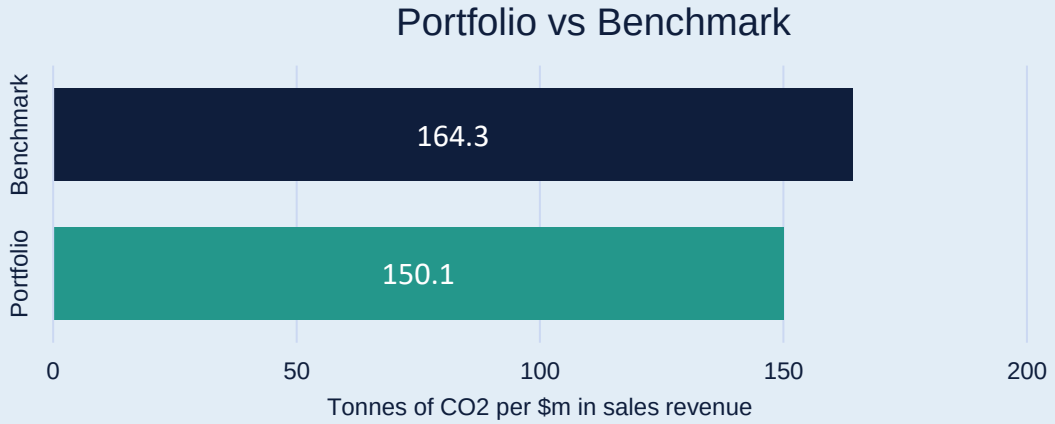
View the methodology »

Portfolio carbon intensity compared to a weighted benchmark:

- 9%

Data coverage of the Portfolio:

80%



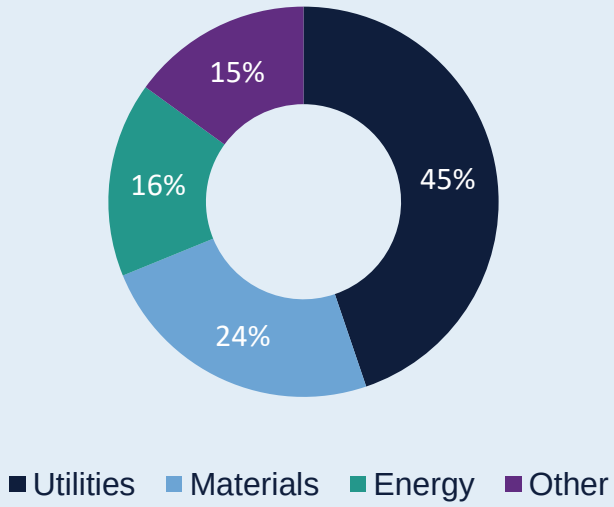
Lower carbon intensity than the appropriate weighted benchmark.

This Portfolio has good data coverage given the asset classes held.

The sectors in this Portfolio that emit the largest amounts of carbon are utilities, materials and energy.

Data accurate for Portfolio composition at 31 December 2021

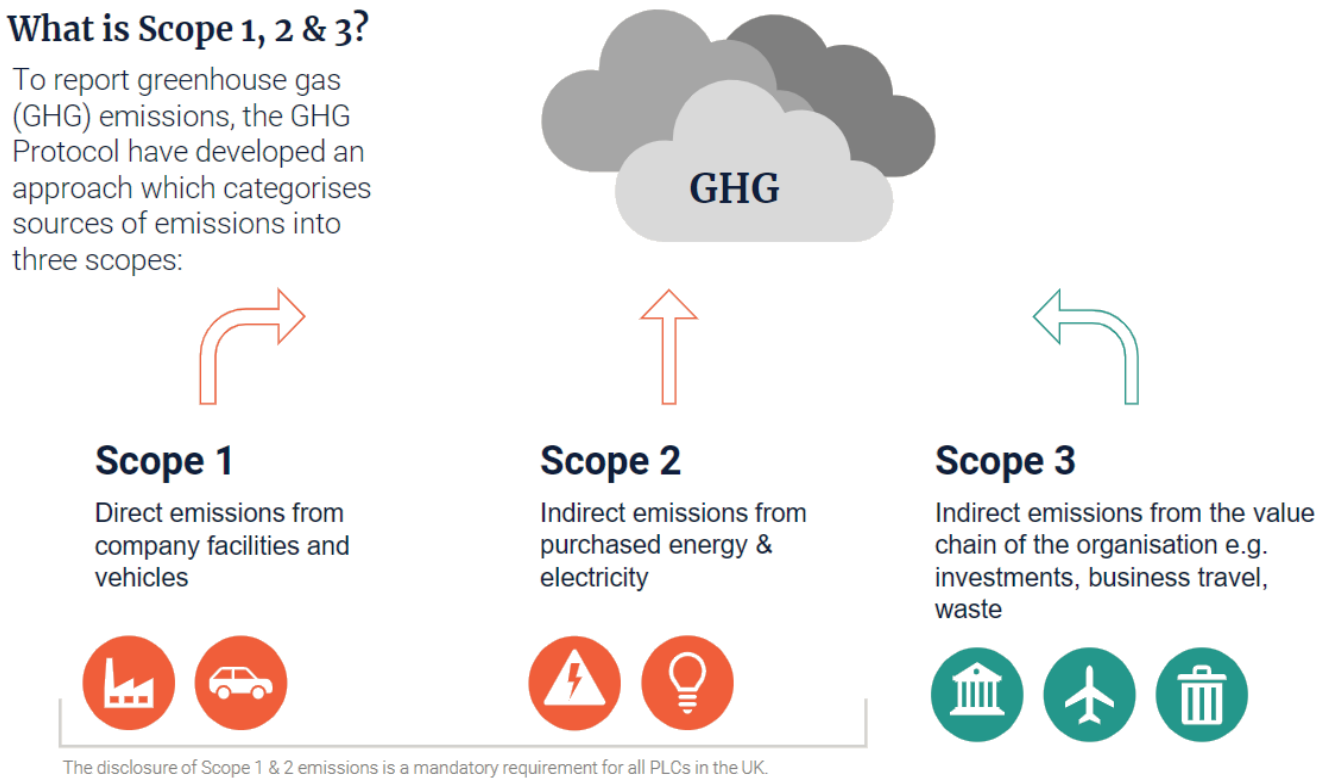
Sector carbon intensities



How company emissions are measured

Company emissions are categorised depending on the nature of their activities. Scope 1 and 2 emissions are most commonly reported, to avoid the duplication and complexity involved in reporting Scope 3 emissions.

Carbon dioxide is the most prevalent and reported of greenhouse gases. Others include methane, nitrous oxide, hydrofluorocarbon, perfluorinated compounds and sulphur hexafluoride.



Source: HM Government

Source: GHG protocol

Calculations and limitations

We use independent data, provided by MSCI to calculate company emissions relative to their revenue.

Calculating carbon intensity

Companies report their absolute carbon emissions in tonnes, under Scope 1 and 2 emissions, as defined by the Greenhouse Gas (GHG) protocol*.

The carbon intensity of a company is calculated by dividing the company's carbon emissions by their revenue. This information is collated by MSCI.

The resulting number can be compared with that of other companies to indicate the carbon efficiency of the company.

The weighted average carbon intensity of a Portfolio can then be calculated by multiplying the proportion of each company in the Portfolio by its carbon intensity metric. These values are then combined to give an overall score: the lower the score, the better.

Limitations

Whilst data coverage is improving, some companies, some sectors of industry and some geographical regions are better at publishing this information than others.

Implementing changes to an industrial process can temporarily increase carbon intensity, but be good over the longer term. As an example, the carbon cost of creating a wind turbine is high, but harnessing renewable energy will help reduce carbon emissions overall.

Another limitation is using revenue as a benchmark. The unit price of luxury goods is often much higher, but the carbon emitted throughout the product life cycle can be very similar. For example, a standard bicycle may cost 50 times less than a premium brand but have a similar carbon impact. This hugely biases the carbon intensity score in favour of the premium brand.

Worked example: Carbon intensity of Company X

Carbon emissions: 100,000 tonnes per year

Sales revenue: $800 million

Carbon intensity of Company X = 100,000 / 800 = 125

For every $1million of revenue Company X emits 125 tonnes of carbon.

Simplified example: Weighted carbon emissions

Company X: 125 carbon intensity

Company Y: 170 carbon intensity

Company Z: 120 carbon intensity

Carbon intensity x proportion of Portfolio = weighted carbon emissions

Company	Carbon intensity	Proportion of Portfolio	Weighted carbon emissions
X	125	20%	25
Y	170	30%	51
Z	120	50%	60
Total carbon emissions score			136

* The GHG protocol is an independent body which is becoming the standard means to assess carbon emissions globally.

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