



ST. JAMES'S PLACE

TASK FORCE ON CLIMATE-RELATED FINANCIAL  
DISCLOSURES REPORT 2020

# Welcome from our CEO



**Andrew Croft**  
Chief Executive

Climate change is one of the most significant global challenges we face today.

We recognise that the Task Force on Climate-related Financial Disclosures ([TCFD](#)) framework is an essential step on our industry's journey to tackle climate change.

We are committed to understanding the risks and also the opportunities of tackling climate change and how St. James's Place can be a force for positive and proactive change. We believe that responsible investment is a vital part of our strategy, both for creating a positive impact on the environment, and to respond to the opportunities posed by the transition to a lower-carbon economy.

Addressing climate change is part of our commitment to being a leading responsible business and protecting the financial and environmental futures of our clients.

We're a FTSE 100 company with £129 billion of client funds under management, providing a range of wealth management solutions from investments to pensions.

We know everyone's financial journey is different. Our proposition has always been clear: face-to-face financial advice tailored to our clients' personal objectives; followed by regular review and adaption over time in line with their futures.



## We have significantly evolved our approach to managing climate-related risks and opportunities over the past six years:

2014	2015	2016	2017	2018	2019	2020
<a href="#">ESG</a> assessments initiated for all fund managers	Inclusion of investment property portfolios in carbon emission reporting  Submitted inaugural <a href="#">CDP</a> report	Responsible Investment Committee formalised  Adoption of Responsible Investing Policy	Integration of SJP Asia into carbon emission reporting	Signatories to the <a href="#">PRI</a>  Launch of Sustainable & Responsible Equity fund  Signatories to <a href="#">UK Stewardship Code</a>	<a href="#">ESG</a> considerations added to Investment Committee's responsibilities  Responsible Investment Team formalised  Signatories to <a href="#">TCFD</a>	Publication of first Portfolio Carbon Footprint Report  Signatories to the <a href="#">UN Global Compact</a>  Partnership with <a href="#">Business for Nature</a>  Became members of the <a href="#">Net-Zero Asset Owner Alliance</a>



# Our TCFD report

Demonstrating our commitment to managing climate-related risks and opportunities

**We are strongly committed to helping clients achieve financial wellbeing in a world worth living in.**

This year, for the first time, as part of our commitment to help build a long-term future for our clients and shareholders, we are delighted to invite you to read our first set of voluntary [Task Force on Climate-related Financial Disclosures](#).

We fully endorse the recommendations of the Financial Stability Board, and we acknowledge the increased regulatory scrutiny on disclosing climate-related risks and opportunities from the Bank of England and the Financial Conduct Authority.

These disclosures demonstrate how we assess the impacts of climate change on our business; to promote a more informed understanding of climate-related risks and opportunities by our current and prospective clients, employees, Partnership, shareholders and other stakeholders.



























































## What is the scope of this report?

This report focuses on the impact of climate change on our business, including how it may affect the value of the investments we make, and the policies and procedures we put in place to manage these risks. In addition, this report also discloses how we are managing the impact of St. James's Place on the climate, including our investment activity.

## Contents

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# Disclosure summary

Theme	Description	Page	TCFD recommended disclosure		Our disclosure
<a href="#">Governance</a>	Disclose the organisation's governance around climate-related risks and opportunities	4	a) Describe the Board's oversight of climate-related risks and opportunities  b) Describe management's role in assessing and managing climate-related risks and opportunities	                  	<ul style="list-style-type: none"> <li>• Included overview of climate-governance structure that provides direction and oversight for managing climate-related risks and opportunities</li> </ul>
<a href="#">Strategy</a>	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	7	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term  b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning  c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a +2°C or lower scenario	              	<ul style="list-style-type: none"> <li>• Identified key risks impacting St. James's Place over the short, medium and long term</li> <li>• Assessed the significance of identified climate-related risks and opportunities on our business</li> </ul>
<a href="#">Risk management</a>	Disclose how the organisation identifies, assesses, and manages climate-related risks	15	a) Describe the organisation's processes for identifying and assessing climate-related risks  b) Describe the organisation's processes for managing climate-related risks  c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	             	<ul style="list-style-type: none"> <li>• Provided high level description of risk management governance</li> <li>• Identified key climate-related risks and over what time frame they manifest</li> </ul>
<a href="#">Metrics and targets</a>	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	18	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process  b) Disclose <a href="#">Scope 1</a> , <a href="#">Scope 2</a> and, if appropriate, <a href="#">Scope 3</a> greenhouse gas (GHG) emissions, and the related risks  c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	         	<ul style="list-style-type: none"> <li>• Environmental operational metrics disclosed</li> <li>• Reported progress against target for environmental operational metrics</li> <li>• Environmental financing metrics disclosed</li> </ul>

Please see the [Glossary](#) section for an explanation of key terms utilised throughout the document.

## Key

Recommendations that we have carefully reviewed and recognise the further work required in 2021

Recommendations we have made significant progress against, and plan to enhance our disclosure further

Recommendations we have been able to fully disclose against

# Our governance

Providing direction and oversight for managing climate-related risks and opportunities

Accountability for managing climate-related risks and opportunities is held by various senior leaders, and facilitated via multiple governance forums at both Board and executive level:

STRATEGIC DIRECTION

**Board**

Setting strategic direction in relation to climate change



**Andrew Croft**, Chief Executive, acts as overall sponsor for our approach to climate change, with ultimate responsibility for managing climate-related risks and opportunities.

RISK OVERSIGHT

**Board Risk Committee**

Provides guidance and advice to the Board in relation to the Group's appetite and attitude to climate change risks



**Rosemary Hilary**, Independent Non-executive Director, chairs the Board Risk Committee.

EXECUTION

**Executive Committee**

Facilitating execution of climate-related activity



**Liz Kelly**, Corporate Director, oversees sustainability and reduction of environmental impact.

INTERNAL ENVIRONMENTAL IMPACT

**Environmental Reporting Group**

Ensuring internal activity is in line with our Social Value strategy, minimising our environmental impact wherever possible



**Charles Woodd**, Director of Finance and Chief Actuary, oversees the internal activity to reduce environmental impact alongside his responsibility for managing the financial risks from climate change.

INVESTMENT ACTIVITY

**Investment Executive Committee**

Ensuring execution of responsible investment principles, supporting clients to invest responsibly and drive positive outcomes for the environment and society



**Rob Gardner**, Director of Investments, is responsible for integrating climate-related risks and opportunities within our investment proposition.

RISK MANAGEMENT OVERSIGHT

**Group Risk Executive**

Providing oversight of the effectiveness of the Group's risk management framework



**Mark Sutton**, Chief Risk Officer, ensures that an appropriate risk management framework is in place.

REGULATORY CHANGE

**Sustainable Investment Regulation Programme**

Cross-function working group to discuss emerging ESG regulation and ensure a cohesive approach across St. James's Place activity

## Key

### Forum

Responsibility



Accountable Individual

# Our progress

Our governance structure has facilitated significant oversight and direction on climate-related risks and opportunities in the past 12 months:

Board	Executive Committee
<ul style="list-style-type: none"> <li>Approved our <a href="#">Purpose and Values statement</a>, which clearly sets out how we intend to work in partnership to plan, grow and protect clients' financial futures, directly driving our approach to climate-related risks and opportunities</li> <li>Updated our Risk Appetite Statement to articulate how we manage climate-related risks, including our approach to responsible investing</li> <li>Committed to publishing our inaugural Task Force on Climate-related Financial Disclosures report</li> </ul>	<ul style="list-style-type: none"> <li>Signed up to the <a href="#">Net-Zero Asset Owner Alliance (NZAOA)</a>, joining a united effort to align investment activity with the Paris Agreement's objective to limit global temperature rise to 1.5°C</li> <li>Committed to aligning to the United Nations' <a href="#">Sustainable Development Goals (SDG)</a></li> <li>Became part of the Good Business Charter to demonstrate our commitment to becoming a leading responsible business</li> <li>Became signatories to the <a href="#">United Nations Global Compact</a></li> <li>Approved the 2025 Investment Proposition strategy, placing <a href="#">responsible investment</a> at the heart of investment activity</li> <li>Ratified the publication of the inaugural Portfolio Carbon Emissions Report</li> </ul>



**The Board and the Executive Committee have also sought to improve their awareness of the key climate-related issues via regular updates from the Responsible Investment and Social Value teams.**

Please see our governance section in our Annual Report for more details on our corporate governance structure.



# Our performance against the Board's commitments

We recognise the importance of leaving a lasting and positive impact on the world we live in as part of our Risk Appetite Statement.

Our Board and Board Risk Committee have ensured there is clear articulation of the business commitments to this, and our leadership team has enabled St. James's Place to deliver against these objectives.

We have explained our approach to meeting these objectives throughout this document.

Our commitment	How did we achieve this?	Where can you find more information?
Take pragmatic and prudent steps to reduce the impact on the environment	Setting out clear targets and implementing appropriate policies and processes	<a href="#">Metrics &amp; targets, Environmental operational metrics</a>
Monitor fund managers' ESG integration	Including ESG considerations into our annual assessments of fund manager performance	<a href="#">Risk management</a>
Ensure fund managers understand our explicit standards	Including ESG considerations within our continuous monitoring and oversight of fund manager activity	
Maintain a structured programme of ESG monitoring, engagement and enhanced governance oversight by relevant investment committees	Utilising climate data and our ongoing fund manager ESG assessment to identify and escalate issues into our Investment Committee	
Seek to evolve our reporting to clients, demonstrating the non-financial impact of their investments	Launching our Portfolio Carbon Emission Report	<a href="#">Strategy: Client offering</a>

## Our forward-looking plans



As our approach to [climate risk](#) becomes more sophisticated, so does our governance framework. While the current framework provides effective oversight, we are keen to ensure that all our functions are encouraged to discuss and collaborate on climate-related risks and opportunities, as well as considering potential enhancements to current climate-related reporting.

We also plan to set further objectives for our Responsible Business activity, including setting out our aspirations for the Partnership, as well as refining our approach to managing wider risks associated to our climate-related activity.

# Our strategy

Setting out our appetite and approach in managing climate-related risks and opportunities

We proactively consider a range of climate-related risks and opportunities within our short-term and long-term strategies. Our engagement with external initiatives, such as the [PRI](#) and the [NZAOA](#) provides us with guidance on these issues, while our commitment to responsible management guides both our overall strategy and day-to-day activity.

Our strategy combines an internal focus on increasing [climate risk](#) awareness and ensuring appropriate control with a concerted effort to empower clients to understand and shape their climate impact via our investment solutions and reporting. This is underpinned by regular provision of training to our Partnership to ensure our advisers are aware of emerging issues and able to provide up-to-date advice to our clients.

**We're proud to collaborate with a number of external initiatives in our efforts to address climate change**

## **Taskforce on Climate-related Financial Disclosures**

Enabling consistent and comparable disclosure of climate-related financial information

## **The UK Stewardship Code**

Setting high stewardship expectations for asset owners and managers

## **United Nations Global Compact**

Supporting companies to align strategies and operations with key sustainability principles

## **Business for Nature**

Coalition calling for action to reverse nature loss and restore the planet's vital natural systems

## **Principles for Responsible Investment (PRI)**

Encouraging investors to use responsible investment to enhance returns and improve risk management

## **Net-Zero Asset Owner Alliance (NZAOA)**

Institutional investors delivering on a commitment to transition investment portfolios to net-zero emissions by 2050

## **Investment Association (IA) Sustainability and Responsible Investment Committee**

Industry collaboration to develop best practice and discuss emerging issues

## **The Investing and Saving Alliance (TISA) Responsible & Sustainable Investment Committee**

Developing a common understanding of responsible and sustainable investing

# A<sup>+</sup>

Rating assigned by the PRI to our approach to responsible investing

# 100%

We have ensured that all of our fund managers are now PRI signatories

# 12

Climate training sessions provided to new joiners

# Net-zero

We have committed to transition our investments to net-zero emissions by 2050, as members of the NZAOA

# 4

Portfolio Carbon Emissions Reports published since their launch in June 2020

# 1,700

Advisers in attendance at our climate awareness session at our Investment Proposition Conference in November 2020



# What are the actual and potential impacts of climate-related risks and opportunities?

We want to help our clients to achieve financial wellbeing in a world worth living in. As a result, understanding climate risk and opportunities within our investment proposition and in the way that we operate as a business is increasingly important to us and our clients.

We are affected by climate-related risks and opportunities in two ways:

- **Directly**, through operational impacts to our business, such as damaged property, regulatory fines or decreased revenue from clients choosing alternative wealth managers
- **Indirectly**, via the actions and decisions of our fund managers which could restrict our ability to meet client expectations or cause reputational damage

We choose to assess and manage both direct and indirect risks and opportunities, so that we fully understand the impact on our ability to meet client expectations.

We have facilitated **regular cross-function discussion** to identify physical (e.g. increased frequency of extreme weather events) and transition-related (e.g. regulatory, market and reputational changes) risks and opportunities impacting our business directly and indirectly.

Overall, we have assessed our exposure to transition and physical risks, and we believe that **we have robust mitigation strategies** in place. In addition, we fully recognise the opportunities presented by a transition to a lower-carbon economy, and seek to support our clients in appropriately responding to a changing environment.



“ We recognise both the risks and opportunities associated with climate change, and look to factor these into our strategic and business planning processes. ”

**Charles Woodd**

Director of Finance and Chief Actuary

## Our forward-looking plans



Our strategic focus in 2021 will be on facilitating an increasingly sophisticated climate strategy, with the execution of scenario analysis to understand the impact of varying climate scenarios and developing appropriate sector-level policies. In addition, we intend to further evolve our approach to assessing emerging climate opportunities.

# Our assessment approach

We have identified and assessed potential risks and opportunities across our operating model, assessing both the likely timescales in which they will occur, and the mitigation strategies we can utilise.

We utilise the following assessment structure to manage climate-related risks and opportunities:

## Timescales

When we believe the risk/opportunity is most likely to materialise

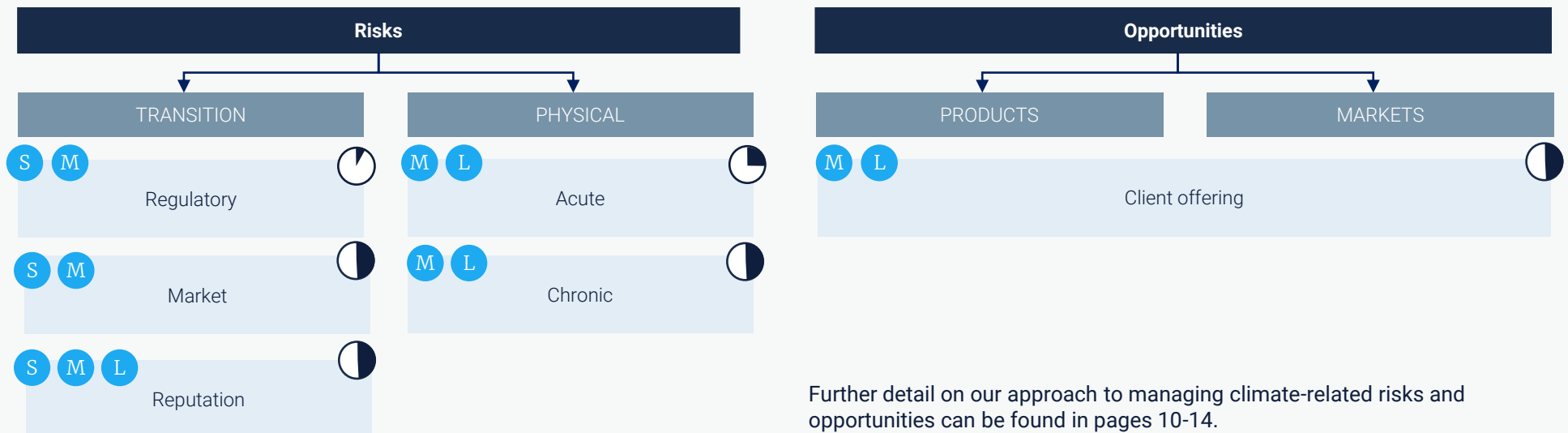


## Significance

How significant we perceive the risk/opportunity to be to St. James's Place



## We have assessed the following risk and opportunity types:



Further detail on our approach to managing climate-related risks and opportunities can be found in pages 10-14.

# Risks and opportunities

**Risk:** TRANSITION

## Regulatory

Definition

This is the risk of loss due to developments in worldwide climate policy, legislation and regulation. This means that our business and the fund managers we work with might be exposed to enhanced disclosure, governance and risk management obligations, and potentially alter our proposition offerings.

Our Approach

- We take our regulatory obligations extremely seriously, and we are already meeting our current regulatory commitments. Whilst the upcoming regulatory agenda is significant for the wealth and asset management industry, we have already mobilised a formal Sustainable Investment Regulation Programme to ensure that we meet these requirements.

## Market

This is the risk of loss due to changes in existing and potential clients' behaviour and investor sentiment concerning climate impact, leading to changes in demand for products and services and in investment demand. This means that the fund managers we use might not be able to offer investments suitable to the preferences of our clients.

- We proactively minimise the likelihood of St. James's Place failing to meet changing client preferences by:
    - Regularly engaging with clients and Partners through surveys, focus groups and informal interviews as well as a research agency, The Wisdom Council, to understand changing expectations concerning responsible investment.
    - Responding to changing demand by increasing our focus on ESG across our entire proposition. We also currently have one specific ESG product, our Sustainable & Responsible Equity fund. This may be suitable for clients who want to invest in companies that are at the forefront of transitioning to a sustainable economy.
- 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.
- Offering bespoke investment services to our clients, for example via St. James's Place Discretionary Managed Services.
  - Collaborating with our fund managers to continually discuss emerging issues and ensuring that we can respond to future changes in client demand.



# Risks and opportunities

**Risk:** TRANSITION

S M L

## Reputational

**Definition**  
This is the risk of loss due to failure to keep up with expectations of existing and potential clients around responsible investing, and/or failure to minimise direct environmental damage through the operations of our business.

- Our Approach**
- Not understanding our clients' needs, or not delivering on commitments made in respect to climate change initiatives, has the potential to negatively impact the reputation of St. James's Place and could lead to financial impacts through loss of clients and revenue. At St. James's Place we proactively minimise the likelihood of this occurring via concerted activity:
  - Expressing our commitment to becoming a leader in responsible investment by supporting the highest standards in the industry (e.g. voluntarily signing up to external commitments such as NZAOA, PRI & UK Stewardship Code).
  - Ensuring integration of ESG factors in our investment approach. We do this by actively engaging with our fund managers around our principles for responsible investment and expressing our expectations of them (please see [Risk management](#) section for further details).
  - Providing clear, consistent data on the performance of all funds, including carbon footprints and wider ESG factors via the Annual Value Assessment Statement.
  - Offsetting our carbon emissions. Since 2019, our internal operations are carbon neutral and we report our emissions in line with the Greenhouse Gas Protocol. We have also been rated as 'grade B (management level)' in 2019 by the Carbon Disclosure Project, which clearly demonstrates our commitment to climate action.
  - Setting clear targets for our internal environmental impact. This year we have set new ambitions for carbon-reduction targets for 2025 from a 2018-based year aligned to the level of decarbonisation required for a +1.5°C trajectory.
  - Working with our Partners to support carbon reduction across the Partnership.

# Risks and opportunities

**Risk:** PHYSICAL

M L

## Acute

Definition

This is the risk of negative impact on our financial position due to increased severity of extreme weather events, such as cyclones and floods. This has the potential to affect our local operational processes (e.g. property), and the fund managers we work with, as it might disrupt operational processes and damage assets. We could suffer severe financial loss from an individual event and services to clients could potentially be disrupted.

Our Approach

- We actively assess the risk posed by increasing severity of weather events; for instance, through risk assessments we are able to assess the potential impact of extreme weather events on our operational capabilities. This analysis helps us to evaluate and enhance (if required) existing business continuity procedures as needed, to ensure we remain resilient to these types of events.
- In addition, our investment approach draws upon a diversified, global pool of investment opportunities. This aims to reduce concentration risks, meaning our clients are less likely to suffer a significant financial loss via an individual extreme weather event.
- Furthermore, our fund managers are increasingly considering physical climate risk as part of their investment decision-making. This involves greater use of physical climate risk modelling to enable better investment decisions and to avoid securities with a higher risk of physical disruption from climate change. St. James's Place itself has access to physical climate risk datasets and integrate these considerations into our monitoring.

# Risks and opportunities

**Risk:** PHYSICAL

M L

Chronic

Definition  
Our Approach

This is the risk of loss due to long-term shifts in climate pattern, for example sustained higher temperatures causing sea level rise or chronic heat waves. This will affect us and our fund managers, as several climate scenarios are likely to unfold over the next years and decades.

- We recognise the systemic risk posed by long-term shifts in climate patterns, and potential macroeconomic impact.

- In addition, we are also actively looking to reduce our operational impact on the environment by:
  - Utilising energy from renewable sources for our UK operations.
  - Setting targets to reduce employees' travel miles.

- Finally, we ensure that our employees and Partners fully understand our role in developing a more sustainable global economy and minimising the risk of chronic climate events:

- In November 2020 we joined the United Nations-convened Net-Zero Asset Owner Alliance. This means that, as members of the alliance, we commit to transitioning our investment portfolios to net-zero emissions by 2050 with a maximum temperature rise of 1.5°C above pre-industrial temperatures, which will reduce the significance of long-term shifts in climate patterns.
- We have a Responsible Investing team in place to ensure ESG factors, including climate change, are incorporated in our investment approach.
- The diversified, global nature of our range of investments aims to reduce the likelihood of significant financial loss for our clients, and indirect loss for St. James's Place.
- We are actively focusing on operational resilience to identify our critical business services and mitigate the impact of disruption to business activities, while also considering how climate change will test the resilience of our business.
- We are also looking into options for more specific scenario-testing exercises in 2021 to continue to develop thinking and evaluate threats and opportunities in relation to different climate scenarios.

- Climate awareness sessions were held for members of the Partnership, including a discussion with Mark Carney in September 2020.
- In November 2020, we hosted a climate education session for our Partners with Nigel Topping, the High Level Climate Action Champion for COP26, in addition to regular training sessions on emerging climate issues throughout the year.
- Corporate Responsibility training is provided to all new joiners by the Head of Social Value.
- All new St. James's Place Partners and Advisers need to complete a mandatory Responsible Investment training module.



# Risks and opportunities

**Opportunity:** CLIENT OFFERING

## Client offering

Our Approach Definition

This is the opportunity arising from innovating and developing new low-emission investment solutions for our clients, and demonstrating our commitment to managing climate impact across our clients' financial journey.

- Our membership of the NZAOA directly shapes our approach to managing the climate impact of our propositions, and offering specific low-emission investment solutions.
- Our investment management approach allows us to work closely with our clients to help them align their investment plans to their long-term goals and wider approach, including their views on ESG issues such as climate change. This is exemplified through our structured approach of Plan, Design, Review, where Partners can quickly respond to changing client preferences.
- We provide clients with regular information on climate-related investment opportunities (please see Risk management section for further detail). Moreover, we are in regular discussion with fund managers, both to discuss opportunities to respond to the lower-carbon economy, and to minimise negative environmental impact.
- We also document our commitment to managing climate impact to clients. In 2020 we published our first report assessing the carbon footprint of our Portfolios. This is an important step with regards to our responsible investment commitment, providing full disclosure and transparency to our existing and potential clients on key sustainability issues.
- In addition, we are supporting our clients to minimise their environmental impact with paperless correspondence.
- Our Sustainable & Responsible Equity fund is suitable for certain clients who want to invest in companies that are at the forefront of transitioning to a sustainable economy. This fund, managed by Impax Asset Management, focuses on deriving benefit from the transition to a lower-carbon economy, as well as advances in healthcare technology, and improved mitigation of climate change.
- We use objective criteria to demonstrate the impact of our Sustainable & Responsible Equity fund:
  - 44% less exposure to carbon intensive companies than a typical equity fund\*.
  - MSCI ESG Rating of AA.
- In addition, we can offer bespoke investment portfolios via Rowan Dartington's Discretionary Managed Service\*\*, allowing clients to fully shape their impact on the environment.

Please note that our low-emission product and service offerings, such as the Sustainable & Responsible Equity fund, may not be suitable for all clients, depending on their financial positions and overall risk appetite.

The value of an investment with St. James's Place or Rowan Dartington may fall as well as rise. You may get back less than the amount invested.

\* Source: MSCI ESG Research LLC, May 2019  
 \*\* Responsible Investing | Rowan Dartington  
 (rowan-dartington.co.uk)

# Our awareness and control of climate risk

Effective risk management is critical to our success, and this extends to climate risk. Our robust [risk management framework](#) ensures that risks are regularly identified and assessed, with appropriate mitigation and monitoring strategies implemented.

“ Global climate change has significant implications for the financial services industry, creating both risks and opportunities for investors. It is therefore vital that climate change, like any risk type, is understood, recognised and managed actively.

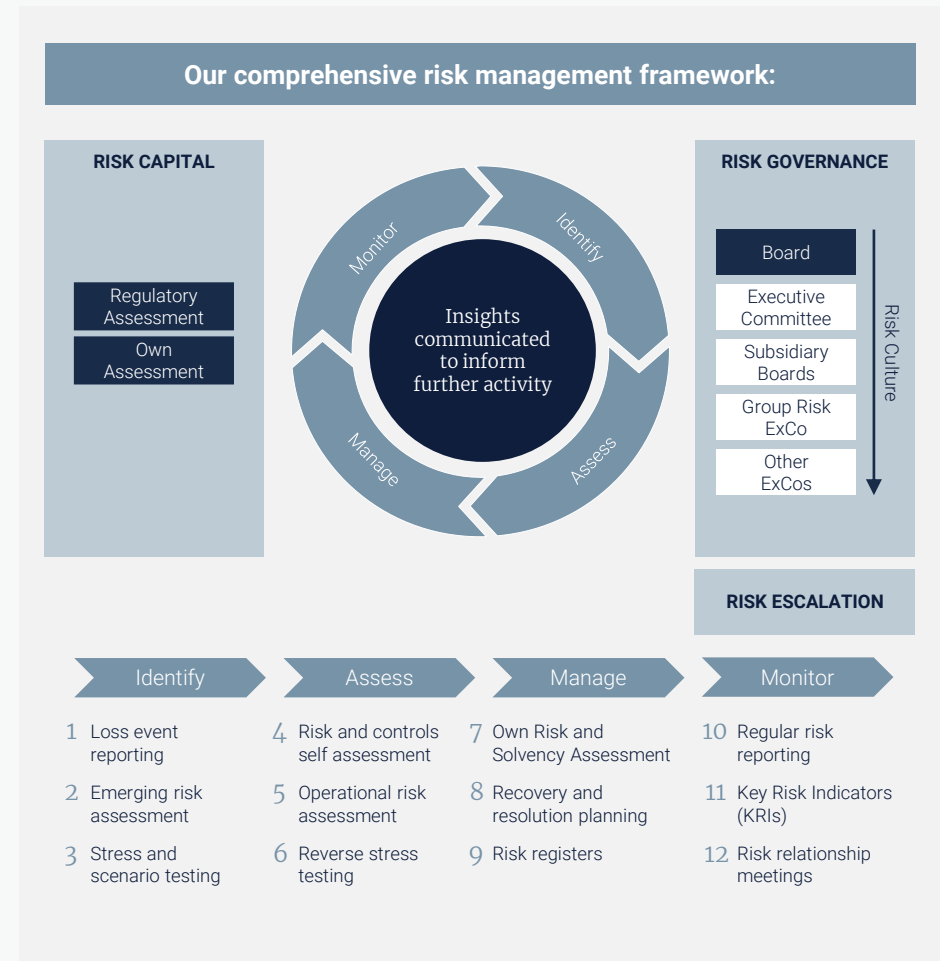
At St. James’s Place, we understand the importance to our stakeholders of effective management of all risks, and as such we continually assess our approach to ensure it remains appropriate. ”

**Mark Sutton**

Chief Risk Officer

We embed climate change into our wider risk management framework. We, in line with wider market practice, consider climate risk to be a cross-cutting risk. This means we consider the impact of climate change by looking at its specific effect on our operational, market, and liquidity risk profiles, to ensure that we understand the full impact of any emerging climate issue.

Our framework ensures that risks are appropriately identified and assessed before management and monitoring strategies are applied. Our [‘first line’](#) business areas are responsible for executing risk management activity, while our [‘second line’](#) functions such as Risk and Compliance provide oversight, and the [‘third line’](#) Audit team provides assurance, to ensure a fully effective ‘three lines of defence’ model.



# Our awareness and control of climate risk – continued

We proactively manage the transition and physical risks faced both by the firm itself, and the indirect risks to clients' investment choices:

- Failing to meet clients' expectations regarding responsible investment and our operational environmental impact is identified as a primary risk in our Board's commitments.
- Our framework enables us to manage climate-risk throughout the business, through our processes, procedures, operations and assurance activities, both on a day-to-day basis, and in escalation of emerging risks.



Our investment management approach supports us in managing climate risk on a day-to-day basis:



## Plan, Design, Review

- Supporting our clients to help them meet their long-term goals in line with their attitude to climate change.



## Fund manager expectations

- Since 2018, we have expected that all fund managers have a responsible investing policy, a named individual for accountability and a commitment to continuously improve their approach to responsible investment.
- In addition, ensuring that 100% of our fund managers are PRI signatories provides assurance of their commitment to responsible investing.



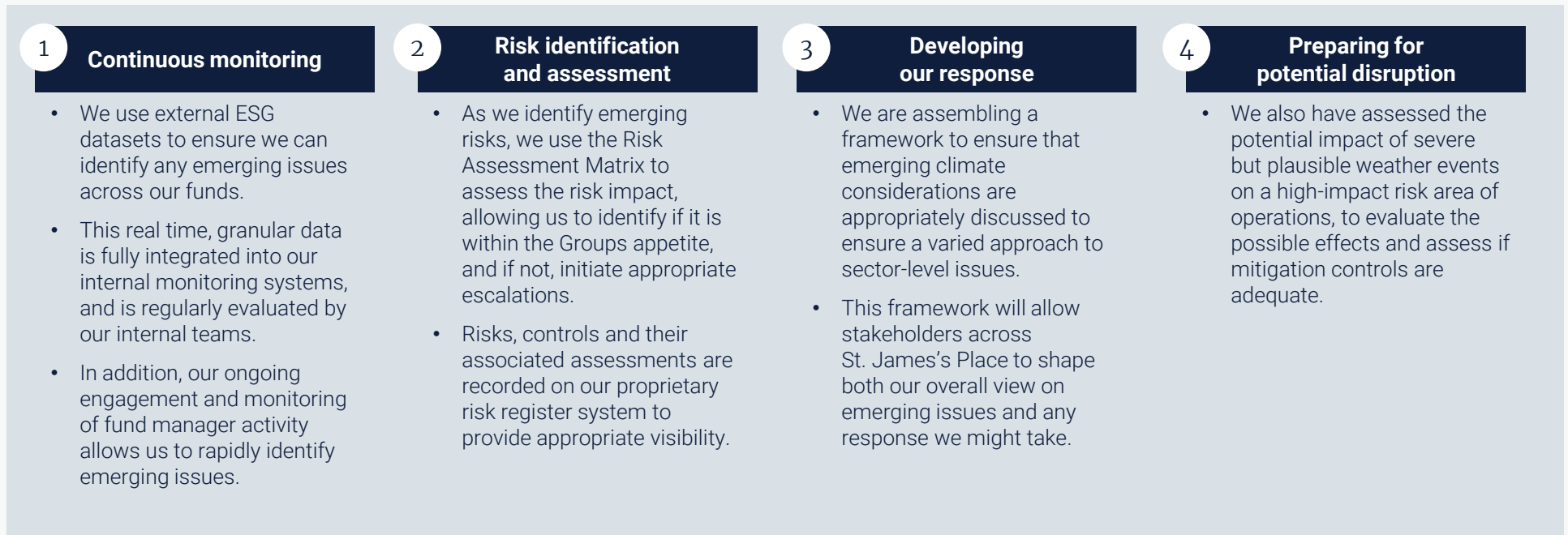
## Annual assessments

- ESG is a key pillar of our fund manager monitoring process, and is reviewed as part of our annual assessment.
- Potential issues concerning ESG monitoring can be escalated via the St. James's Place governance structure where required.



# Our awareness and control of climate risk – continued

Our risk management procedures and processes support us in managing issues identified via our investment management approach:



## Our forward-looking plans



We intend to continue to ensure effective management and oversight of climate-related risks across the first and second line in 2021. In addition, we expect to facilitate further reviews of the transitional and physical risks associated with key industries, to

ensure that our sector-level approach to climate risk is aligned to the changing climate landscape as well as holistically reviewing our climate-related controls, as part of our wider ongoing control assessments.

# How we monitor our direct and indirect impact on the environment

In line with the United Nations' [Sustainable Development Goals \(SDGs\)](#) which we aligned to in 2018, we want to control and reduce our environmental impact and promote sustainable business practices. As part of this commitment, we have transitioned our operations to being carbon neutral via improved policies and carbon offsetting, and we continually monitor the environmental impact of our investment propositions.



## We measure:

	Metrics	Our targets	
<b>Environmental Operational Metrics</b> The direct impact we have as a business on the environment	We measure <a href="#">Scope 1, 2 (market-based) and 3 emissions</a> in line with Greenhouse Gas Protocol and SECR requirements as part of our Annual Report	Reducing our Scope 1 and 2 emissions by 50% by 2020 (base year 2016)	●
		Reducing our Scope 1 emissions by a further 50% by 2025 (base year 2018)	●
		Eliminating our Scope 2 (market-based) emissions by 2025	●
		Reducing our Scope 3 emissions by 50% by 2025 (base year 2018)	●
<b>Environmental Investment Metrics</b> The indirect impact we have on the environment as a result of our portfolio offerings	We measure the carbon footprint of our investment portfolios, as well as their exposure to <a href="#">carbon intensive</a> industries, as part of our quarterly Carbon Emissions Report	Publicly reporting on all portfolio emissions	●
		In November 2020 we joined the Net-Zero Asset Owner Alliance (NZAOA): this means that we commit to transitioning our investment portfolios to net-zero GHG emissions by 2050 with a maximum temperature rise of 1.5°C above pre-industrial temperatures, in line with the Paris Agreement goal.	●

Please refer to our Annual Report for more details regarding our Environmental Operational Metrics and to our Carbon Emissions Report for more details regarding Environmental Investment Metrics

● Achieved ● On track ● Not started

## Our forward-looking plans



Our focus in 2021 will be on increasing the sophistication of our metrics, as well as developing policy and targets related to our environmental financing metrics.

In parallel, we will also look to enhance data quality and coverage of carbon emissions calculations at a Portfolio level.

# The impact of our operations: progress against our targets

We actively look to reduce our Scope 1, 2 and 3 emissions through our internal operations. Our strategy, policies and business activity have all contributed to a 41% reduction in our emissions since 2015.

## What do we mean by Scope 1, 2 and 3 emissions?

Under the Greenhouse Gas Protocol, emissions are separated into specific categories:

**Scope 1:** Direct emissions associated with our offices and any vehicles we own

**Scope 2:** Emissions produced via the electricity we purchase






**Scope 3:** Firstly, the emissions created via upstream activity such as business travel and waste generated; secondly, the downstream impacts of our business, such as those linked to assets owned by St. James's Place

“ We recognise the importance of reducing and minimising our impact on climate change and, despite the large growth in our business, we have successfully reduced our carbon use over the last three years. While our focus is to continue reducing carbon emissions, we offset what we do use to achieve carbon neutrality. ”

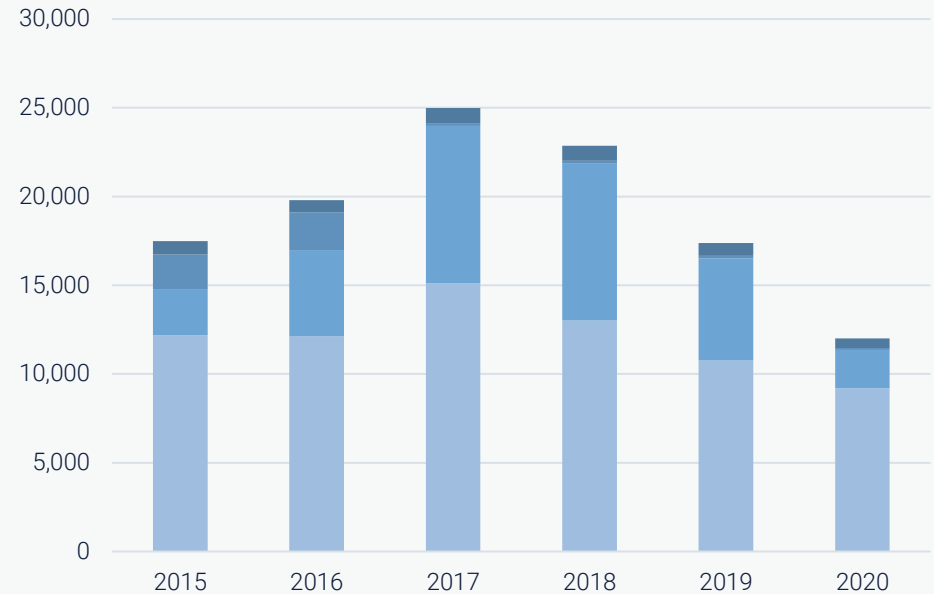
**Liz Kelly**

Corporate Director

## How have we been reducing our emissions?

-  Changing our policies to reduce business travel and increased focus on electric car usage
-  Procuring renewable electricity for our UK operations
-  Improving energy efficiency across our estate
-  Changes to our procurement processes
-  Adjusting our business events to produce a lower carbon impact

**Gross Emissions 2015-2020**  
(tonnes CO<sub>2</sub>e)



	2015	2016	2017	2018	2019	2020
Scope 1 - Gas and owned vehicles	764	683	876	835	725	544
Scope 2 - (Market based) - Electricity	1,984	2,126	130	168	141	108
Scope 3 - Business travel, waste, hotel stays, electricity transmission and distribution	2,559	4,847	8,875	8,830	5,752	2,151
Scope 3 - Property trust and supply chain (WTI)	12,182	12,130	15,101	13,019	10,763	9,200
Total	17,489	19,786	24,982	22,851	17,380	12,003

\*We collect and report our environmental data from October to September for our core business activities\*. Our emissions are calculated in line with the Greenhouse Gas Protocol using the 2019 emission factors provided by the Department for Education, Food and Rural affairs (DEFRA). The emissions were calculated by our external sustainability partner, EcoAct. Please see Annual Report for full Carbon Emissions disclosure



# The impact of our operations: progress against our targets

We have set ourselves ambitious targets for reduction of our internal carbon emissions, to ensure we hold ourselves accountable:

## Key

■ Emissions (tonnes CO<sub>2</sub>e)

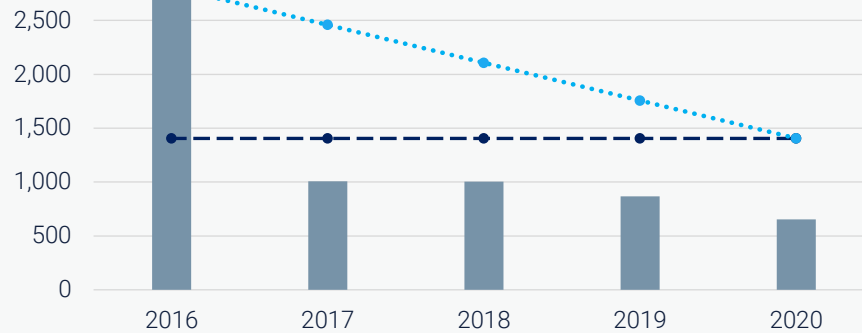
—●— 2025 Target

...●... Progress required to meet target

● Achieved

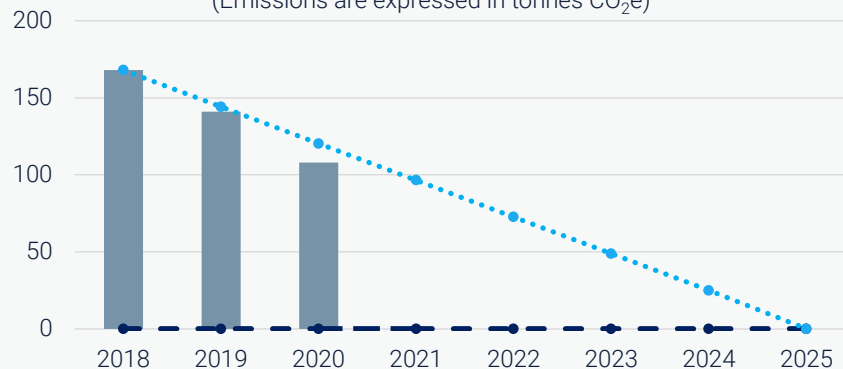
● On track

**Scope 1 and 2 Gross Emissions Progress against 2020 Target**  
(Emissions are expressed in tonnes CO<sub>2</sub>e)



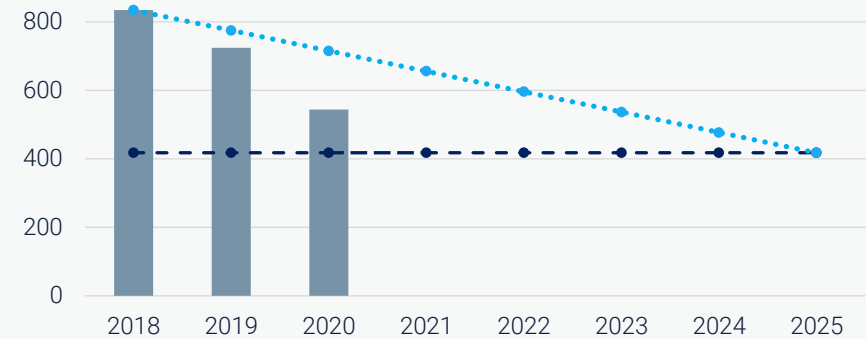
● **Target achieved** by 2017 via procurement of renewable electricity for UK operations.

**Scope 2 Gross Emissions Progress against 2025 Target**  
(Emissions are expressed in tonnes CO<sub>2</sub>e)



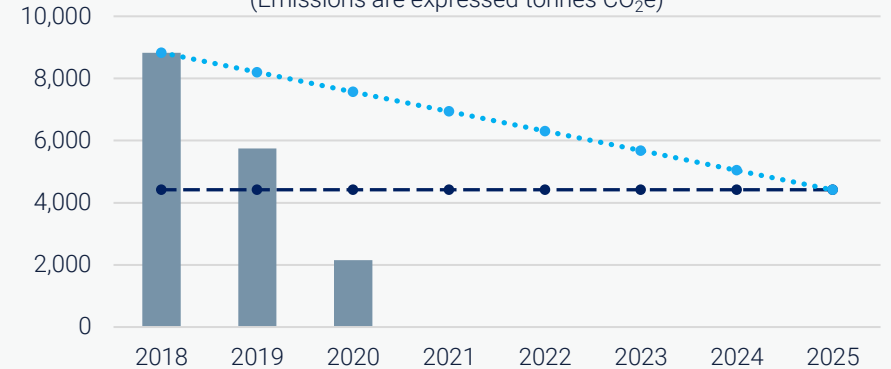
● **On track;** future focus on reducing emissions associated with Asia operations.

**Scope 1 Gross Emissions Progress against 2025 Target**  
(Emissions are expressed in tonnes CO<sub>2</sub>e)



● **On track;** future focus on keeping to reduce emissions by decreasing the amount of fuel in our car fleet.

**Scope 3 Gross Emissions Progress against 2025 Target**  
(Emissions are expressed tonnes CO<sub>2</sub>e)



● **On track;** Emissions significantly reduced both by pro-active changes to business travel policy, and impact of COVID-19. We are choosing to keep this target open to ensure we achieve consistent performance in 2021 and beyond.

# The impact of our investment proposition

We utilise Weighted Average Carbon Intensity calculations to measure the impact of our Portfolios, as it is the key metric recommended by the TCFD framework to measure a portfolio's exposure to carbon-intensive companies.

This metric provides context of carbon emissions against the revenue produced by an investment portfolio, as is expressed in tonnes of CO<sub>2</sub>e / \$ million of revenue.

The average carbon intensity of all our Portfolios is consistently lower than

comparative industry benchmarks.

We have seen reductions in carbon intensity across the majority of our Portfolios since 2019, in line with our increased focus on responsible investing.

## 161

The average our Portfolios have produced in tonnes of CO<sub>2</sub>e per \$1 million of revenue earned\*

**St. James's Place Portfolios 2020 Carbon Intensity\*\* (CO<sub>2</sub>e per \$m Sales Revenue)**

Immediate Income 165	Prudence InRetirement 151	Balance InRetirement 145	Deferred Income 131	Growth InRetirement 120	Defensive 118
Balanced Income 154	Managed Funds 149	Balanced 142	Conservative 130	Strategic Growth 109	Adventurous 95

Our Immediate Income Portfolio typically has the greatest carbon intensity, due to proportionately higher exposure to utilities, materials and energy sectors.

While certain Portfolios have a comparatively higher carbon intensity (e.g. Immediate Income), our clients typically favour Portfolios with a medium risk profile, and are focused on long-term financial goals, such as our Managed Funds Portfolio.

See [page 23](#) for details on how we plan to monitor our portfolios in 2021.

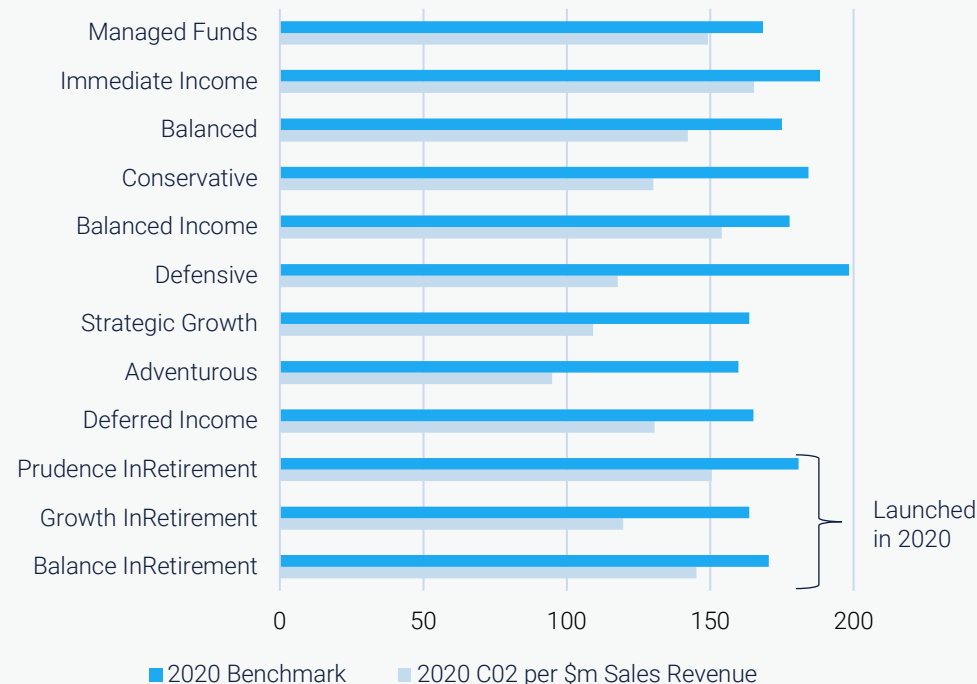
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# The impact of our investment proposition

We provide regular information on the carbon emissions associated to our investment propositions, via our Portfolio Carbon Emissions report, published quarterly. The latest report can be found [here](#), and provides detailed analysis across our portfolios.

## How does the carbon intensity of our portfolios compare to industry averages?

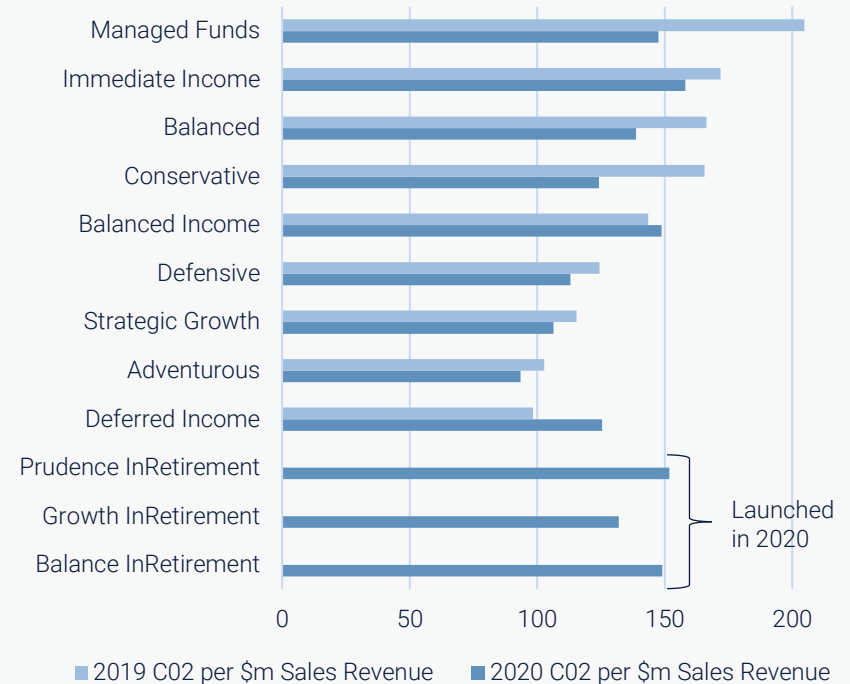
2020 Carbon Intensity versus Benchmark\*



Carbon Intensity is on average consistently lower than industry benchmarks\* across our portfolios

## How is the carbon intensity of portfolios changing over time?

Carbon Intensity, 2019 versus 2020\*\*



In addition, the activity of our Responsible Investments team is producing year on year reductions across many of our portfolios

\*Benchmarks calculated by MSCI ESG Research LLC 2020 and 2020 values calculated based on Weighted Average Carbon Intensity as of 30/09/2020  
 \*\*Weighted Average Carbon Intensity Values calculated based on data points as of 31/10/2019 and 30/10/2020

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# The impact of our investment proposition

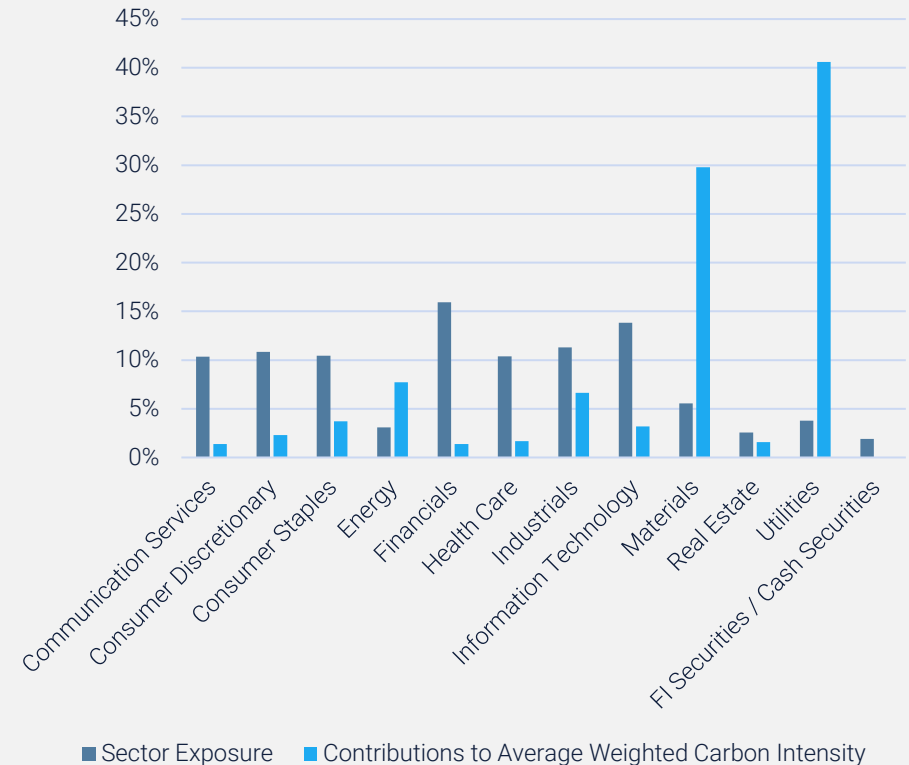
We also assess the carbon intensity of our Portfolios at a sector-level, to understand the greatest drivers of emissions.

This sector level analysis is captured in terms of tonnes of CO<sub>2</sub>e produced per \$1 million of revenue produced, as well as each sector's proportionate contribution in percentage terms.

While our Portfolios contain a diverse range of sectors, minimising our concentration risk to significant climate-related events, our exposure to carbon-related assets is mostly driven by investments in utilities, materials and energy:

- The diverse nature of our Portfolios means that sector contributions to our overall Portfolios are relatively balanced; the highest sector contribution is financials at 16%.
- In contrast, sector contributions to our overall carbon intensity are dominated by certain industries.
- For example, the Utilities sector only contributes 4% of net asset value, but provides 41% of the company's exposure to carbon-related assets.
- This is to be expected, due to the carbon-intensive nature of certain sectors; but St. James's Place continually monitors its exposure and explores opportunities to identify potential reductions, while also ensuring appropriate diversification of our Portfolios. We regularly engage with our fund managers to set targets and support carbon emission reduction across our Portfolios.

**Overall Portfolio sector exposure versus contribution to Carbon Intensity**



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## Our forward-looking plans



Our recent commitment to the Net-Zero Asset Owner Alliance (NZAOA) will drive our long-term targets for carbon intensity, via our ambition to transition our investments to net-zero GHG emissions by 2050.

We will set interim five-year targets and intend to develop a plan for meeting these objectives throughout 2021.

# Glossary

Term	Description	Reference
Acute risks	Risks arising from increased severity of extreme weather events, such as cyclones, hurricanes, or floods	<a href="#">Link</a>
Business for nature	Global coalition bringing together influential organisations and forward-thinking businesses. The goal of the coalition is to demonstrate business action and amplify a powerful business voice calling for governments to reverse nature loss. At St. James's Place we became signatories to the Business for nature in 2020	<a href="#">Link</a>
Carbon intensive	Processes that have a high carbon footprint in relation to their economic importance. According to the TCFD carbon-related assets refer to assets tied to energy and utilities sectors under the Global Industry Classification Standard, excluding water utilities and independent power and renewable electricity producer industries	<a href="#">Link</a>
CO <sub>2</sub> e	Carbon dioxide equivalent; standard term for describing different greenhouse gases in a common unit	
CDP	Carbon Disclosure Project; a not for profit charity that sets out disclosure expectations for investors, firms, cities and states in reporting their environmental impact	<a href="#">Link</a>
Chronic risks	Risks arising from longer-term shifts in climate patterns (e.g. sustained higher temperature) that may cause sea level rise or chronic heat waves	<a href="#">Link</a>
Climate risk	Risks created by a range of hazards caused by climate change. Some are slow in their onset (such as changes in temperature and precipitation leading to droughts, or agricultural losses), while others happen more suddenly (such as tropical storms and floods)	<a href="#">Link</a>
Corporate Responsibility	The United Nations Industrial Development Organisation defines Corporate Responsibility, or CSR, as a concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.	<a href="#">Link</a>
Environmental, Social and Governance (ESG)	Framework for measuring the sustainability and societal impact of an activity, investment or business. These elements are defined as follows: 1) Environment: Defined as the impact of business activity on wider environment, including climate change 2) Social: Defined as the factors will arise in the relations between a company and its internal and external stakeholders 3) Governance: Defined as the approach to ensuring responsibility, transparency and accountability within firms	<a href="#">Link</a>
First line	Part of the business that has the responsibilities to manage risks in their day-to-day role. The first line of defence owns and manages the operational risks and controls in business operations	N/A
Greenhouse gases (GHGs)	Greenhouse gases are gases that trap heat in the atmosphere. The main GHGs in the Earth's atmosphere are: Carbon dioxide (CO <sub>2</sub> ), Methane (CH <sub>4</sub> ), Nitrous oxide (N <sub>2</sub> O) and Fluorinated gases	<a href="#">Link</a>

Term	Description	Reference
Significance	Assessment of the consequences for a business if a risk event is realised	N/A
Legal risks	Risks arising from an increase in climate-related litigation, such as claims being brought before the courts by property owners, municipalities, states, insurers, shareholders, and public interest organisations. Reasons for such litigation include the failure of organisations to mitigate impacts of climate change, failure to adapt to climate change, and the insufficiency of disclosure around material financial risks. As the value of loss and damage arising from climate change grows, litigation risk is also likely to increase	<a href="#">Link</a>
Likelihood	Probability of occurrence of an impact	N/A
Market risks	Risks arising from the ways in which markets could be affected by climate change, one of the major ways is through shifts in supply and demand for certain commodities, products, and services as climate-related risks and opportunities are increasingly taken into account	<a href="#">Link</a>
MSCI ESG ratings	Measures that help investors to identify environmental, social and governance (ESG) risks and opportunities within their portfolio. MSCI researches and rates companies on an 'AAA' to 'CCC' scale according to their exposure to industry specific ESG risks and their ability to manage those risks relative to peers	<a href="#">Link</a>
Partnership	Our network of highly experienced financial advisers	
Physical risks	Risks arising from more frequent or severe weather events like flooding, droughts and storms.	<a href="#">Link</a>
Policy risks	Risks arising from policy actions that attempt to constrain actions that contribute to the adverse effects of climate change or policy actions that seek to promote adaptation to climate change. Some examples include implementing carbon-pricing mechanisms to reduce GHG emissions, shifting energy use toward lower emission sources, adopting energy-efficiency solutions, encouraging greater water efficiency measures, and promoting more sustainable land-use practices	<a href="#">Link</a>
Reputation risks	Risks arising from changing client or community perceptions of an organisation's contribution to or detractor from the transition to a lower-carbon economy	<a href="#">Link</a>
Responsible investment	Responsible Investment is defined by the Principle for Responsible Investment (PRI) as a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership. At St. James's Place we formalised our Responsible Investment Committee in 2016	<a href="#">Link</a>
Risk management framework	Document that outlined the structures, processes, methodologies and tools to effectively manage the risks faced by an organisation	N/A



# Glossary

Term	Description	Reference
Scenario analysis	Method for developing strategic plans that are more flexible or robust to a range of plausible future states. Given the importance of forward-looking assessment of climate risk, the TCFD believes that scenario analysis is an important and useful tool for organisations to use both for assessing potential business implications of climate-related risks and opportunities and for informing stakeholders about how the organisation is positioning itself in light of these risks and opportunities	<a href="#">Link</a>
Scope 1 emissions	Direct emissions from owned or controlled sources. At St. James's Place we calculate these emissions as the direct emissions associated with our offices and the vehicles that we own and we report them in line with the GHG protocol and Streamlined Energy and Carbon Reporting (SECR) standards as part of our annual report	<a href="#">Link</a>
Scope 2 emissions	Indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. At St. James's Place we calculate these emissions as the emissions we produce via the electricity that we purchase and we report them in line with the GHG protocol and Streamlined Energy and Carbon Reporting (SECR) standards as part of our annual report	<a href="#">Link</a>
Scope 3 emissions	Indirect emissions that occur in a company's value chain. At St. James's Place we calculate these emissions in two parts. Firstly, the emissions created via upstream activity such as business travel and waste generated. The second element of Scope 3 looks at the downstream impact of our business, such as those linked to assets owned by St. James's Place. At St. James's Place we report these emissions in line with the GHG protocol and Streamlined Energy and Carbon Reporting (SECR) standards as part of our annual report	<a href="#">Link</a>
Second line	Part of the business responsible for setting policy and oversight of risk. They are empowered to challenge risk management, using specialist risk knowledge, as well as subject matter expertise to ensure stronger risk management outcomes for the Group.	N/A
Sustainable Development Goals (SDGs)	The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. 17 SDGs have been defined by the United Nations that are integrated. This is because action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability	<a href="#">Link</a>

Term	Description	Reference
Task Force for Climate-related Financial Disclosures (TCFD)	The Task Force on Climate-Related Financial Disclosures (TCFD) is an organisation that was established in December of 2015 with the goal of developing a set of voluntary climate-related financial risk disclosures which can be adopted by companies so that those companies can inform investors and other members of the public about the risks they face related to climate change. The organisation was formed by the Financial Stability Board (FSB) as a means of coordinating disclosures among companies impacted by climate change. St. James's Place has been a signatory to the TCFD since 2019	<a href="#">Link</a>
Third line	Part of the business that comprises of Internal Audit, which independently assures the adequacy and effectiveness of the Group's risk management framework and individual risk processes	N/A
Three lines of defence	Industry standard which helps to articulate the risk management roles and responsibilities of individuals across the Group by creating three independent lines that react with and manage risks differently	N/A
Transition risks	Risks that can occur when moving towards a less polluting, greener economy. Such transitions could mean that some sectors of the economy face big shifts in asset values or higher costs of doing business	<a href="#">Link</a>
UK Stewardship Code	Code that sets stewardship standards for Asset Owners and Asset Managers with significant focus on ESG issues. It is a requirement for organisations like St. James's Place to report annually on stewardship activity and its outcomes, with significant focus on ESG issues. FCA-regulated asset management firms require to disclose their commitment to the code or their alternative investment strategies. At St. James's Place we became signatories to the UK Stewardship Code in 2018	<a href="#">Link</a>
United Nations (UN) Global Compact	Voluntary initiative based on CEO commitments to implement universal sustainability principles and take steps to support United Nations goals. At St. James's Place we became signatories to the UN Global Compact in 2020	<a href="#">Link</a>
United Nations-convened Net-Zero Asset Owner Alliance (NZAOA)	Group of investors that aim to deliver commitments to transition their investment portfolios to net-zero Green House Gas emissions by 2050. This will ensure that investors' portfolios will be aligned with a 1.5°C scenario, addressing Article 2.1c of the Paris Agreement. At St. James's Place we became signatories to the UN NZAOA in 2020	<a href="#">Link</a>
Principles for Responsible Investment (PRI)	World's leading proponent of Responsible Investment. It has two key objectives: 1) To understand the investment implications of environmental, social and governance (ESG) factors 2) To support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. At St. James's Place we became signatories to the PRI in 2018	<a href="#">Link</a>
WTT	Well to Tank; accounting for emissions produced in own supply chain	<a href="#">Link</a>



ST. JAMES'S PLACE

[www.sjp.co.uk](http://www.sjp.co.uk)

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