

**St
James's
Place**



Our approach to responsible investment

Helping clients achieve financial wellbeing in a world worth living in.

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Contents

03	Who we are	04	Our responsible business framework	05	Net zero
06	What is ESG?	07	ESG in action	08	Climate change
09	Risk and opportunities	10	Our investment proposition	11	Asset classes
12	Selection of fund managers	13	Monitoring	14	The Sustainable & Responsible Equity fund
15	Discretionary managed service	16	Engagement	17	Engagement - Robeco
18	Listening to our clients	19	Our governance		



Responsible investing is a defining characteristic of our investment approach and is an important component in creating long-term value for our clients.

Here we share how we evaluate our fund managers' processes across the spectrum of environmental, social and governance (ESG) factors.

Incorporating responsible processes into our investment decision making provides the opportunity for us to use money as a force for good, and crucially, it makes investment sense.

Sam Tuner
Head of Responsible
Investment, SJP

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Who we are

We are a FTSE 100 financial advice business 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 advice businesses.

Every client has different needs and aspirations, so we offer personalised advice that covers financial, investment and tax planning, designed for specific life stages and goals.

Responsible investing is no longer solely of interest when considering the effect our money has on the environment, society and corporate governance; it also makes financial sense.

The way a company approaches these issues plays a significant role in its long-term prospects and appeal to its investors, suppliers and customers.

As guardians acting on behalf of our clients, we recognise our responsibility to drive long-term positive change.

Proud to be members of:



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

Signatory of:



Principles for
Responsible
Investment



Signatory of:
**STEWARDSHIP
CODE | 2021**

2022

- ◆ Implemented an exclusions policy preventing exposure to controversial weapons and companies breaching United Nations' human rights standards
- ◆ Approved into the UK Stewardship Code

2021

- ◆ Joined Institutional Investors Group on Climate Change
- ◆ Joined Climate Action 100+
- ◆ Partnered with engagement specialists Robeco

2020

- ◆ 100% of fund managers are PRI signatories
- ◆ Publication of first Portfolio Carbon Emissions Report
- ◆ ESG added to Investment Committee's responsibilities
- ◆ Joined Net-Zero Asset Owner Alliance

2019

- ◆ Responsible Investment team formalised
- ◆ Signed up to the Task Force on Climate-related Financial Disclosures (TCFD)

2018

- ◆ Signed up to the Principles for Responsible Investment (PRI)
- ◆ Launch of Sustainable & Responsible Equity fund

2016

- ◆ Responsible Investment Committee formalised
- ◆ Adoption of Responsible Investing policy

2014

- ◆ Responsible investment assessments initiated for all fund managers

Our Responsible Business Framework

We are committed to being a leading responsible business, embedding responsible and sustainable decision making in all that we do.

- ◆ Enable financial wellbeing for our clients, our people and our communities
- ◆ Lead the conversation on investing responsibly



- ◆ Take action on climate change
- ◆ Give back to support local communities and regeneration

[Read more](#)



As of March 2022, we are MSCI AAA-rated

Net zero

We're committed to tackling climate change and, in line with the global effort to reach net zero by 2050, have set a series of ambitious targets to become net zero across our business.

1 We'll be climate positive in our operations by 2025

Our operations are already carbon neutral; however, through actions such as identifying and improving emission hotspots, climate change education, and improved carbon offsetting, we aim to be carbon positive by 2025.

2 We'll support our Partners to become net zero by 2035

With over 2,500 practices our Partners contribute 0.5% towards our carbon emissions. Through efforts such as education and discounts, we'll look to help reduce this to zero. We'll track and celebrate Partners making great progress and will offset any residual emissions after 2035.

3 Our supply chain will be net zero by 2035

Our supply chain contributes 5% towards our carbon footprint. Over time, working with our suppliers, and sharing best practices and case studies we will reduce this to zero by 2035.

4 We'll be net zero in our investments by 2050

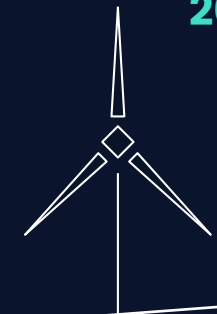
By far the largest contributor to our carbon footprint comes from our investments. We are looking to reduce this to zero by 2050 in a measured way that helps provide a level of financial resilience. A starting point is to reduce the carbon footprint of our investments by 25% from where we were at the end of 2019. This will be done by working with our fund managers and Robeco to engage with companies to drive real world change. We will use our size and influence to support others to come together to act on climate change. An example of this which were the changes to our Global Equity fund, which now seeks to emit around half of the amount of carbon compared to its relevant benchmark.

◆ **Operations** **2025**
Climate positive by

◆ **Supply chain** **2035**
Net zero by

◆ **Partnership** **2035**
Net zero by

◆ **Investments** **2050**
Net zero by



You can find more information about our approach to climate change in our [Approach to Climate Change document](#).

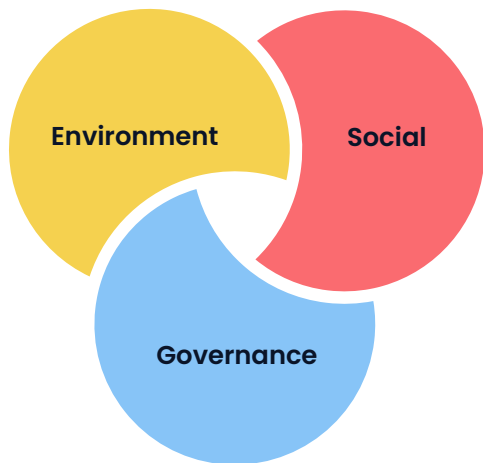
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What is ESG?

Increasing our consideration of environmental, social and governance (ESG) issues helps us better assess a company’s long-term risks, opportunities, and the consequences of their activities on the world.

Responsible investing is not new. The need to reduce waste, be more efficient, and treat employees, customers and the wider community well have always been fundamental to good business practice.

Responsible investing is about considering the global impact businesses have on the world and people around them. We discuss our expectations and agree on appropriate guidelines on ESG factors with our fund managers.



Environment



Climate change



Energy efficiency



Biodiversity



Waste



Water

Social



Human rights



Community impact



Employee well-being



Supply chain management

Governance



Board diversity and independence



Executive pay



Anti-corruption and anti-bribery



Reporting and transparency



As we transition to a sustainable, low carbon economy, the consideration and evaluation of ESG factors is a crucial component of responsible investment.

Petra Lee
Responsible Investment
Consultant, SJP

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ESG in action

Considering ESG factors is a priority for all our fund managers.

Our fund managers continually assess whether the businesses in which they invest are making considered judgements on all relevant ESG risks.

Because world events can affect how companies perform, our fund managers also consider how global ESG factors can influence the businesses in which they invest, both now and over the long term.

Companies affect the world



Adverse impacts

Such as:

- ◆ When an oil company extracts fossil fuels, the fuel is burnt and contributes to greenhouse gas emissions and increased global temperatures

Sustainability risks

Such as:

- ◆ An extreme weather event causes an oil rig to malfunction
- ◆ Changes in demand, quotas or regulation could restrict a company's operations or profitability



The world affects companies

Climate change

Of all the compelling ESG factors, climate change is our pivotal area of focus, as we believe it requires a seismic shift in the global economy.

Many governments have set legally binding targets to reach net zero carbon emissions by 2050. This transition to a low-carbon economy will create opportunities and risks for companies as they strive to change.

A company's attitude to change, and its ability to do so economically, is something our fund managers consider in their decision making. All investment decisions based on climate change are explicitly monitored through our annual manager assessment.

In our Portfolio Carbon Emissions Report, which can be found on our [Responsible Investing](#) page, we disclose the total carbon emissions of the companies in each of our portfolios. We also publish, under [Environment](#), our annual Task Force on Climate-related Financial Disclosures (TCFD) report. This explains our commitment to incorporate climate-related risks and opportunities into our risk management process.

Physical risks of climate change

Acute

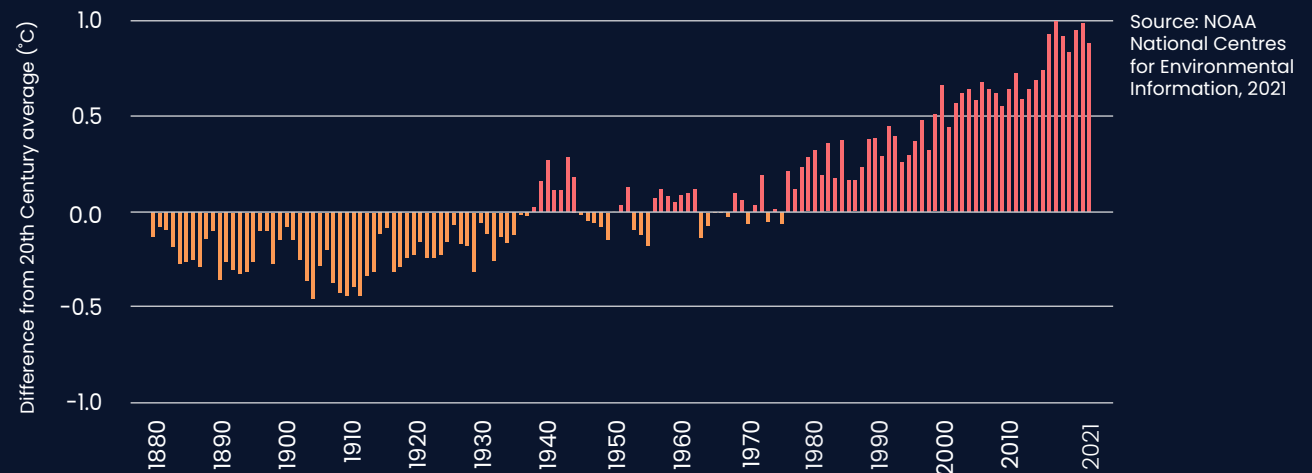
Event-driven crisis can result from increased severity of weather events such as cyclones, hurricanes and floods.

Chronic

Long-term shifts from increasing temperatures include rising sea levels and areas becoming uninhabitable.

Average global surface temperature, 1880 – 2021 (°C)

The five warmest years since records began in 1880 have all occurred since 2015.



Members of Net-Zero Asset Owner Alliance

The Net-Zero Asset Owner Alliance (NZAOA) uses the collective voice of those managing over \$10.8 trillion of assets to encourage large companies to reduce how much carbon they emit. As members of the NZAOA, we have made a public commitment that our investment portfolios will be carbon neutral by 2050, if not sooner.

Risk and opportunities

The nature of ESG risks and opportunities that companies face will depend on many factors, such as their location, the materials they use, and how they manufacture their products and services.

Our external fund managers consider all factors that are materially relevant to the industries and companies in which they invest.



Risks of transitioning:

Market & reputation

The mismanagement of ESG factors can lead to reputational damage, a reduced client base, and a decrease in demand. In recent years, companies with poor ESG practices have suffered increasingly from this type of risk.

Policy & legal

The introduction of ESG laws and regulations can alter business practices, profitability and company viability.

Technology

Although potentially reducing environmental risks and improving working conditions, introducing new technology can disrupt production and services.



Opportunities:

Brand & reputation

Companies with solid ESG credentials are likely to benefit from increased client loyalty and enjoy a strong reputation with stakeholders.

Resource efficiency

Improving production and distribution efficiency can save costs and reduce environmental damage.

Products & services

Organisations pro-actively seeking innovation to address social or environmental issues could be better positioned for the global economy of the future.

Resilience

Companies adapting to change, effectively managing risks and seizing opportunities, are more likely to survive our global economy's changing needs.



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

Our investment proposition

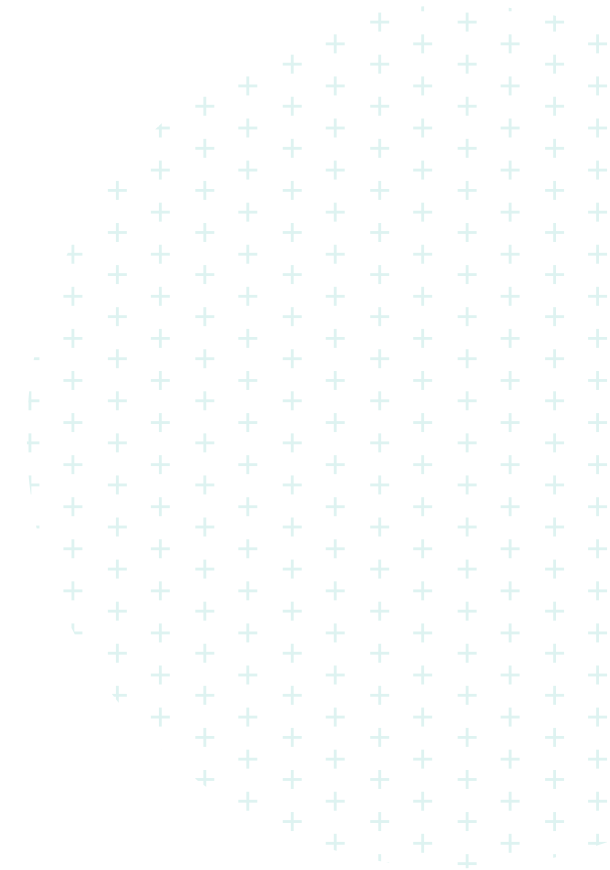
We know everyone's financial journey is different. Our proposition has always been clear: provide financial advice tailored to our clients' objectives and be there to review and adapt it over time.

As we live longer, planning for 100-year lifetimes could become crucial to securing financial wellbeing in a world worth living in. For many clients, thinking about how their investments support ESG issues is increasingly important when considering their goals.

Companies are increasingly measured not only on their value, but also on the impact they have on the world. And our changing world also has an impact on how these companies operate and perform. Our fund managers understand this changing landscape, investing in companies that will stand tall and deliver better outcomes over the decades to come.

Understanding how companies approach environmental, social and governance (ESG) factors is integrated throughout our decision-making process. It's central to how we identify future investment risks and opportunities.

To meet this need, we continue to evolve our services to provide a range of solutions specific to client needs, goals and beliefs.



Asset classes

How a fund manager can drive company change differs according to the asset class held within the fund.

For the purposes of focusing on responsible investment, we have grouped asset classes into three categories. Each category has a different method of enacting change as well as different risks and opportunities for consideration.

We have developed responsible investment assessments appropriate to each asset class so we can conduct more accurate appraisals, set explicit expectations and provide support to the fund manager.

Our monitoring process includes an annual responsible investment assessment. This is completed by every fund manager and is specifically tailored to the asset class held in the fund. Failure of a fund manager to meet our standards of responsible investment can be a reason for us to terminate the relationship.

Equities

Share ownership entitles the fund manager to vote at company meetings on topics raised by the company board. These include ESG issues, director pay increases and company strategy.

The ongoing engagement and influence the fund manager has with a company can directly alter its long-term direction.

Fixed income

Fixed income assets provide loan capital to large companies and governments in return for known interest payments.

With less opportunity for influence once the debt is in place, fund managers exert their influence when undertaking their initial due diligence. ESG standards of the company, or issuing nation, and time horizon are important considerations.

Other assets

For other asset classes, including cash and alternatives, the most relevant information is often more nuanced.

Selection of fund managers

The way we select, monitor and change fund managers is a distinctive feature of our investment proposition and it has guided our business for many years.

Our global research process helps us pick from the world's leading fund managers and assess their investment approach. All external fund managers must treat responsible investing as seriously as we do, and adopt the high expectations we set.

Before selecting a fund manager, we ask them to prove that they have an established code of conduct for responsible investing.

This includes:

- ◆ Being a signatory to the Principles for Responsible Investment (PRI)*
- ◆ Naming an accountable individual to implement responsible investing in all investment decisions
- ◆ Having an ongoing commitment to improve responsible investing integration and engagement
- ◆ Submitting their responsible investing policy to our Investment Committee for review
- ◆ Making ESG commitments in our legal agreements

100%

All of our core fund managers are signatories of the PRI.

Changing fund managers in our Global Equity fund

During 2021, we made substantial alterations to our Global Equity fund. We've committed to achieving net zero across our portfolios by 2050. A key objective for this fund is to reduce exposure to ESG while retaining a diverse pool of global equities.

From approximately 40 potentially suitable fund managers, we shortlisted eight from whom we requested more information. Ultimately, we appointed three fund managers, having agreed that a range of different approaches would be appropriate for a fund totalling £14bn. The new structure notably reduced the fund's carbon intensity without compromising on diversification or returns.

* In the unforeseen event of having to appoint a new fund manager at short notice, we would allow them time to become a signatory of the PRI. The length of time allowed will be dependent on the situation. 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.

Monitoring

Since 2014, we have undertaken a dedicated engagement programme with all our fund managers to monitor their approach to responsible investment.

Our approach incorporates daily oversight from our team of investment professionals to make sure every fund manager continues to meet their responsible investment objectives.

Our internal analysts monitor trends, as well as any emerging risks and opportunities. These are discussed with fund managers who have responsibility for the investment decisions they make.

Peace of mind

We continuously monitor external fund managers. When needed, we can change managers without additional tax consequences.

Access to expertise

The specialist skills of our investment consultants are not ordinarily available to private investors or other financial advice teams.

Managing risk

We carefully select fund managers for their quality, but we also make sure their investment styles are diversified.

Monitoring focus

Integration

ESG considerations are part of the fund manager's investment process.

Engagement

The ongoing discussion between a company and fund manager on ESG factors.

All our investments are at minimum signatories of the PRI.

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The Sustainable & Responsible Equity fund

The fund invests in a range of companies already well-positioned for the transition to a globalised sustainable world. The fund manager explores a company's character to appraise how they manage ESG risks and plan for the future. Conducting a thorough analysis of how a company combats emergent threats, and seeks competitive advantage, helps the manager judge the opportunity it presents for sustainable growth.



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Discretionary Portfolio Service

We have solutions for clients using our Discretionary Portfolio Service who wish to invest in a portfolio specifically focused on sustainable themes.

ESG Global Portfolios

These portfolios hold funds that have key sustainable themes, alongside the long-term objective of capital growth. Our experts believe that the funds reflect the majority of investors' preferences and values when investing.

The funds in the portfolios are selected after thorough research against all potential investment ideas, and is constantly reviewed against the continuously changing economic and financial landscape.

With our discretionary ESG portfolios, you can relax, safe in the knowledge that your investment portfolio is being handled by experts.

Engagement

Where possible, we prefer engagement over divestment or exclusion.

- ◆ We make sure all engagement is subject to the oversight of our Investment Committee and the SJP Board
- ◆ Our Responsible Investment team provides sophisticated ESG insight and access to appropriate training
- ◆ We set clear expectations and standards for responsible investment for fund managers during our selection process
- ◆ We continuously monitor fund managers to verify they are conducting engagement activity
- ◆ Our controls enable us to remove mandates if fund managers do not meet our expectations
- ◆ We remain in regular contact with our fund managers to discuss activity and share our strategic insight
- ◆ We share our processes and activity, so our clients can be confident in our actions and advocacy
- ◆ We have policies and processes to help manage any conflict of interest

◆
Our funds do not invest in producers of controversial weapons and companies in breach of the United Nations Global Compact principles of controversial behavior.
◆

Our engagement model

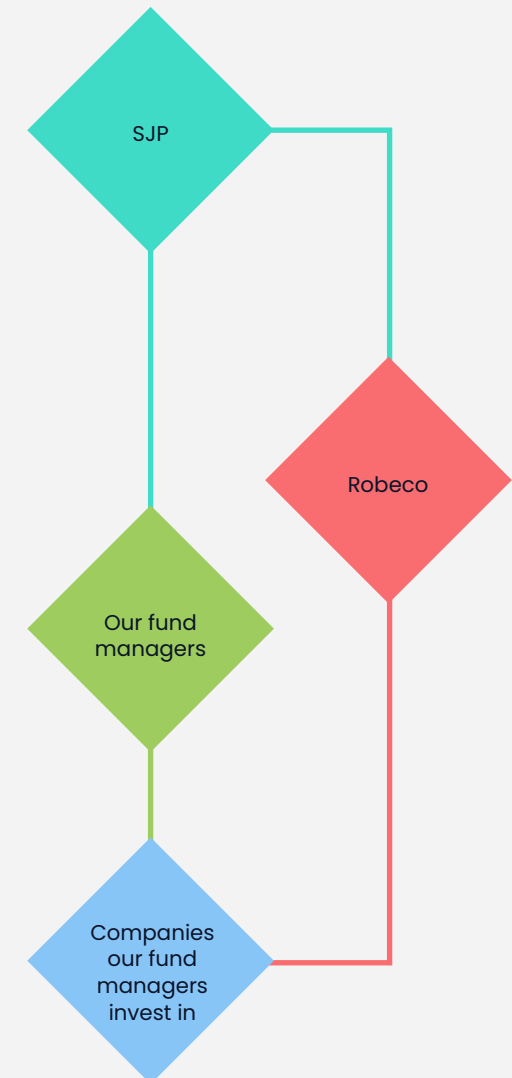
We seek our clients' personal views on responsible investment.

We define responsible investing standards for fund managers. We assess these when selecting and monitoring them. When we see a benefit, we can change managers without additional charges or tax consequences to our clients.

Our fund managers apply their responsible investing expertise to encourage companies to improve their practices.

This is paired with work from our engagement partner Robeco.

Companies invested in are encouraged to improve their practices, driving better outcomes for the client, environment and society.



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Engagement – Robeco

In 2021, we appointed Robeco as our engagement partner, on the strength of their world-leading credentials in responsible investment.

With over 20 years of engagement experience, Robeco supplement the activities of our fund managers by engaging with companies they invest in directly.

How they engage

Robeco run a series of engagement ‘themes’ covering a number of topics, such as bio-diversity and climate change or food security. Each theme tends to last for three years, during which Robeco will work with relevant companies.

Robeco produces quarterly reports outlining some of the work they’ve done on our behalf. These reports give examples of where a real difference has been made, and can be found on the [Responsible Investing](#) section on our website.

Case study – Robeco’s engagement to improve food security

With almost 1.4 billion people to feed, amounting to 17% of the global population, a significant proportion of India’s inhabitants are undernourished.

Robeco engaged with a large agricultural machinery manufacturer to prioritise research and development funds into the innovation of tractors that will improve farm productivity in low-and middle-income countries. As a result, the company managed to adapt its conventional tractors, of between 20-35 horsepower. These service the needs of smallholder farmers, increasing the provision of food in the food insecure region.

Source: worldpopulationreview.com, Nov 2021

Robeco’s engagement process



Listening to our clients

As guardians of our clients' wealth, we continually refine our approach as both our world and the focus on responsible investment changes around us.

After listening to our clients, we have:

- ◆ Integrated responsible investing standards across our whole range of investment solutions
- ◆ Published the carbon emissions of all our Portfolios / Managed Portfolio Funds
- ◆ Held responsible investing webinars with our client community
- ◆ Offered a choice of paperless Wealth Account statements
- ◆ Hosted virtual meetings and webinars to help with understanding our responsible investing approach
- ◆ Created personalised solutions to meet client-specific responsible investment goals

74%

of clients believe they have a duty to combat climate change.

93%

of clients agree that companies should be as environmentally and socially responsible as possible.

83%

of clients think it's important for the financial services industry to promote a sustainable world.

76%

of respondents support investment managers persuading other companies to become more sustainable.

Source: The Wisdom Council, 2020. Survey of 2,000+ UK consumers and 114 clients of St. James's Place.

Our focus areas in 2023

- ◆ Working with industry to implement client focused sustainable product labels
- ◆ Developing the proposition to further increase sustainable options for clients
- ◆ Increasing disclosure of specific carbon metrics

Our Governance

We believe everyone makes a difference to the world we live in and the people we live with. Every part of our business strives to support this belief.

We embed the philosophy of responsible investment in our roles wherever possible. Setting ambitious but realistic targets delivers change within our products and how we conduct ourselves as a business. Through advocacy, collective ownership, direct accountability, and ambition we make a material difference to our clients' money and our business.

Responsible investment flows through all levels of our business. Our PLC Board sets the overall vision to guide our Executive Board. This Board then creates the strategy for the initiatives and actions developed around the business. All activity is overseen by our Investment Executive Committee which has ultimate accountability for our responsible investment strategy, across the St. James's Place Group.

Most of St. James's Place International unit-linked funds invest wholly in units from St. James's Place Unit Trust Group unit trusts. While each unit trust is controlled daily by external fund managers, our internal team of experts continually monitor their performance to be confident about achieving their responsible investment objectives.



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SJP

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