St James's Place

Stewardship and Engagement Report 2022

Contents

"We are committed to attracting the very best and most ambitious financial advisers and business owners to the SJP Partnership."

This report demonstrates our commitment to ongoing stewardship and engagement, meets the European requirements of the Shareholders Rights Directive II and will be assessed by the Financial Reporting Council for entry into the UK Stewardship Code in 2023.

Tom Beal

Executive Board Director - Investments

Executive Summary

Last year, we were delighted that the Financial Reporting Council admitted us to the UK Stewardship Code, recognising our efforts to help clients achieve their long-term financial wellbeing through good stewardship.

However, we haven't rested on our laurels over the past 12 months. We know it's always possible to do more. Being good stewards does not have a finish line, and we're always striving to improve.

Therefore, significant time and effort has gone into improving our stewardship role. Notable highlights include implementing our exclusion policy and increasing our focus on integrating climate factors within our data tools and internal team training.

In this report, we provide both a breakdown of how we facilitate good stewardship through our business, and also highlight significant improvements and investments we've made over the course of last year.

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.

About this report

In 2022, we've:

Approach

Benefitted from a responsible investment approach integrated across an Investment Division of more than 300 people.

Education

Launched an online course for Partners and SJP employees. Also hosted a course in collaboration with Imperial College to develop a wider understanding of responsible investing.

Environmental, Social and Governance (ESG) factors

Continued to assess ESG factors, which we've been doing since 2014.

Collaborations

Worked with our peers in TISA, the Investment Association, our fund managers and engagement specialists Robeco.

With these results

We won the **Global Good Company of the Year award** at the **Global Good Awards 2022**

865 engagement activities undertaken

We have been rated **AAA** by the **MSCI**

96.5% Client retention rate (as at December 2022)

100% of our external fund managers remained signatories of the Principles for Responsible Investment

Our fund managers cast **119,637 votes** on behalf of our clients

100% of SJP Portfolios are less carbon intensive than their benchmark

Stewardship timeline over the past five years

2014

- Responsible Investment assessments initiated for all fund managers

2018

- Signatories of the Principles for Responsible Investment
- Launch of Sustainable & Responsible Equity fund

2019

- Responsible Investment Team formalised
- Signatories to the Task Force on Climate-Related Financial Disclosures (TCFD)

2020

- All core fund managers became UN Principles for Responsible Investment (PRI) signatories
- Publication of first Portfolio Carbon Footprint Report
- Responsible Investment added to Investment Committee's responsibilities
- Joined UN-convened NZAOA

2021

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

2022

- Formalised and implemented our exclusions policy, eliminating controversial weapons and unaddressed human rights breaches from all investments
- Created and ran a climate investment education programme in collaboration with Imperial College and Ninety One
- Produced a responsible investing e-learning module for Partners and employees

Principle

Our purpose, strategy & culture

Our purpose, strategy & culture

Our purpose

We exist to give our clients confidence to create the financial future they want. To support this, we've strong values that reflect what we do and how we do it. There are three core values at the heart of our culture:

Doing the right thing

◆

Being the best version of ourselves

◆

Investing in long-term relationships

Our culture

The culture of our organisation conserves and protects all those elements that have helped make us successful today. Our culture supports effective stewardship across our entire business. In particular, doing the right thing and investing in long-term relationships are vital components to ensure we're promoting the right behaviours. All employees are measured against our cultural values.

In order to encourage and reward people who embody our culture, in 2022 we introduced a new impact recognition scheme, as well as a set of 'Impact Awards' for internal staff. These were both designed to help uncover, recognise and celebrate stories about our people demonstrating our values and behaviours. The awards were designed to reward those who have truly embodied our culture over the past year. There were no sales-based awards as these awards were about culture, not financial. Instead, categories included 'Investing in long-term relations,' and 'Unsung Hero Award.'

Our strategy

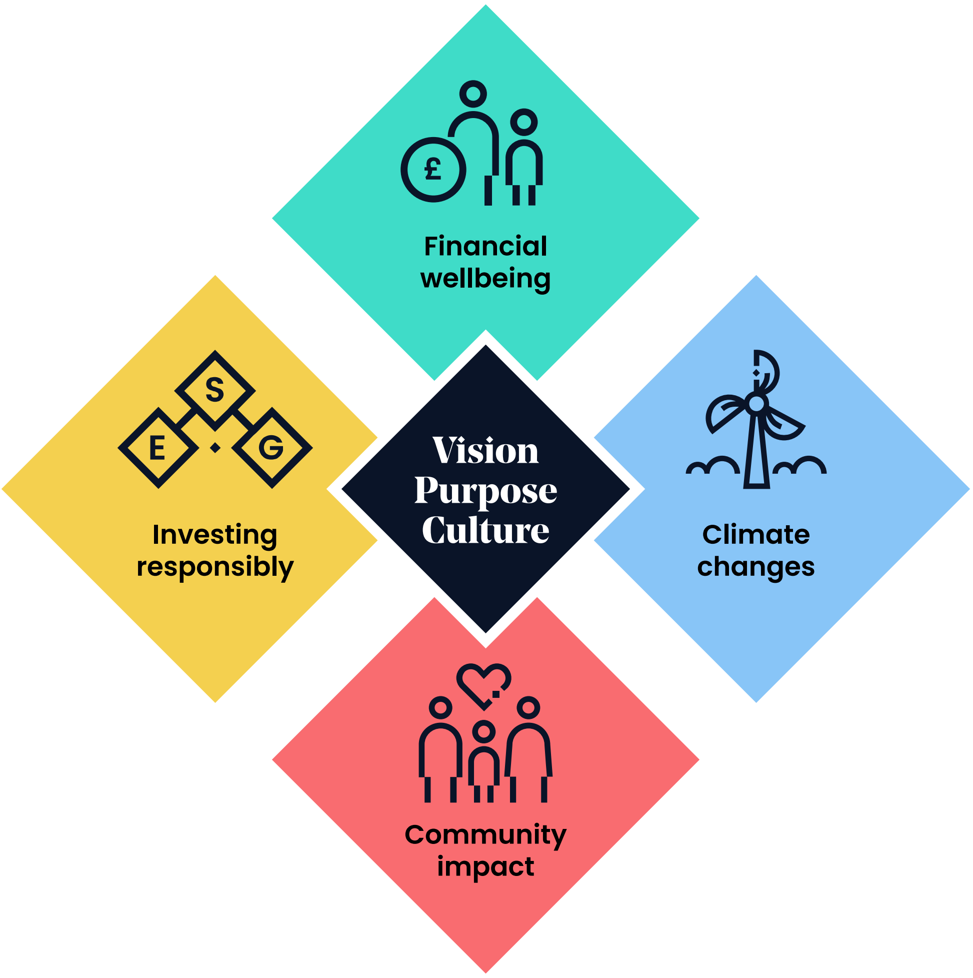
At St. James's Place, we focus our efforts on six business priorities:

1. **Delivering value to Partners and clients through our investment proposition**
2. **Building and protecting our brand and reputation**
3. **Continuing financial strength**
4. **Making it easier to do business**
5. **Building community**
6. **Embedding our culture and being a leading responsible business**

Together with our business model and culture, these business priorities enable us to deliver great client and Partner outcomes which underpin our success as a business. These priorities have also enabled effective stewardship by acting as an important focus and top-down commitment for the business, ensuring the right resource and attention is given to our responsible investment activities.

Taking responsibility

Our ambition is to be a leading responsible business, one that demonstrates positive social and environmental impacts on the world around us. Whilst delivering great client outcomes is central to our culture, we recognise that our responsibilities extend beyond our clients. We have a duty of care to our employees, the Partnership, our shareholders, society as a whole and the planet. Our Responsible Business Framework is made up of the following themes:



This framework was first developed in 2021, and over 2022 we built on these further. Adding specific key performance indicators for each theme, filling in the detail of what they mean, and what we expect of ourselves. Last year we launched a Climate Change Working Group, headed by the Divisional Director for Responsible Business. The Head of Corporate Consultancy, Responsible Business, is accountable for co-ordinating the Group's carbon reduction plans, review environmental performance and agree mandatory and voluntary environmental reporting and disclosures.

Our investment beliefs

Within our Investment Division, we have seven Investment Beliefs. We think of these as our North Star because we embed them in every decision we make.

These Investment Beliefs lay the foundations for how we think about developing our investment proposition. They help us as we look to deliver long-term, stable returns through periods of economic prosperity and difficulty, which is the fundamental purpose of stewardship.

For clients, they also help make the logic behind our investment proposition simpler and easier to understand.

Achieving the right outcome for our clients is the starting point of everything we do

Disciplined research and decision making is the basis of long-term investment success, but not a guarantee of short-term performance

Active management of asset exposure and stock selection can add value

The main driver of investment returns is asset allocation

We should always understand the risks within an investment strategy and try to remove those that we do not intend to take

Responsible investment is key to achieving long-term, sustainable returns and to delivering financial wellbeing in a world worth living in

Diversification between different asset classes and different fund managers leads to improved client outcomes

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.

Embedding responsible investment

Having responsible investment as a key investment belief means that we embed these principles in the way we manage money for our clients. Responsible investment is at the heart of our 2025 investment strategy. Responsible investment is also a key pillar of our investment decision making, where we assess all our external fund managers' approaches to stewardship and wider approaches to responsible investment on an annual basis. We include a fund manager's approach to stewardship as part of our considerations when our Investment Committee decides to either appoint or ultimately terminate relationships. As part of our overarching belief around responsible investment, we advocate our strong preference for engagement and stewardship, as opposed to divesting from companies.

We believe engagement is the most powerful lever we have to maximise our ownership influence, ensure our voice is heard and drive real change.

The size and scale of our investment proposition affords us the ability to make a tangible difference on behalf of our clients. Given our belief in responsible investment and our commitment to stewardship, we are constantly looking at how we might improve. In 2022, we:

- Formalised our exclusion policy, excluding controversial weapons and companies that fail to adhere or act to address issues relating to human rights, labour, environment and anti-corruption as defined by the UN Global Compact from our investment universe.
- Created dashboard and structured engagement for our top emitters.
- Constructed a bespoke Climate Investment Education programme in collaboration with Imperial College and NinetyOne. This programme was for our investment teams, and covered 11 distinct topics, including net zero and climate science.
- Hired our first dedicated climate investment analyst.

More detail on these developments can be found on pages 19, 26 and 42.

We feel our culture provides a stable backdrop from which we can build strong stewardship principles. For more information, see page 9.

We continually seek feedback from our clients through client forums, listening events and engagements, much of which is supported by The Wisdom Council. More information about our mechanism to understand clients views can be found on pages 67-68. We've demonstrated where we have taken on board client feedback. For example, our annual review undertaken to assess our effectiveness at serving the best interests of our clients we undertake an annual assessment of our funds, which we publish as our Value Assessment Statement. In 2022, we also launched the Polaris range which provides a good example of how we implement feedback to serve the best interests of clients.

Case study - Polaris feedback

In November 2022, we launched our Polaris range, designed to sit alongside our Growth Portfolios and InRetirement range of options for clients. As this was a major new launch, we wanted to test our client communications prior to launch. We wanted to ensure these documents worked well as a general introduction to the products and that key messages were understood. We also wanted to check the documents themselves were easy to read, and that people understood why we were adding these products. For this, we used clients from our online community, as well as 29 prospects from The Wisdom Council's proprietary community, The Wise Society. Although the majority of the feedback was positive, it helped us identify areas we could improve for launch. As a result, we created additional pages highlighting the key benefits of the Polaris (and InRetirement) fund range. We also found certain phrases such as 'investment styles' and 'currency hedging' were not well understood. Again, this resulted in us creating additional material for clients to explain these concepts in a simple and easy way to understand. It also helped us better understand what questions clients might ask their Partners, allowing us to better tailor what information we share with them.

"It is clear how Polaris Fund works and who they are for. This is a nice, wide portfolio so a sensible addition to SJP's investment offering, this kind of product is clear and precise and easy to understand so it does appeal to me."

Client feedback

4.9 out of 5

We are proud to be rated 4.9/5* by over 23,000 reviewers who have independently reviewed and rated our Partners on VouchedFor, the top review site for financial advisers.

*Average rating given to 782 St. James's Place advisers across 23,839 reviews on Vouchedfor, December 2022

Principle

Governance, resources & incentives

2

Governance

Governance structure

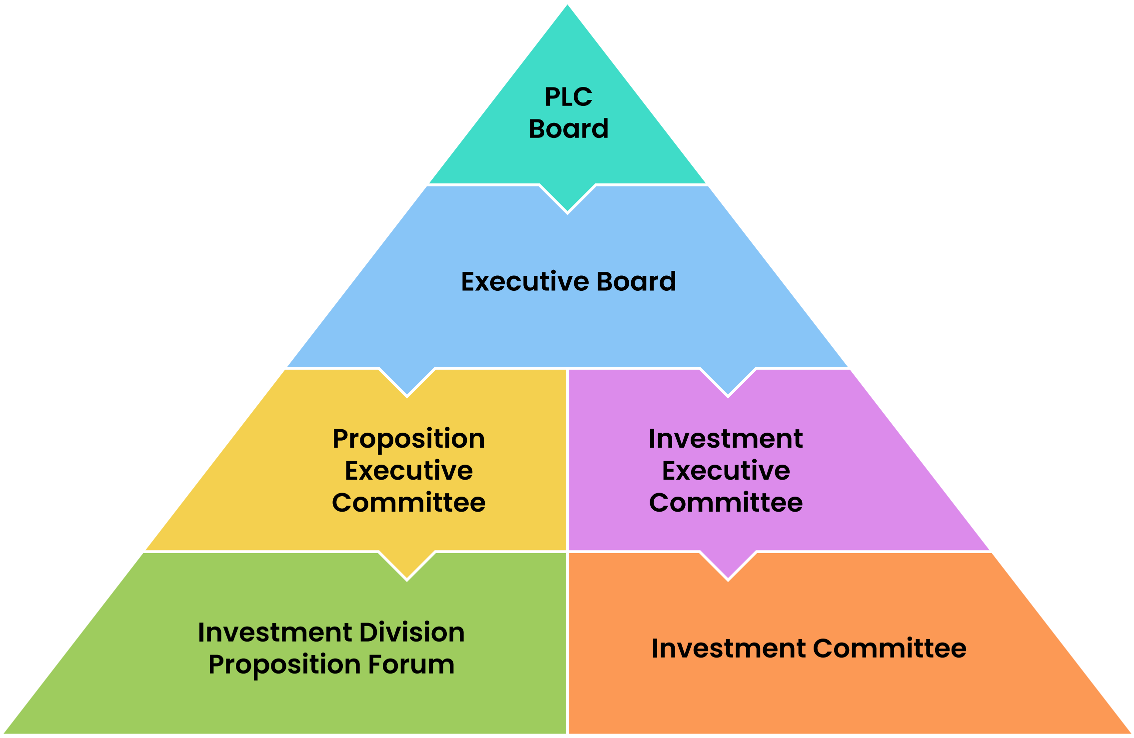
Our governance structure has enabled effective oversight and accountability of our stewardship activities.

Our PLC Board set the overall vision which guides our Executive Board. In 2022, both the Board and the Executive were provided with regular responsible investment reports and analysis and specific subject matter updates. In 2022, non-executive directors sitting on the PLC Board received training on climate scenario testing, while responsible investment KPIs were included in packs sent by our investment director to both Boards, ensuring our approach to responsible investment continues to be appropriate.

Through delegated responsibility from the Executive Board, the Investment Executive Committee has accountability for our responsible investment strategy, ratifying various frameworks and holding our Investment Committee and investment teams to account. The Investment Committee is responsible for implementing our responsible investment frameworks, to ensure controls such as an annual responsible investment assessment of our fund managers are operating effectively within the business (see pages 87-89). To make sure it remains up to date on the topic, in 2022, the committee received an update on an internal audit conducted on work carried out by our responsible investment team. The Proposition Executive Committee and the Investment Division Proposition Forum (IDPF) have oversight and ratify key proposition developments relating to our responsible investment approach. An example of this was our Sustainable Fixed Income fund, which the IDPF approved the development of in 2022.

As part of our key strategic approach to governance oversight, we do not have a stand-alone Stewardship Committee.

As our approach became more integrated, we also removed our Responsible Investment Committee from our investment governance structure. This has enabled more widespread accountability for responsible investment decision making, which has helped embed these principles within wider team decision-making.

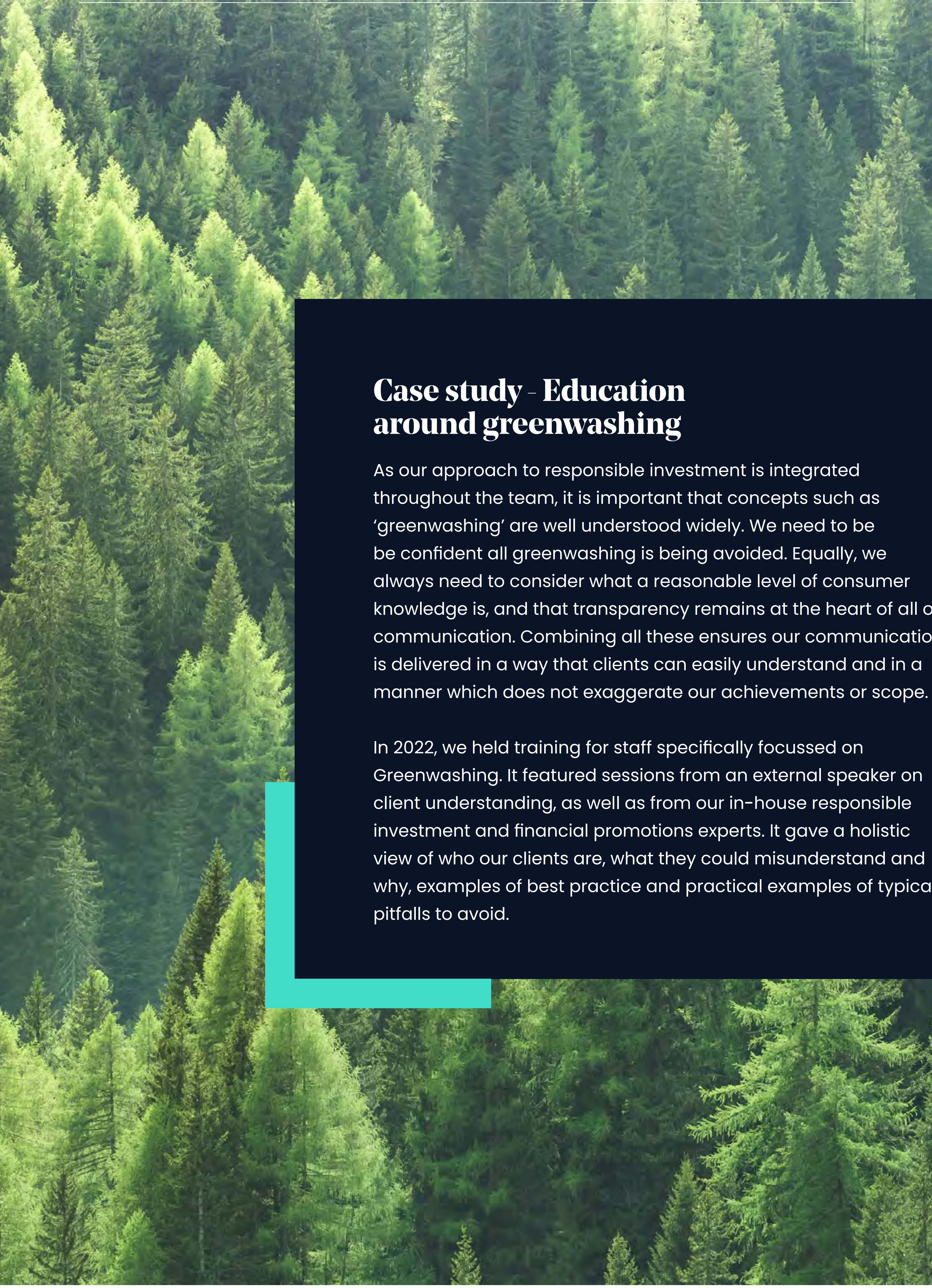


Resourcing our governance approach

We support our people to make effective responsible investing decisions in their roles across our Investment Division, including decisions relating to stewardship. As a responsible business, we also expect teams throughout our organisation to exemplify stewardship in a wider sense in their day-to-day behaviours, as embodied in our cultural values. As outlined on pages 12-13, stewardship and the wider approach of responsible investment is a key pillar of our Investment Beliefs and our 2025 strategy of giving clients the confidence to create the future they want. It is important to us that these approaches are integrated info our operations by having a small, central responsible investment team providing thought leadership and shaping best practice. This team then helps support all other teams across the Investment Division to embed ESG and stewardship principles within their day-to-day roles.

Why have we implemented this structure:

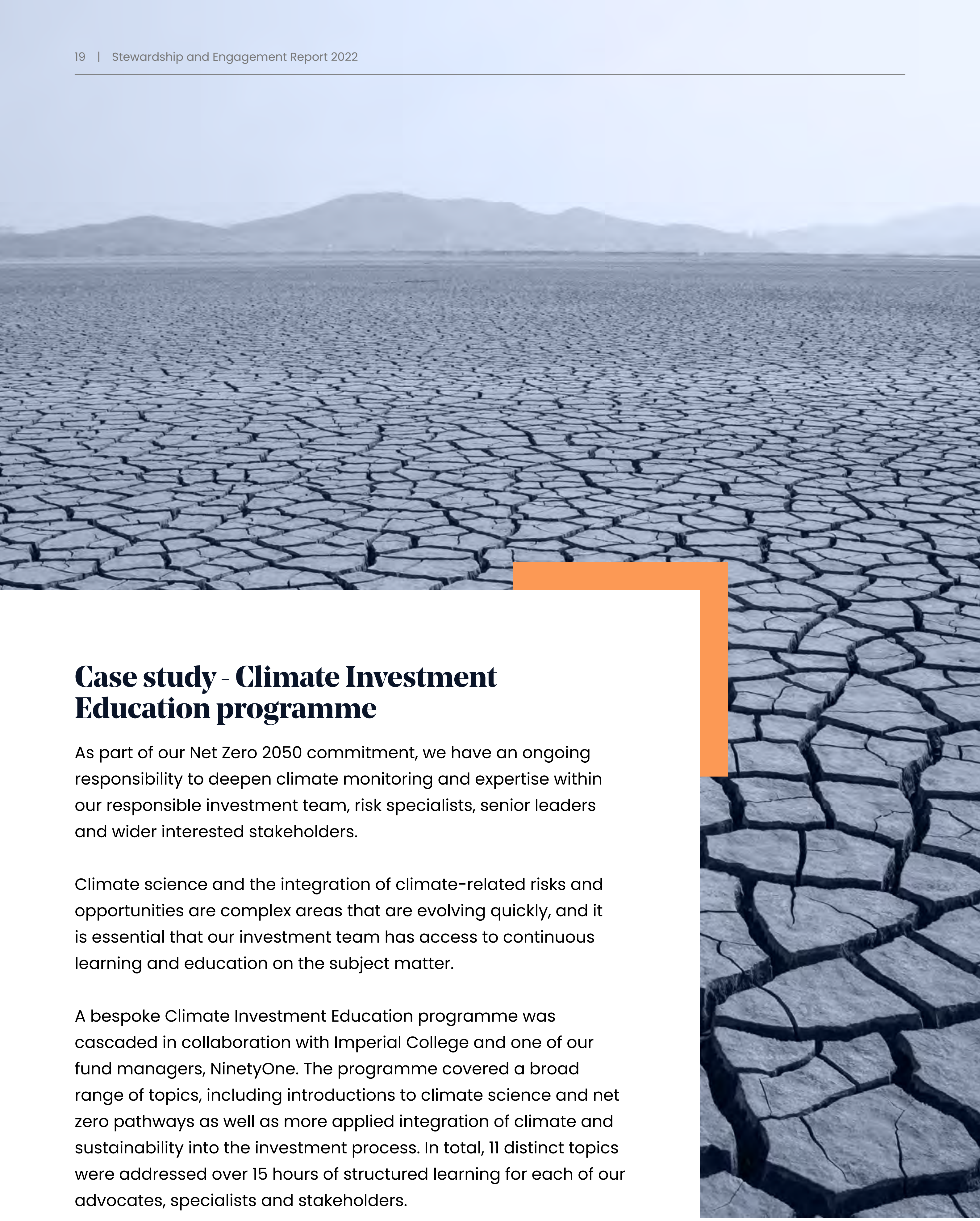
- We believe stewardship isn’t the role of one individual or team, but should be part of all key roles that are responsible for managing our clients’ money, ensuring we are authentic and credible in everything we do.
- An integrated approach allows for a much broader and deeper application of all aspects of responsible investment and stewardship, with local specialists being better placed to make responsible investment decisions than a central team.
- As a Wealth Manager, we believe an integrated approach best suits our business model operationally.



Case study - Education around greenwashing

As our approach to responsible investment is integrated throughout the team, it is important that concepts such as 'greenwashing' are well understood widely. We need to be be confident all greenwashing is being avoided. Equally, we always need to consider what a reasonable level of consumer knowledge is, and that transparency remains at the heart of all our communication. Combining all these ensures our communication is delivered in a way that clients can easily understand and in a manner which does not exaggerate our achievements or scope.

In 2022, we held training for staff specifically focussed on Greenwashing. It featured sessions from an external speaker on client understanding, as well as from our in-house responsible investment and financial promotions experts. It gave a holistic view of who our clients are, what they could misunderstand and why, examples of best practice and practical examples of typical pitfalls to avoid.



Case study - Climate Investment Education programme

As part of our Net Zero 2050 commitment, we have an ongoing responsibility to deepen climate monitoring and expertise within our responsible investment team, risk specialists, senior leaders and wider interested stakeholders.

Climate science and the integration of climate-related risks and opportunities are complex areas that are evolving quickly, and it is essential that our investment team has access to continuous learning and education on the subject matter.

A bespoke Climate Investment Education programme was cascaded in collaboration with Imperial College and one of our fund managers, NinetyOne. The programme covered a broad range of topics, including introductions to climate science and net zero pathways as well as more applied integration of climate and sustainability into the investment process. In total, 11 distinct topics were addressed over 15 hours of structured learning for each of our advocates, specialists and stakeholders.

Emissions measured against end-2019 emissions as a baseline. Commitment is inclusive of equity, real estate and publicly listed corporate debt only. Rowan Dartington assets are excluded.

Meet our responsible investment team

To provide subject matter guidance and expertise on stewardship, we have a dedicated responsible investment team, which drives change from within and provides support where needed. They work closely with all levels of the company – including setting strategic investment direction at the Investment Executive Committee and developing our proposition to offer holistic responsible investing solutions. They also provide subject-matter expertise for the oversight of fund manager responsible investment decision making processes; communicating our approach to all aspects of responsible investing for partners and clients; and engaging with industry bodies to develop client-focused solutions.

Key members of the responsible investment team:

Sam Turner

Head of Responsible Investment & Proposition Strategy

Sam joined the graduate scheme at St. James's Place in 2016 after earning his first-class honours degree in Economics and Business from Cardiff University. He became well-known within the Investment Division for his work ethic, approachable manner, strategic thinking and appreciation of responsible investing. Whilst doing this he has also studied for a master's degree in Wealth Management and joined the responsible investing team full time in 2018. He now heads up the team, providing direction, energy and passion.

30+ years experience collectively

in areas of financial advice, responsible investment and data analysis for our Responsible Investment team.

Petra Lee

Responsible Investment Consultant

Petra started her financial services career as a financial adviser wanting to help everyday people become financially secure and understand the products they purchased. She continually sought to improve client outcomes by adding enthusiasm and honesty to several propositional, advice and compliance roles, before joining St. James's Place in 2020. Her desire to drive positive change makes her a valued member of the team where she now provides responsible investing insight to education, regulation, advice, proposition and communications. She has a degree in Business and Financial Economics, is a Chartered Financial Planner and holds the CFA Certificate in ESG Investing.

Richard Taylor

Senior Responsible Investment Analyst

Richard has a first-class honours degree in Environmental Geography from York University and the CFA Certificate in ESG Investing. He successfully applies his analytical skills to responsible investing, driving St. James's Place's ESG integration programme, having joined St. James's Place in 2020. Richard applies a rigorous process and robust challenge to our Select Monitor Change program, making him an invaluable team-player across the investment analyst team.

Key roles within our investment reporting structure

Meet some of our key leaders from across the business:

Liz Kelly

Chief Corporate & People Officer

Liz is the Chief of Corporate Affairs & People Officer and sits on the Executive Board of St. James's Place. She has responsibility for People, Corporate Communications, Corporate Events, Responsible Business, Governance and Company Secretariat.

She has developed our strategy to become one of the UK's leading responsible businesses and, under her leadership, we launched our Responsible Business Framework which sets out our priorities and areas of focus. One of our key areas of focus is climate change and our operations are now not only carbon neutral, but on their way to being net positive. We also set net zero commitments across the wider Group, including our supply chain and Partnership. Alongside this, Liz has been key in helping us articulate and embed our culture across the SJP community and also brought clarity as to how we look to evolve our culture in the future.

Tom Beal

Executive Board Director - Investments

Tom has been working in financial markets for 22 years, 14 of which have been at SJP. He was appointed as SJP's Executive Board Director - Investment in September 2022. For over two years before this, he held the role of Chief Investment Officer and Chair of the Investment Committee. Tom is also a Director of the Unit Trust Group and has more recently been appointed CIO of Rowan Dartington. In his new role, Tom remains a key figure and champion for embedding responsible investment into our investment process and decision-making. He ensures responsible investing is embedded within the Investment Committee governance structure.

Anna Davies

Director of Proposition

Anna has 21 years' experience working in wealth and asset management companies. She joined SJP's Discretionary Fund Management subsidiary, Rowan Dartington in 2019. Anna was appointed to her current role in 2021. The Responsible Investing team report to her, and she ensures the framework and integration of our responsible investment strategy is implemented. She is also the Chair of the Investment Division Proposition Forum, where she takes a broader view of how responsible investing is being considered as part of the Group's investment proposition development.

Vicki Foster

Divisional Director for Responsible Business

Vicki leads the Group's approach to being a leading responsible business, which includes societal impact, environmental impact, inclusion and diversity and the Group's Charitable Foundation. Her role brings together her desire to make money a force for good, her passion for equality and her flair for driving change. She believes passionately that building inclusive cultures where everyone contributes is critical to harnessing the benefits of a richly diverse workplace.

Vicki has worked in financial services for over 25 years and has gained her knowledge and skills from a variety of roles during that time including client facing, business development and operational appointments. She began her career in financial services as an adviser and in 2008 became a chartered financial planner and a fellow of the Personal Finance Society.

She led the development of our Responsible Business Framework and continues to drive forward the organisations ambition to be a leading responsible business.

Investment

In order to make sure we continuously improve our governance, we strategically invest in our investment process, systems and research capabilities on an ongoing basis. This has enabled a more robust and systematic approach to ensuring our fund managers are being responsible stewards on behalf of our clients. More detail on our research and monitoring approach can be found on pages 80-94, and is also outlined briefly below:

01 Fund manager minimum standards

We expect all fund managers to consider material ESG risks and opportunities within their investment decision-making. We then expect them to engage with the relevant company when these risks or opportunities are identified. We have an established minimum standard that all of our fund managers must be a United Nations (UN) supported Principles of Responsible Investment signatory. This provides a baseline standard for their responsible investment process and requires managers to create annual reports on their approach that are independently assessed. In 2022, we took these minimum standards further, adding an exclusion policy, eliminating controversial weapons and companies with unaddressed violations relating to United Nations Global Compact principles relating to human rights, labour standards, the environmental and anti-corruption.

02 Annual assessment

ESG is a key pillar of our responsible investment fund manager monitoring process, which we have undertaken annually since 2014. Crucially, rating our fund managers' approaches is a key component of our analyst team's monitoring responsibilities, supported by Investment Committee oversight. Findings are also reported in our annual Value Assessment Statement. Over the past year, we have updated our assessments, evolving each asset class to make the assessments more focussed than before. Assessments cover areas such as a manager's ESG resource, investment process and stewardship. Fund managers who need extra support are given specific milestones and timeframes to meet. If these are not met, we will follow our escalation process, outlined on page 121. Ultimately if fund managers fail to meet the needs of our clients, we can replace them.

03 Data insights and analytics

To support our annual assessment and fund manager monitoring process, we also have a range of third-party ESG data embedded in our internal monitoring systems. These include the risk system BlackRock Aladdin and specialist ESG tools such as the MSCI ESG Portal, as well as a custom emissions dashboard we built in 2022. These systems provide data to our analysts which can be used to verify or challenge fund manager investment decisions.

Case study - Building an emissions dashboard

During a series of strategy workshops between the responsible investment team and wider investment teams, we identified a business need to expand our resources for monitoring our fund managers' responsible investment activity, carbon exposure and ESG and climate positions. In order to do this, we leveraged our access to data providers such as MSCI, Blackrock Aladdin and Baringa (now Blackrock Baringa) to build a proprietary dashboard that can monitor each facet of our climate strategy. These workstreams are critical to SJP's engagement in the climate transition.

This is particularly true of the new carbon exposure dashboard, which allows us to identify the top 20 emitting companies and then engage with our fund managers who hold these. Our new data capabilities ensure that we are staying abreast of our climate and ESG position as an asset owner, having readily available information on our fund managers and the investee companies.

How we use third parties for support

We use a range of service providers to help support and enrich our stewardship activities within the Investment Division, who can be broadly grouped into three categories:

01
Service providers

02
Communication providers

03
Data providers

01

Service providers

BFinance

The firm works with us to support the strategic development of our Real Estate investment offering. This includes producing regular monitoring reports and offering independent opinions. In 2022, they reviewed our liquidity management approach and supported us in the development and consideration of an allocation to passive Global REITs in our property funds.

MJ Hudson Allenbridge

MJ Hudson provides regular comprehensive reports on EIS, VCT and BPR managers. These are distributed to our investment team and our Partners. The investment team also have fortnightly calls for detailed updates on the market for these products. Last year they were vital in developing a VCT and EIS manager assessment and dashboard for us and supported us in hosting a manager forum to help share best practise.

Redington

Initially appointed as a consultant to develop our fixed income and alternative asset funds, Redington now supports us with various research and monitoring responsibilities across a wide range of asset classes.

State Street

State Street supports us with fund custody and administration services. This means their core objective is the safekeeping of our clients' assets and providing an accurate price on a daily basis. We appointed State Street due to their strong credentials and experience in these areas. We have internal monitoring and oversight in place to ensure these capabilities are undertaken as we would expect. We have recently implemented the StateStreet TruView Platform, which allows our DFM team to look through third-party funds, enabling a more granular analysis of their holdings.

Our relationship with State Street as a global provider of investment services is much wider than fund custody and administration, they are also one of our fund managers and support us with the implementation of portfolio asset allocation. The role they play in keeping our assets safe and providing accurate pricing is an important part of our overall approach of looking after our clients' assets in a responsible way. With regards to their asset management capabilities, we believe State Street has a strong approach to integrating responsible investment across the strategies they run for us. State Street Global Advisors engages with significant numbers of companies on material ESG issues. It also continues to focus on climate change as one of its multi-year stewardship priorities.

02

Communication providers

Complementing our in-house communications team, our third-party consultants help ensure our clients and Partners have a clear understanding of our role in stewardship, and why it is so important.

Behaviour Consulting

Behaviour Consulting injects behavioural thinking and psychological insights to evaluate and improve communications, marketing, design, and innovation. This enables us to support clients to make improved decisions and take positive actions. Last year, this including providing invaluable feedback around our Polaris messaging.

The Wisdom Council

The Wisdom Council helps conduct research (often with our market insight team), including around our client community. This in turn allows us to incorporate their feedback into our stewardship reporting and improve how we communicate our messaging. In 2022, this included managing our new online Partner platform, allowing for more direct feedback from clients.

Dentsu

Dentsu helps create clear, client-friendly copy for us, when additional capacity is required. This year, this has included client articles we published for COP27, as well as a number of articles on responsible investing in our client magazine, The Investor.

Independent third-party experts

In some circumstances, we may bring in independent experts to share their views on responsible investment and the wider market. Recent examples of these included written articles provided in the run up to COP27.

03

Data providers

These provide additional information and data, which we use in conjunction with our in-house data and analysis to create a more accurate picture of our funds and the companies they invest in. This allows us to take a more proactive stance in fund manager conversations. It also helps enhance our stewardship activities by enabling us to drill down to specific company data and really challenge and question our fund managers with regards to the engagements they are undertaking with that firm.

MSCI

MSCI is a world leader in benchmarking and data. We use their indices as benchmarks for our equity funds, allowing us to gain an accurate picture of how their performance compares to the wider market. MSCI also provides ESG and carbon data we use as an input into our responsible investing monitoring framework. Last year, we enabled access to MSCI's new Sustainable Finance Disclosure Regulation (SFDR) dataset. This gives us data on adverse impact metrics, and an additional lens through which to view investments. MSCI also provide an independently assessed level of external review of our processes. As of March 2022, we are MSCI AAA Rated. Responsible investment forms part of the MSCI's wider assessment of SJP as a business.

BlackRock Baringa

BlackRock's Aladdin Systems offers a huge range of data metrics that can be interrogated in real-time against our portfolio holdings. We use this to monitor our entire fund range and have dedicated climate and ESG modules that allow us to view all available information on companies our fund managers invest in. This transparency is a feature of our segregated mandate model and allows us greater insight. The platform offers the ability to conduct analysis on individual strategies as well as strategies aggregated at a portfolio level.

BlackRock has acquired the Baringa Partners Climate Change Model, which we previously utilised as part of our climate scenario analysis work. The combination of the two meant we could better integrate the climate modelling within our wider processes. An example use case of Baringa's data is in our TCFD Reports, which we publish annually.

Ethical Screening

Ethical Screening works with our Discretionary Fund Manager. Their ESG data is a useful source that we use when making investment selections. We also use the data to ensure that direct equities held in tailored and bespoke portfolios are meeting the exclusionary preferences of some clients.

Case study - Working with others to broaden our data capabilities

Recognising that climate change remains a systemic risk, in 2022 we investigated the possibility of expanding our climate data monitoring capabilities. Through numerous strategy workshops, we identified a need for the for the business to expand resources to monitor our fund managers, responsible investment capability activity, carbon exposure and climate positions.

Leveraging our access to data providers such as MSCI, Blackrock Baringa, we built proprietary tools to monitor each facet of our climate strategy, hosted on PowerBI. Developing this involved collaboration between a number of teams, including investment data, equities and responsible investment analysts.

Climate & ESG data process

Our new data capabilities ensure that we are staying abreast of our climate and ESG position as an asset owner, having readily available information on our fund managers and the investee companies.

As the data capabilities of ourselves and our partners evolves, we'll be able to add new metrics, enhancements and methodologies. Therefore, we continue to conduct data due diligence. We can view updates and enhancements to our current data hub using MSCI reports and publications, that contain the relevant updates to the metrics we have access to.

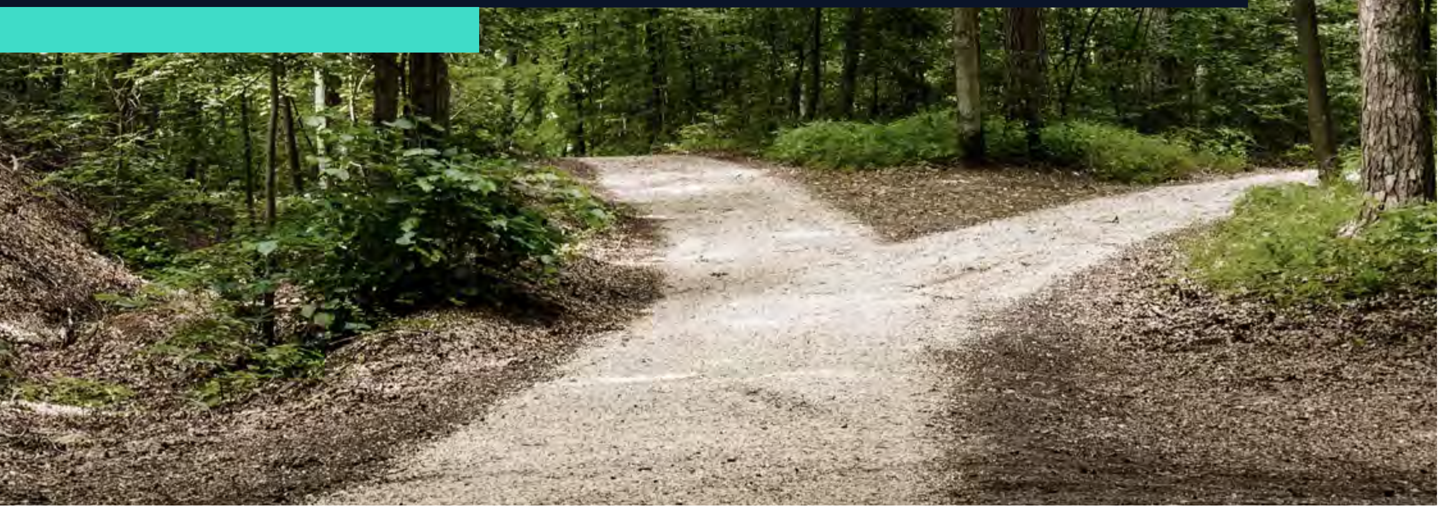
We have already used this data to identify our biggest emitters, which has helped us target engagement (see page 103).

Working with our fund managers

Ultimately, in line with our investment management approach, our fund managers make independent investment decisions they believe will be in the best long-term interests of clients. We are able to set them various requirements via our segregated mandates and monitor their decisions. In addition, we conduct annual manager reviews, where we review their stewardship views and activities.

Although we do not impose voting requirements on fund managers, we monitor voting records, which equity managers regularly share with us.

We consider a fund manager's approach to responsible investing as part of our overall assessment. Our internal structure enables us to monitor a manager's performance in this regard, and potentially act where required – including replacing them if appropriate.



How we incentivise stewardship

As our integrated approach to responsible investment is a responsibility of all roles within our Investment Division, it is reflected within an individual's objectives and their remuneration.

We would not expect specific objectives to be set around stewardship, but instead look for a broader application of responsible investment. This applies unless the individual is within a specialist team where the activity of stewardship is more specific to the role. Given that responsible investment is a key pillar of our investment strategy and investment beliefs, we also report against a range of KPIs to various stakeholders, which can help encourage the adoption of responsible investing across the Division. Further to this, we have different accountability levels depending on the stakeholder, as part of our responsible, accountable, consulted, informed (RACI) matrix, to make sure appropriate inclusion and accountability.

Encouraging stewardship among our fund managers

As responsible investing is a key pillar of our fund manager monitoring, this also helps encourage the adoption of stewardship within the fund managers themselves, as ultimately, a lack of commitment and poor standards could result in the termination of their mandates.

A holistic approach across the business

The Remuneration Committee sets executives a range of business priorities which align to the six thematic categories underpinning the Group's annual business plan. Each category is equally weighted and is made up of a number of objectives. Underlying performance against each of the categories is monitored against quantitative and qualitative measures, to help support the Committee's determination of the overall success. One of the thematic categories is entitled 'Our culture and being a leading responsible business'. However, other factors throughout the objectives also recognise our aim to be a leading responsible business. Further information can be found in the Report of the Remuneration Committee in the Company's Annual Report and Accounts.

All annual performance reviews for employees include a reflection of how the individual has acted to embody our cultural values. This encourages the right behaviours for effective stewardship to take place across the business, such as doing the right thing and fostering long-term relationships.

Inclusion and Diversity

We are working hard to create a diverse and inclusive work environment where broad perspectives are valued, and our people have the courage to be their true selves. We know that success is created through diversity, and that diversity is meaningless without inclusion. Attracting, retaining and developing the best people from all walks of life allows us to connect with clients across different demographics and deliver the best products, services and experiences to add value beyond the bottom line.

Our approach to inclusion and diversity is centred around three themes: attracting, retaining and developing diverse talent. Delivery of the strategy is overseen by the Inclusion and Diversity Steering Group, chaired by our CEO, Andrew Croft.

Some of our recent Inclusion and Diversity activities include:

- Launching an Inclusion & Diversity Toolkit focussed around four core principles: being representative, accessible, inclusive and avoiding bias.
- Continuing to gather diversity data from our employees.
- Contributing to the Diversity Project's new Progress and Goals disclosure tool to help expand visibility around the demographic makeup of our industry.
- Completing our fifth year with the 30% Club, offering 30 mentors and matching 30 female mentees with mentors from a cross section of industries and sectors.
- Earning a Silver Accreditation from the Inclusive Employers Standard.
- Conducting a review of our Inclusion and Diversity Networks and Groups.

Underpinning this has been our continued collaboration with a range of partners and external organisations to help share best practice, research and resources. These include: The Diversity Project, LGBT Great, Stonewall, The Valuable 500, 10,000 Black Interns, The Aleto Foundation and The Business Disability Forum.

2023

How we will improve our governance in the year ahead

As mentioned, we believe we've effective and well-functioning governance and process in place to promote effective stewardship. However, we do recognise the need to continue improving our approach in this area. A notable example of this is the introduction of a regular responsible investment slot in our Strategy Investment Committee in 2023. This represents part of a wider move to embed responsible investment into our governance decision making where appropriate. This includes plans to introduce new Key Performance Indicators for both stewardship and ESG integration. Another area we will be focussing on is embedding the new Sustainability Disclosure Regulations from the Financial Conduct Authority into our processes.

Principle

Conflicts of interest

3

Conflicts of interest

Our Conflicts of Interest policy and its application

We exist for our clients and act to deliver good outcomes for them. As part of this, we identify, mitigate and manage any potential or actual conflicts of interest robustly, including those relating to stewardship.

Our policies and processes regarding conflicts of interest are in place to support client outcomes by considering all potentially interested parties, namely: our employees, fund managers, Partners, service providers and, of course, our clients.

Conflict of interest roles and responsibilities

Our Chief Risk Officer is responsible for the policy and framework for how we manage conflicts of interest.

Our Group Conflicts of Interest Policy outlines key policy objectives and definitions, and provides guidance on the identification and disclosure of potential and actual cases of conflicts of interest. It also provides a governance framework to follow, highlighting roles and responsibilities.

A key element in our approach to identifying, managing and mitigating these conflicts is our employees' knowledge and identification of these conflicts.
We believe everyone has a part to play in managing conflicts of interest honestly, fairly, consistently and transparently.

Different employee groups within St. James's Place have roles and responsibilities appropriate to their position, as follows:

Executive Board

Have responsibility for identifying and declaring any conflicts of interest in their business area as well as for themselves, and ensuring any conflicts are appropriately managed or disclosed.

Individuals

All employees and contractors are required to comply with the policy and report any conflicts they are aware of to their line manager. They must then register any conflicts that they own, and ensure there are appropriate mitigating controls in place to manage their conflicts.

Group and Local Boards

Have responsibility for approving the Conflicts of Interest Policy, making arrangements as necessary to underpin its operation.

Management team

Have responsibility for ensuring the policy is understood and implemented by all relevant internal parties. Managers are also responsible for promoting a culture of awareness in relation to the identification and management of conflicts of interest. They also help to identify new conflicts within their teams and ensure these are reported appropriately.

A Summary of our Group Conflicts of Interest Policy is available

All employees are reminded of their responsibilities pertinent to conflicts of interest by the completion of an annual compulsory e-learning module. Emphasis is placed to highlight the importance of the following:

- Conflicts of interest should be avoided whenever possible.
- When identified, employees have a duty to ensure the fair treatment of all the parties involved and make appropriate disclosures.

Failure to adhere to any of St. James's Place policies may be held to be a breach of an employee's contract. Failure to declare an interest will be regarded as misconduct and may lead to disciplinary action being taken against the individual concerned.

In addition to our Group Policy, we also request any fund manager who votes on our behalf to self-disclose any conflicts of interest to us monthly.

Managing conflicts within our investment approach and stewardship

All employees are subject to the same controls and mitigation processes, with specific and relevant tailoring where required for specific individuals.

Our Investment Committee are required to declare any potential conflicts of interest, which is then recorded within a conflicts log. Our company-wide training provides relevant examples of investment conflicts to be used for employees within the investment community.

Besides adhering to the Group-wide policies, conflicts of interest relating to funds are delegated to our Fund Regulatory Compliance Team.

This team has a dedicated policy to mitigate and manage fund conflicts of interest.

The Funds Conflicts of Interest Policy Is jointly owned by the Chief Investment Officer, the Director of Investment Operations and the Investment Risk & Controls Director. This policy further articulates the overarching Conflict of Interest policy insofar as it links to our funds. Every year, it is formally reviewed, updated and approved by the Investment Operations Committee. The Funds Conflicts of Interest Policy is not client facing, due to its technical nature.

Individuals are responsible for promoting a culture of proactive identification and management of conflicts as they relate to the Group's funds.

They are also required to escalate issues to the Chair of Investment Operations Committee/ Investment Committee (as well as their own Directors in accordance with the Group Conflicts of Interest Policy) for onwards reporting to the Chair of the Risk Committee/ Chief Risk Officer.

Conflicts of Interest logs are maintained, presented and reviewed at each meeting of the Investment Operations Committee and the Investment Committee, who meet at least quarterly.

Identifying and managing actual or potential conflicts of interest

If we identify a particular conflict related to the stewardship of our clients' money, we apply proportionate and commensurate controls in accordance with the requirements of the Group conflicts policy and Funds Conflicts of Interest. Group insider-trading policies limit pre-approved dealing and closed periods apply to employees if they could be privy to sensitive information concerning St. James's Place. Typically, such clauses are enacted ahead of fund manager changes, or as profit statements are being prepared. Conflicts related to stewardship could arise due to new strategic development in our investment approach.

Case study

Frequency changes for valuations of the property fund

In normal markets, the property funds are independently valued at the end of every month. In the volatile market resulting from the September Mini Budget, property valuations were adversely affected, and a risk was identified that the month-end valuations were stale and not reflecting current market conditions.

Members within the Investment Division were involved in the decision to move to more frequent independent property valuations and as a result were aware of the impending valuation fall. This decision was made to help protect the long-term values of client investments. A trading ban was applied to those involved in monitoring the fund, implementing this change or communicating this alteration, in order to avoid any employees being conflicted due to their insider knowledge.

September		October	
23	30	17	18
Mini Budget by Chancellor of the Exchequer Kwasi Kwarteng	Normal valuation date	Proposal to implement fortnightly valuations submitted to Valuations Committee Trading ban started	First interim valuation Trading ban lifted

Fund manager conflicts of interest

In 2022, we evolved our fund manager annual assessments to include specific questions about how they manage potential conflicts of interest within their processes. This has improved our ability to understand how they consider this risk as part of their ESG integration process. The following table highlights a few of the examples of conflicts actually or potentially faced by our fund managers and how they mitigate them.

Identified fund manager conflict of interest	Management or mitigation taken to address this conflict
Due to a potential conflict of interest, a fund manager uses a third party to make voting recommendations, which it usually follows. However, it disagrees with the recommendation.	If the fund believes it should override the recommendations of the third party in the interests of the fund or client and vote in a way that may also benefit, or be perceived to benefit, its own interests, then the fund manager will obtain the approval of the decision from the head of its equity team, with the rationale of such vote being recorded in writing.
A fund manager is acting as both investee and investor of a company by holding shares in the same company for which it manages the pension assets.	An ethical wall is in place, enabling different parts of the fund manager business to operate independently and avoid market-sensitive information being transferred between individuals acting as an investee and investor.
A fund manager is related to a senior executive of a large company, with whom the fund manager is undertaking engagement activity.	Both the fund manager and the senior executive declare their conflict of interest. The fund manager has delegated all engagement activity to other members of the team regarding this company.
A fund manager has a material investment with a company to which it delegates proxy voting responsibility.	The position is mutually declared and both companies are independently audited to promote transparency. In situations where the proxy voting company would be voting on the fund manager as a company (for example when representing a different asset owner), they declare themselves unable to vote and appoint a different proxy voting service.

Third party conflicts of interest

Conflict of interest	Management or mitigation taken to address this conflict
Our engagement overlay provider has its own investment service, and offers an engagement overlay service to asset owners such as ourselves. They have a potential conflict of interest when deciding which themes to prioritise for engagement, those submitted by its own investment team, and themes proposed by others.	All potentially interested parties are asked to propose themes. A round table is held annually to discuss all potential themes proposed, regardless of where those suggestions come from.
Following unsuccessful engagement, our engagement overlay provider can elect to add a company to its exclusions list, which is available to us as part of our service agreement. Our fund managers, or our own investment committee may disagree with the recommendation for exclusion.	Where a company is recommended for exclusion from our investment universe, our analysts will conduct our own research before adding that company to our exclusion policy. In the event of a fund manager wishing to retain investment we will consider their rationale and base our decision on all of the information available to us, making further enquiry and escalating our stance whenever necessary.

Our fund manager disclosure requirements are explicit around disclosing potential conflicts of interest and actual instances of conflicts that arise.

We review our position on an ongoing basis to ensure that we continue to act in the best interests of our clients, by managing and mitigating potential or actual conflicts of interest transparently and fairly.

Case study - Implementing an exclusion policy

In the spring of 2022 we introduced a exclusions policy, eliminating controversial weapons and unaddressed human rights breaches from our investment universe. To create this list we were informed by our own research and that of Robeco, our engagement overlay specialist. 25 companies were excluded. In order to ensure that the fund managers had sufficient notice to exit from these companies, we allowed a notice period of 90 days for this to be enforced.

Giving fund managers a lengthy notice period meant they were able to exit positions when it was commercially sensible to do so. This helps demonstrate an example where we navigated an actual conflict between the performance of our funds and our belief that investing in certain companies are against our principles, and those of the majority of our clients.

In 2023, we will continue to include conflicts of interest as a core part of our ongoing fund manager assessments and monitoring processes.

Principle

Respond to market-wide & systemic risks; promote a well-functioning market

4

Promoting well functioning markets

How we identify and respond to market-wide and systemic risks

We recognise the impact that market-wide risk and systemic risk could have on our clients' investments, and therefore have taken proactive action to attempt to manage these potential risks as much as possible.

The priority of different market-wide and systemic risks differs for different geographies, asset classes, investment styles and economic sectors. We give serious consideration to each risk and employ fund managers who we think have an edge in research within their area of expertise as one pillar of our approach.

For more information about our manager due diligence please see pages 81-83. We review top-down systemic risks collected through a variety of inputs:

- Research and idea generation through our Multi Asset Research team, enabling broad inputs across stakeholders, promoting fresh ideas and the avoiding group think
- Security and fund-level research and recommendations through the Rowan Dartington research team, providing alternative perspectives
- Regular dialogue with our leading network of fund managers and consultants, incorporating external views and specialisms from across the globe
- Experienced expert members of the Investment Committee, external to SJP providing specialist knowledge across different disciplines
- External reports of macro-economic outlooks that can provide a zoomed out view of the investment universe
- Themes partners and clients raise with us, keeping our views relevant with boots on the ground
- Themes identified through our work with our engagement specialist, allowing us to benefit from their extensive experience
- Themes identified through our work with other asset owners and asset managers, facilitating collaboration across the industry
- Our in-house data system providing information on targeted issues

In 2022 our various inputs identified the following themes:

Structural themes (c.10yr outlook):
Geopolitical change

Climate change

Demography

Technological disruption is seen as an enabler across all themes, but is not a theme in itself.

Sub-trends within the themes (c.3-5yr outlook):

Decarbonisation

Monetary debasement

Dedollarisation

DM/EM Demography (birth/death/longevity forecasts)

As a result we explored:

Nature-based assets

Digital assets

Inflationary assets

Thematic strategies

Case study - Our response to the Russian invasion of Ukraine

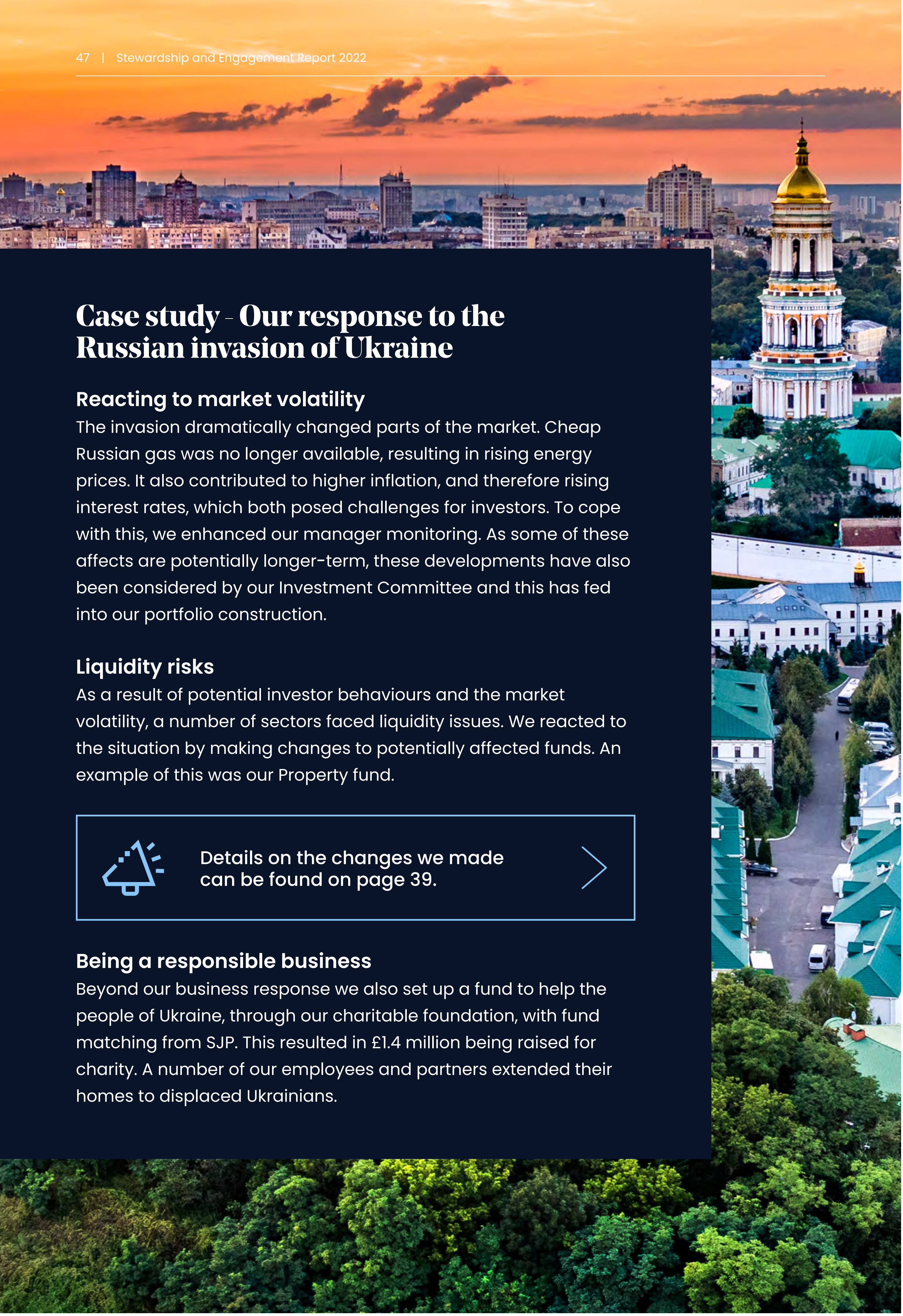
Russia's invasion of Ukraine resulted in a series of sanctions being placed against the country. It also resulted in rising inflationary pressures, which central banks sought to counter by increasing interest rates. While this was not an anticipated act, we quickly assessed our options and how we could best protect our clients and their assets. There were a number of areas that needed to be considered:

Direct effect of sanctions on Russia

We conducted a tactical review of how indices were responding to the crisis (for example by removing Russian exposures) in order to evaluate the impact to our strategies. An emergency Investment Committee meeting was held to decide the most appropriate course of action for Russian assets, with further meetings to review and revise our investment response as the situation changed.

Communicating with clients

It was important to us that our Partnership and clients remained updated on how we managed our fiduciary responsibilities. We conducted partner webinars and issued updates to ensure that the partnership kept appraised of the situation and could support clients.



Case study - Our response to the Russian invasion of Ukraine

Reacting to market volatility

The invasion dramatically changed parts of the market. Cheap Russian gas was no longer available, resulting in rising energy prices. It also contributed to higher inflation, and therefore rising interest rates, which both posed challenges for investors. To cope with this, we enhanced our manager monitoring. As some of these affects are potentially longer-term, these developments have also been considered by our Investment Committee and this has fed into our portfolio construction.

Liquidity risks

As a result of potential investor behaviours and the market volatility, a number of sectors faced liquidity issues. We reacted to the situation by making changes to potentially affected funds. An example of this was our Property fund.

Details on the changes we made can be found on page 39.

Being a responsible business

Beyond our business response we also set up a fund to help the people of Ukraine, through our charitable foundation, with fund matching from SJP. This resulted in £1.4 million being raised for charity. A number of our employees and partners extended their homes to displaced Ukrainians.

Our expectations of how our fund managers identify market-wide and systemic risks

We consider market-wide and systemic risk when selecting our managers and as part of our ongoing manager monitoring processes. A key part of our due diligence when selecting and undertaking ongoing assessments of a fund manager is assessing their bottom-up stock selection process and how they incorporate top-down market-wide risks and trends into their decision-making process.

We tailor the assessment process for our fund managers, depending on the mandate. For example, geopolitical and macroeconomic issues will be a greater focus for our assessment of an emerging market fund manager, compared to a fund manager for UK Gilts. Currency and inflation risk would be a key consideration for a Global Sovereign Bond Manager.

The research and due diligence of how a fund manager incorporates market-wide and systemic risk would form part of the selection analysis prior to any recommendation to change a fund manager to our Investment Committee.

Our creation of portfolios

Once we are happy that we have the right funds and fund managers, we blend these to create fund-of-fund solutions and portfolios suitable for clients of differing risk tolerances. Whilst we aim to access the right asset classes, populated with the right managers to successfully navigate the changing economic and market environment, we recognise the uncertainty of forecasts, and fragility of assumptions. We therefore believe the key defence against emerging global risks is to be well diversified across asset class, geography, sector and fund manager. To ensure the portfolios retain access to the best funds and managers and reflect our intention to diversify exposure to different risks, they are regularly reviewed and adjusted. Advisers remain responsible for the advice they provide, using these fund-of-fund solutions, portfolios, or individual funds according to the needs of their clients.

We assess our overall proposition, including the composition of our fund managers and review our supporting products and services to ensure protection of the long-term value of our clients' assets, as far as possible.

Case study - Polaris Funds

Our Polaris range features four fund-of-fund solutions. They scale in risk, and we use asset allocation to determine those of lower risk. For example, Polaris 1, which is the lowest risk, features a lower proportion of equities and a higher level of bonds. This is the opposite of Polaris 4, which is the highest risk and has a greater proportion of equities than bonds.

We regularly assess these to ensure that the equity ratios remain appropriate to current market conditions. So, for example, although Polaris 1 would typically invest 40% into equities, depending on market conditions, we may decide that a slightly higher or lower equity-to-bond ratio would best suit clients choosing to invest.

Prior to launch we were aware that market conditions and systemic risks were acute, given ongoing economic and political uncertainty across the globe.

As a result of these conditions, the range launched with lower than anticipated equity exposure to reflect current market market-wide and systemic issues. These will continue to be reviewed in order to best protect clients, long-term returns whilst remaining within client risk tolerances.

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.

Case study - Investigating crypto currency and digital assets

Over the course of lockdown, the value of a number of digital assets, including crypto currencies and non-fungible tokens (NFTs), exploded. As part of our horizon scanning of the investable universe, we researched these areas to assess their risks and rewards to establish if they were appropriate for clients. This investigation involved a literature review, as well as a survey of a number of SJP and non-SJP fund managers, looking at the commercial rationale for these assets as well as how other institutions are gaining exposure to them.

At the time, this investigation led to a recommendation against investing in either crypto currencies or NFTs for a number of reasons. In the case of crypto currencies, this was in part due to the market volatility and operational risks involved in investing in this asset class. The second half of 2022 has seen a number of crypto crashes, and the dramatic fall of the world's third largest crypto exchange, FTX, demonstrated how both of these risks remain systemic.

That said, we have not ruled out investing in this field in the future, once the regulatory regime and digital exchanges mature and there is a longer term track record, with evidence of institutional experience. We will continue to monitor the ongoing situation.

Working with others to confront market-wide risks

We recognise that systemic risks are too large for any one company to tackle alone. Therefore, we work with other stakeholders. By collaborating, we can magnify our voice to help promote sustainable, well-functioning markets. Our partnership with Robeco for engagement is one example of how we have collaborated in the face of systemic risks. However, we have a range of third parties we work with to help us face the future – this includes collaborating with industry bodies such as the Investment Association (see page 117).

Case study - Developing ESG factsheets

We're committed to producing ESG factsheets for all of our relevant funds. In our exploratory phases of the work, we tested mocked up versions of our reports with over 100 clients in July.

We sought opinions on what would be the optimal length, format and look and feel for clients. Key was understanding what level of information would be appropriate. For example, we examined whether participants understood what information was useful, if they understood the information presented, and if there was any information missing. The study found that we needed to improve the simplicity of our language in explaining the concepts contained, and also how we could better use charts to build client confidence.

This feedback was shared with The Investment and Savings Association (TISA), the Investment Association and the FCA to help promote transparency and understanding across the financial market. It also helped inform our approach to speaking to clients in collateral beyond these factsheets.

Our partnerships

The Net Zero Asset Owner Alliance (NZAOA)

To combat climate change, we joined the NZAOA in November 2020 and made a public commitment that our investment portfolios will be net zero by 2050, if not sooner.

Recognising the need for interim targets and key milestones, in 2021 we made commitments across our business towards reaching net zero and set our first interim target of a 25% reduction in carbon emissions across our investment portfolios by 2025 (compared with 2019). We see the NZAOA as a key group of like-minded asset owners who view climate change as a systemic risk and opportunity to our clients' investment. We are members of the NZAOA Measurement, Recording and Verification working group.

Emissions measured against end-2019 emissions as a baseline. Commitment is inclusive of equity, real estate and publicly listed corporate debt only. Rowan Dartington assets are excluded.

We are also members of or partners with the following:

Climate Action 100+ Global Investors Driving Business Transition

PRI Principles for Responsible Investment

Wisdom Council

How effective have we been at responding to systemic risk?

Overall, we believe we've have a strong and robust approach to managing market-wide and systemic risk. This is an embedded part of our fund manager research and monitoring programme, and we continually look to assess our fund managers in this area.

In the case of digital assets (see page 50), this resulted in us choosing not to enter a specific asset class. Here, we judged the market-wide risk to be too high – with a lack of regulation, ESG concerns around mining crypto currency, a lack of real world uses, and a relatively short history on which to base decisions. Instead, we continued to monitor the area. Since then, a number of these concerns have had real negative results. NFT values proved to be a bubble while a number of crypto exchanges have imploded. One area we are particularly proud of is becoming one of the first UK asset owners to make a net zero commitment in 2020 and to report the carbon footprint of all our portfolios to clients. We joined the NZAOA which is referred to as Gold Standard by former Bank of England Governor Mark Carney.

In 2021 we made an interim net zero target for our investment proposition, of which only a handful of UK asset owners have declared their position. To support this, last year we hired a climate analyst to develop our modeling capability.

Overall, we believe we are effective at responding to systemic risks. Our Investment Committee constantly reviews our processes and decision making, allowing for agile responses. This was especially evident in the volatile market of 2022, when we responded to rapidly changing situations, such as Russia's invasion of Ukraine.

Emissions measured against end-2019 emissions as a baseline. Commitment is inclusive of equity, real estate and publicly listed corporate debt only. Rowan Dartington assets are excluded.

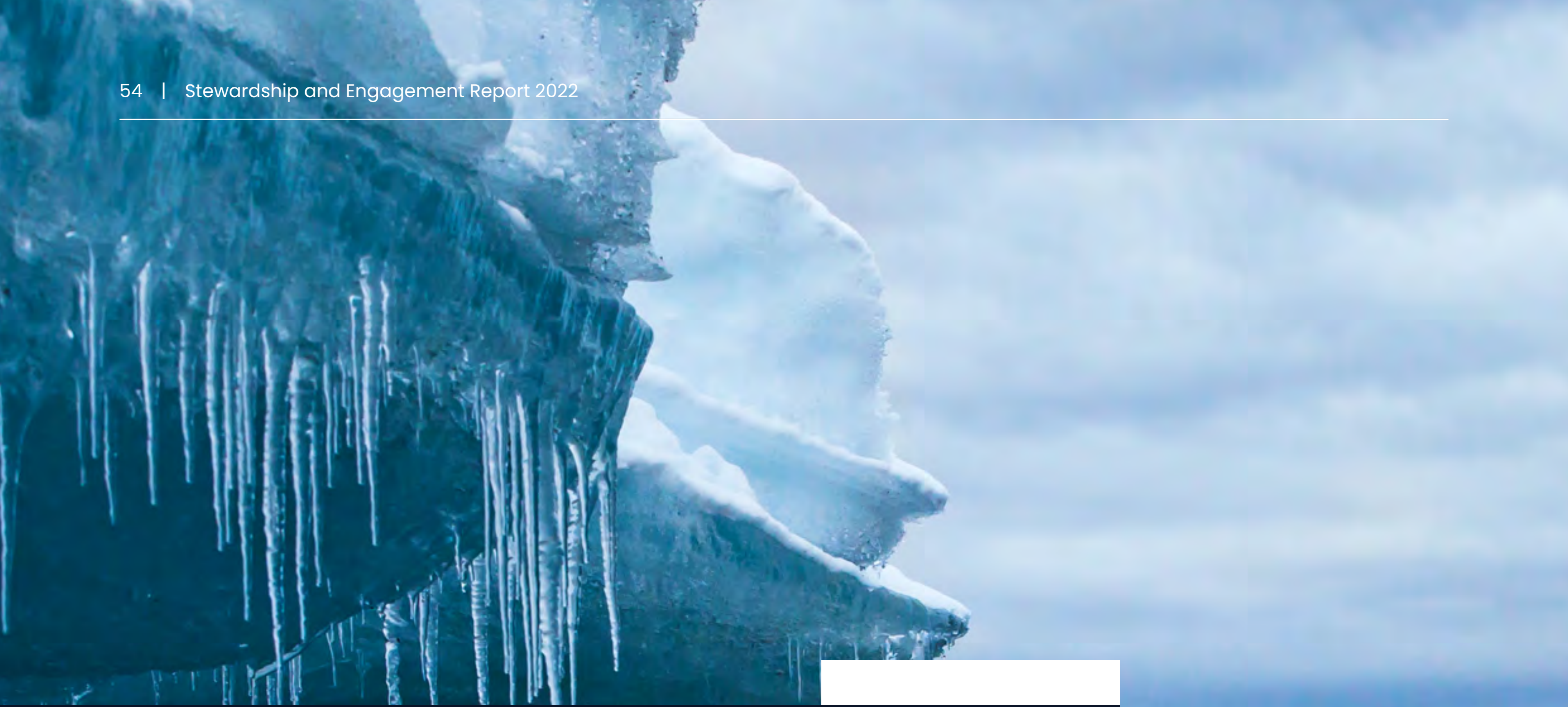
St. James's Place commits to Net Zero

Operations
Climate positive by
2025

Investments
Net Zero by
2050

Partnership
Net Zero by
2035

Supply chain
Net Zero by
2035



Case study - Climate change

We believe that climate change remains one of the biggest chronic risks to our investments. We continue to undertake detailed scenario analysis in accordance with TCFD, and are working with all fund managers and alongside Robeco to encourage change and minimise detriment.

A recent example of this was our exploratory work into nature-based solutions (NBS). At this initial stage, we work looking to define the NBS universe, taking a deep dive into the investment and commercial rationales, as well as looking at how advisory firms and institutions are obtaining exposure.

The work involved several components such as internal deep dives, roundtables with external stakeholders such as academics, fund managers and sustainable researchers and a survey of approximately 30 fund managers. This survey tested the landscape of this as an asset class and its commercial merit, as well as looking at the most popular product types.

This review found the potential for further exploration in a number of areas. For example, timber as an asset class could provide several investment benefits such as diversification, due to its low correlation to any other asset class, as well as inflation-hedging benefits. Unlocking these could provide an attractive option to explore further, and this research provides a strong platform for us to utilise in our manager search and further research.

Case study - Climate change

Scenario analysis

We conduct scenario analysis to understand and illustrate different temperature pathways and their impact on the global economy. Highlighting these potential future and physical and transitional risks helps support our strategic response. For this we used a combination of Network for Greening the Financial System, overlayed with data from BlackRock Baringa.

	Net Zero 2050 Orderly	Delayed Transition Disorderly	Current Policies Hot House World	
Mean global warming	**1.5**	**1.8**	**3.3**	**relative to pre-industrial times by 2050**
	Climate policies and introduced early and gradually becoming more stringent	Delayed policy response and higher transitional risk	Limited Policy response, high warming and higher physical risk	

This scenario analysis is a core part of our TCFD entity disclosures, which can be found here. This forms part of our assessment on the systemic risk of climate change, and feeds directly into our wider investment process. To support this, scenario analysis is also an explicit part of our manager assessments.

By the end of 2022, we had achieved a 33% reduction in carbon emissions across our investment portfolios, compared with our 2019 baseline. We will continue to work to reduce this, using engagement as the primary lever of change. In 2022, scope 1, 2 and 3 emissions from our operations were 8,257 tCO_2e. This does not include emissions from our supply chain, investments or Partnership.

Principle 5
Review and assurance

Review and assurance

How we review our policies to ensure they enable effective stewardship

We've have developed a strong and robust approach, which we continually look to evolve while improving our policies, processes and overarching strategy, to meet an increasingly high bar.

For the past five years we've created an annual strategy for our responsible investment activity to ensure we continue to evolve and develop our approach. Given the importance of stewardship, it is a fundamental pillar of this plan. This annual strategy has oversight from our Investment Executive Committee and various internal committees and is also reviewed throughout the year to make sure delivery against this plan.

Where appropriate, key developments will also go through various governance committees to provide effective challenge and oversight on our approach. This includes a range of committee updates on responsible investment and stewardship, such as the Investment Executive Committee, Investment Committee, Advice Committee, Proposition Executive Committee, Investment Division Proposition Forum and the Executive Board. An example of this was in 2022, when we presented the proposal for the Sustainable Fixed Income fund to our Investment Division Proposition Forum who approved it for development.

Our internal policies and reports are also reviewed on an annual basis, including by the board where relevant, to make sure they reflect our current processes and internal standards. This includes reviews of:

- 'Our Approach', an overview of our responsible investment processes (including stewardship)
- Stewardship Voting and Engagement Policy
- The Stewardship Report
- Task Force on Climate Related Financial Disclosures (TCFD), which looks at our firm-wide approach to climate change (including the role stewardship plays in tackling climate change)
- Our exclusions policy

Our three lines of review

Our Group risk appetite, which is set by the Board, includes a statement specifically outlining our commitment to leaving a lasting and positive impact on the world we live in. Our values highlight that doing the right thing is fundamental to our culture. This, however, is not the role of one team. Being a good steward on behalf of our clients is a responsibility for everyone within St. James's Place (see page 17). Our stewardship approach, policies and activities are therefore subject to our embedded risk management framework and governance processes, which are regularly reviewed by a range of internal teams:

01 First line

Local operational teams embed stewardship activities within their job roles. A good example is our investment analysts, who are responsible for assessing our external fund managers' processes around stewardship. This includes an annual assessment. The assessment itself is subject to review every year to ensure it remains fit for purpose in monitoring our fund managers', activities. For more information on these assessments, see pages 88-89.

We further support this line of defence with a control function. Our responsible investment team works with the first line by assessing the effectiveness of our processes and policies and whether the controls within them are being effectively implemented. They help provide technical support and training where required. In 2022, this included a training course run in conjunction with Ninety One and Imperial College (see page 18 for more details). The team provides challenge and support to our investment analysts around their external fund manager responsible investment assessment and reviews our communication material to ensure it accurately reflects our approach in a fair and accurate way. In order to ensure this team itself remains fit for purpose, periodic internal audits are carried out on its activities.

02 Second line

Our Group Risk function is an independent division that monitors our first line activities, reporting to relevant individuals and committees on the effectiveness of the risk management activities across the group. Risks are monitored to make sure the group risk appetite is not being compromised. This is done in may ways, such as through a range of key risk indicators, risk assessments, control self assessments etc. This provides oversight, through the risk management framework, including our approach to responsible investment.

03 Third line

Our internal audit division provides independent and objective assurance on the internal control model to the Executive Board and the Audit Committee through its programme of audit reviews. In 2022, this included a review of our approach to responsible investment.

Case study - Responsible investment internal audit

In the first half of 2022, our responsible investment processes underwent an internal audit. The audit found that the Responsible Investing team's proactive approach was well-positioned to keep the Group within its 'Low' Client Proposition risk appetite. It found the team's procedures and plans to be progressive and well-designed to consider both ESG and wider responsible investment factors, and that strong progress had been made towards meeting our intermittent targets, such as achieving a 30% reduction in weighted average carbon emissions since 2019 (at the time of the audit). However, it also found we could improve the consistency in how responsible investment was applied across different asset classes. It also highlighted ways in which our fund manager assessments could be updated to fully capture and consider responsible investment information.

This audit led to tangible results. Over the second half of the year, the responsible investment team and heads of various asset classes worked in collaboration to implement the audit recommendations which included updates to our fund manager assessments

How we use external assurance

Whilst we believe we have a robust approach to internal assurance of our policies and process, we also often seek external voices to provide an independent view.

We have been a signatory of the UN Principles of Responsible Investment since 2018. The PRI assess signatories' processes across all aspects of responsible investing, including our stewardship activities.

◆

Our overall responsible business approach is assessed by various ESG ratings providers, in which we have seen a marked improvement over the past few years. Our MSCI rating has improved from BB to AAA between 2018 and 2022. Stewardship is a pillar of these assessments.

◆

Our TCFD report has been subject to an external review by an external auditor and was reviewed by our Audit Committee.

◆

Our ESG approach is included in a wider Value Assessment Statement, which is reviewed by the Financial Conduct Authority.

We believe that our approach to assurance provides robust challenge to our stewardship activity. Having oversight from a range of internal teams, outside of the responsible investment function, and external assurance is our preferred approach to providing an independent view on our activities.

Timeline of significant assurance activity

2021

- UN supported PRI assessment
- Actioning internal audit stewardship recommendations
- Internal audit review of Responsible Business
- Climate specialist reviewed TCFD disclosures

2022

- External review of our responsible investment manager assessment
- Internal audit of responsible investment
- Achieved AAA rating from MSCI

2023

- Will complete UN supported PRI Assessments
- Internal audit scheduled of our TCFD controls to ensure reasonableness, accuracy and completeness of our TCFD reports

Ensuring our stewardship reporting is fair, balanced and understandable

Given that our business model focuses on our Partners providing face-to-face advice and building deep personal relationships with our clients, we have put delivering clear, fair and easy to understand communication at the heart of what we do.

Our investment communications team is responsible for our stewardship reporting – a team of specialists who focus on the language, design and delivery of our responsible investment communication.

Besides the internal team, we also seek independent support where needed to further enhance our communication, such as using Behaviour Consulting, (who focus on the behavioural biases of our communication) and The Like Minded (a design agency that specialises in easy-to-understand visuals). We also ensure our communication is subject to regular feedback both from our clients and Partners, as discussed in more detail on pages 67-68.

To make sure our reporting is balanced and fair, the communications team works closely with the responsible investment team. All key communication material is subject to their review to make sure it accurately reflects our approach and is not misleading. Finally, before any client-facing material is published, it's examined by our financial promotions team, who add an additional layer of review, making sure it remains clear, fair and not misleading.

We also have an internal audit team, who have an external co-source relationship to provide additional challenge on specialist topics. The internal audit team is itself subject to an External Quality Assessment at least every five years, to make sure it remains effective, objective and independent.

Examples of work our communications team have been involved with include:

Robeco Engagement Report

Robeco produce a quarterly report on the engagement activities they've undertaken on our behalf. Robeco are careful to provide a balanced view of how successful their engagement activity has been, and are subject to their own governance. To help make these more digestible for clients, we also create shorter, summary documents, highlighting the key themes from the reports, as well as relevant case studies.

New brand

In 2022 we refreshed our brand to a more modern design. The new brand offers a more unified presentation, with an updated tone of voice for all our communications. This has helped improve the readability of our client collateral, while a central brand team has ensured our presentation is as consistent as our messaging.

Increased quantity of client collateral

As part of our 'client first' approach, we've worked hard to ensure clients are able to access a wide variety of easy-to-understand items explaining our approach and investing more generally – be it through one pagers, animations or reports. An example of this was the launch of our Polaris range, which was accompanied by a number of posters and animations.

Reacting to the Russian invasion of Ukraine

On the back of Russia's invasion of Ukraine, we created a portal collating all relevant material to it. This included stats, market commentary, infographics, and videos. This enabled Partners to keep clients up to date on the situation - both in terms of our actions, and movements in the wider market.

How reviews and assurance have improved our policies and processes

Below are two examples of how review and assurance have led to improvement of stewardship policies and processes:

- An internal review of our annual responsible investment fund manager assessment identified a number of areas we could improve. This included requiring firms to report on how they calculate their greenhouse gas emissions. It also called for assessments to be updated to consider managers' positions regarding all minority groups and use responses to inform ongoing oversight. By the end of 2022, we had updated our fund manager assessments to include the suggested amendments, as part of a wider review.
- One call to action from the internal drivers was to make sure our responsible investing narrative had a stronger commercial focus when discussing the topic. As a result of this feedback, we repivoted our narrative to determine whether it was proportionate within our overall Divisional messaging. We looked to increase the focus on our belief that responsible investing means looking to invest in resilient companies with an eye on the long-term, and therefore presents an opportunity for clients, as well as offering a broader, positive ESG message.

Principle

Client and beneficiary needs

6

Meeting client needs

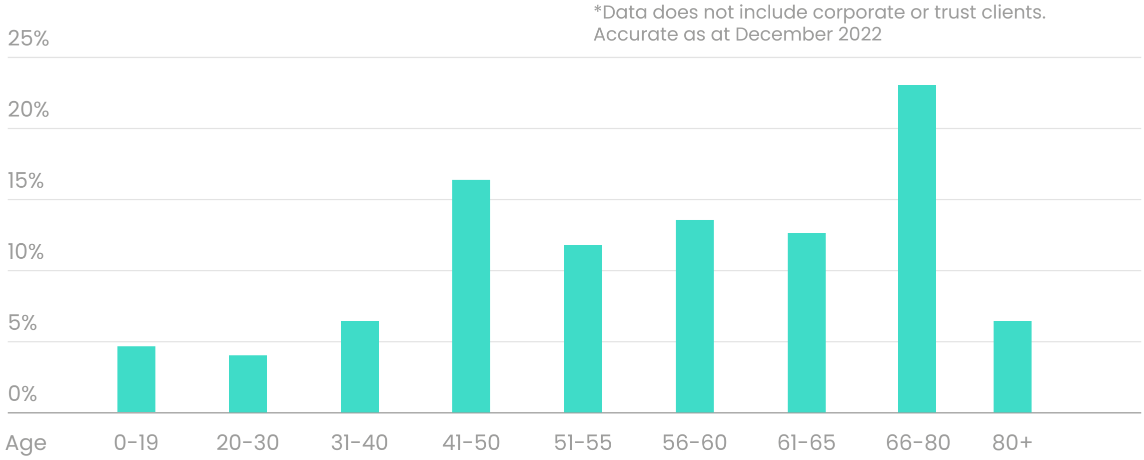
An overview of our clients and their investments

Our core target market is retail clients consisting of individuals, families, trustees and business owners spanning all age ranges and across the mass affluent and high-net-worth markets. As a result, we do not have institutional clients (in other words entities that invest on others behalf). While over 98% of our clients are based in the UK, we also have European clients outside of the UK, as well as thousands of clients in Hong Kong, Singapore and Mainland China.

We work hard to make sure we understand our client base, which spans across the whole UK adult population.

Break down of clients by age*

*Data does not include corporate or trust clients. Accurate as at December 2022



We have a diverse client base that includes, including clients investing just for themselves, on behalf of their household and dependents, or linking in their business. They can be at the start of their financial planning journey building resilience and foundations for the longer-term, already confident and experienced in managing their money, or looking to make the most of their savings for retirement. For every type of client and financial stage, we look to provide a solution that is appropriate. This could mean helping them start a relationship with their Partner through to continuing to provide a deep multi-year long relationship with their Partner.

In order to help make sure our communications remain relevant and targeted, we've created a number of demographic groupings which are simple and easy to understand. These are high level, and not all clients will fit neatly into one grouping, but it provides a great starting point to help frame how our investment team and our Partners tailor their approach.

As outlined on page 74, we have different investment solutions to suit different people – for example:

- DFM might be more suitable for some high-net worth clients in need of specific advice.
- Our InRetirement Range might be appropriate for those in the decumulation phase of their life.
- Our Polaris Range offers different asset allocations to meet different risk requirements.

While our client base is diverse, our clients all share a desire for trusted, face-to-face financial advice, be it in person or remotely. On average a client invests with us for 14 years.

£148.4 billion	917,000	Retail	14 years
SJP's funds under management	Number of clients	Type of clients	Average duration of investment

As at 31 December 2022

Serving the best interest of our clients

In order to align our proposition with the objectives of our clients, we've a dedicated Market Research team who regularly consult with clients and Partners. These consultations inform the scope of any changes and how we communicate any developments.

For these consultations, we've an established community of clients that provide us with their feedback and views on how we're currently performing. This community is managed by the independent research company, The Wisdom Council (TWC). We have regular touchpoints throughout the year, including an annual wealth account survey, helping us to make sure that our change programme is developed with good client outcomes in mind.

The programme of research is managed centrally in collaboration with TWC who support us by providing:

- A structured and unbiased approach to research
- Challenge us to act appropriately to feedback we act appropriately to the feedback
- Analysis to spot the key themes and trends coming through from clients in their interactions within the community
- Expertise in market research combined with extensive experience in the financial services industry and the regulatory environment we work in.

Partner feedback

One of our greatest sources of understanding clients comes from our Partners, and so we invest a great deal of time and resources to understand their feedback. Historically, two of our main feedback channels have been:

Events

We run regular networking and development events for our Partnership. These events, such as our annual Partner Conference, are attended by our Responsible Investment team. They offer Partners an opportunity for two-way discussion around matters pertaining to responsible investment.

Direct Research

We actively seek general feedback from Partners once a year through our Partner Survey. In the interim, we conduct pulse and bespoke surveys such as an environmental Pulse Survey. We also host discussion groups and interviews to understand their views of what clients need.

In 2022, we augmented this with the launch of an online Partner platform. This platform allows for easier ongoing engagement. This is managed via The Wisdom Council who have facilitated a series of group consultations gathering feedback to understand current sentiment, barriers and opportunities.

In addition, over 2022, we created a system for Partners to engage directly with their clients to provide specific high-level feedback about us. Although this won't be as detailed as the dedicated TWC client community feedback, it will provide us with a broader view of what our clients are thinking.

We also have a Field Management Team, who collate feedback from our Partnership and then feed this back directly to our central Investment Division.

Regular contact with clients, as well as client surveys, have helped keep our client retention rate at 96.5%.

As of December 2022

In order to make sure our services continue to provide good value for clients we carry out a value assessment exercise each year, which is released for clients and the wider public. It offers a clear review of how our funds have performed over the previous 12 months, as well as the comparative value and overall quality of our service. The most recent assessment included analysis of each fund's responsible investing approach, which we consider as part of their overall performance. This year, we revamped the look and feel of the document we released, to make sure it's as approachable and understandable as possible. We believe we have a strong and effective approach to understanding the needs of our clients. These channels give us a balance of qualitative and quantitative data, so we can track and understand sentiment over time.

We derive opportunities from this insight to improve our investment proposition, tailoring it to client needs. We look for feedback directly from clients, but importantly also from our Partnership, as they are best placed to truly understand the needs and requirements of their own clients.

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.

Responding to client feedback

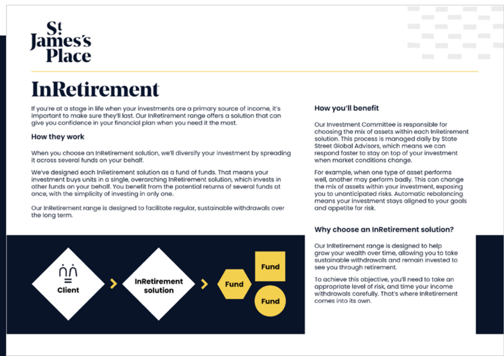
We're also working on areas where our clients told us they would like to see improvements, such as more regular and tailored communications and a better online offering.

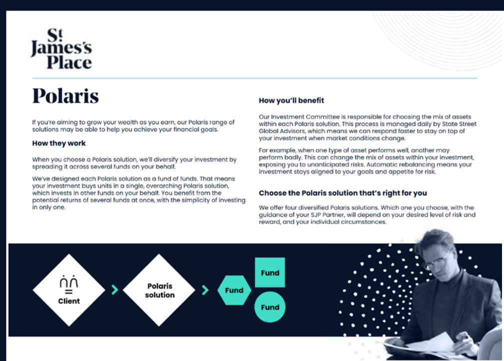
Launching the Polaris range

A 2022 example of tailored communications was the launch of our Polaris range. This represented one of the biggest additions to our investment offerings for years. However, the difference between Polaris and our Growth Portfolios can be quite a complicated topic to understand. Therefore, we took a multi-pronged approach to ensuring the message was understandable for clients. Well in advance of its launch we consulted with Partners to understand what they needed to support their client conversations. We then developed and opened an Online Portal that our Partners could visit to learn about the upcoming changes. This was accompanied by webinars and podcasts to help build their understanding.

Before launch, we also created a range of client-friendly material they could use – including videos and one pagers. This meant that once Polaris launched in November, we had already created a bank of collateral to help clients understand the reasons for choosing Polaris and the differences to our existing Model Portfolios. See page 14 to learn how we incorporated client feedback into the development of this material.

Over 67,000 Polaris and InRetirement hub page views from 4,000 Partners before launch.



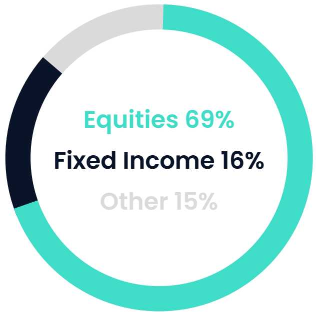


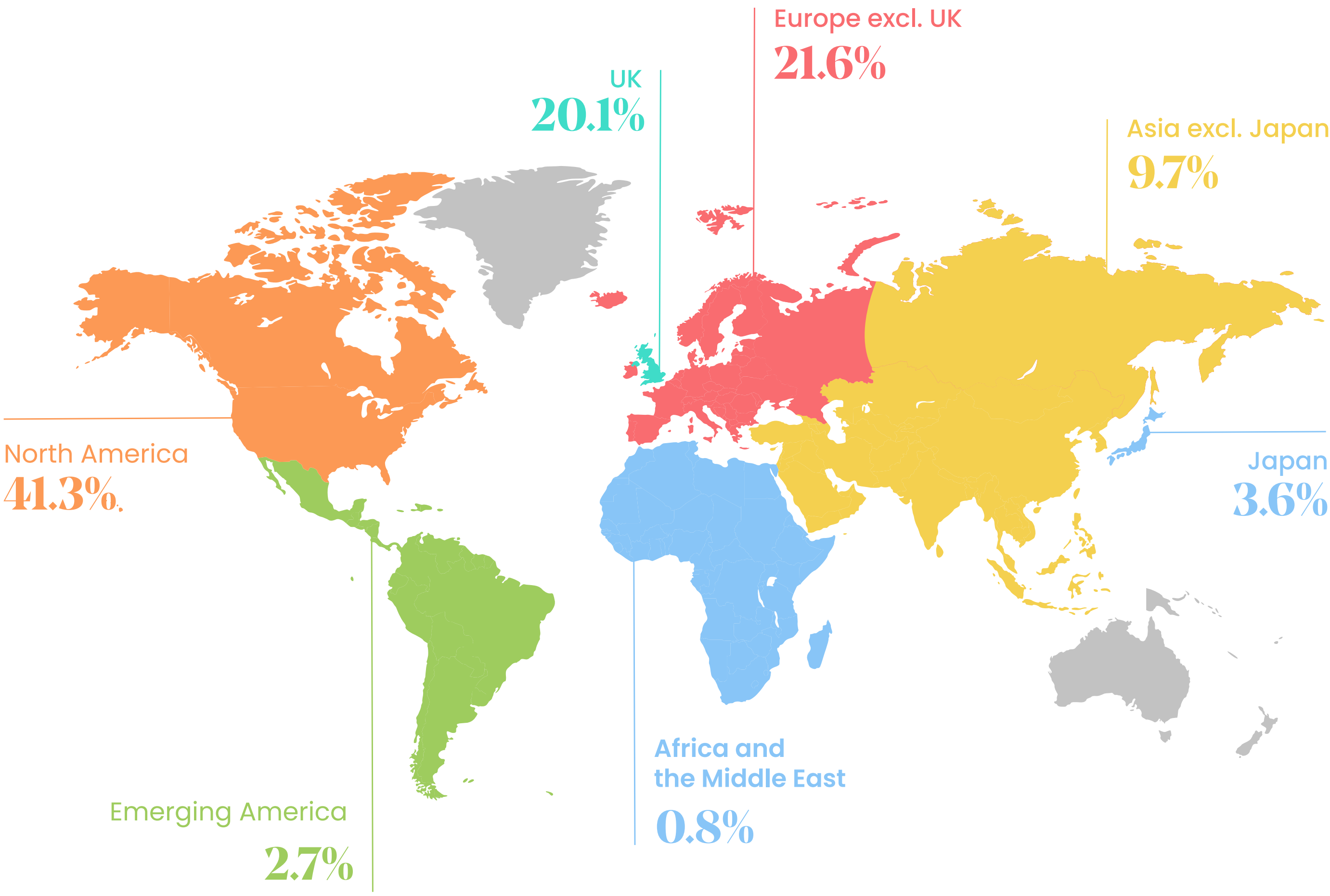
Where do our fund managers invest?

As explained earlier (see page 12), diversification is one of our seven Investment Beliefs. Applying this to our investments means distributing our clients assets across classes, which we broadly split into three categories: equities, fixed income, and other (which comprises of real estate, private markets, and tax-advantaged assets). We have developed specific responsible investment questions in our assessments for each area, which means we can conduct more accurate appraisals, set explicit expectations and provide support to the fund manager when needed.

Furthermore, our fund managers operate across the globe and are specifically selected for their regional knowledge and expertise. We encourage them to engage with companies in a way that aligns with local regulation, legal practice, and accepted business protocols.

Assets under management, split by class and region, as of 31 December 2022





Our long-term, relationship-based approach to investment

We aim to achieve the best possible outcomes for clients and ensure that they are well served by our long-term, relationship-based approach to managing their financial wellbeing.

We usually recommend that a client stays invested for at least five years. A long-term time horizon balances risk with reward and promotes a long-term mindset, which we consider to be key to achieving great client outcomes.

Engaging with an investee company on their ESG credentials is a gradual process of getting to know the business, making the case for change, and then bringing them on that journey. It takes time, commitment, and patience, which only a long-term investment can provide. Systemic ESG risks such as climate change are a multi-decade challenge, therefore the long-term nature of our client base and partnership with our fund managers creates the right environment for effective stewardship to take place.

The fact that our clients remain invested for an average of 14 years works well with our responsible investment approach and stewardship activity, as it gives us a longer timeframe to engage with companies. Being effective stewards is something our clients expect of us.

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.

Case study - Client input into sustainable funds

We're currently developing a range of sustainable funds. As this will be a new fund range it is important for SJP to understand both our client views on the subject, as well as that of the wider investment universe. Even though these funds are still in development, in 2022 we conducted a client consultation to capture views, preference and opinion on sustainable funds.

More specifically, we conducted a client testing exercise exploring the relationship between sustainability characteristics and investment performance. This allowed us to capture views on potential trade-offs and client preferences such as exclusions and objectives.

This information has been key in the research of these funds, as we look to develop what the funds objectives, strategy, KPIs and approach should be.

How we align our investment management to client outcomes

Our investment proposition is focussed around helping clients achieve financial security for generations to come.

In order to achieve this, our investment proposition involves a wide range of solutions to help clients achieve their goals and align to their values.

Client feedback we have gathered (see page 67) is incorporated into our investment beliefs, to ensure we remain in line with client expectations. Feedback continually shows significant demand for responsible investment to be incorporated into our products and services.

We make our expectations very clear to fund managers when they are appointed and include wording on responsible investment expectations and stewardship with the legal agreement for how the fund should operate.

Where fund managers fail to meet these expectations, we ask them to provide us with an explanation for this, including their position on responsible investing. We will provide steps and timelines to the fund manager, and then work with them to help them reach the milestones we set. If improvement is not made, this could ultimately trigger a fund manager change.

Therefore, our process lends itself to making sure our fund managers are managing our clients, money in-line with our investment beliefs, including responsible investing and stewardship.

Client options

We recognise that our broad client base will have a variety of needs around stewardship. Therefore, we have created a structure we believe is underpinned by real intention but is suitably flexible.

Growth Portfolios, and the Polaris and InRetirement Range

The majority of our clients are invested in our Growth Portfolios or Polaris and InRetirement range. Working with their Partners to establish their risk tolerance and objectives, clients are invested in a number of underlying with each solution aiming for a specific objective. Investing in several funds allows for flexibility in terms of asset allocation and risk tolerance, while still offering maximum diversification and attractive potential returns. While Partners are able to choose options that best align with their clients' goals, these are all long-term products.

All our fund managers are signatories of the UN supported PRI, and due to our minimum standards and annual assessments, consider ESG factors as standard. We believe this is an important factor in supporting long-term, sustainable performance.

Discretionary Fund management

For those with more specific investment objectives, we offer an investment manager from Rowan Dartington who can manage a bespoke discretionary portfolio to meet individual client needs. Although this means the investor still delegates control of their investments, this allows us more flexibility to make sure specific requests are catered to. For example, this might mean managing capital gains tax liabilities, or taking a more personal approach to responsible investments, allowing bespoke portfolios aligned to specific responsible investment values and beliefs.

This could mean including specific stocks and shares in a portfolio, according to a clients objectives. It could also mean applying specific exclusions – including avoiding specific industries, or specific companies. In this way, client's can really tailor their investments to meet their individual aims and values.

Rowan Dartington is wholly owned by the St. James's Place Group.

The value of an investment with Rowan Dartington may fall as well as rise. You may get back less than the amount invested

Adding a sustainable focus

For clients who want a more explicit focus on sustainability, we have the Sustainable & Responsible Equity fund, which invests in a range of companies already well positioned for the transition to a globalised sustainable world. This fund can be used in conjunction with a Growth Portfolio, or the appropriate Polaris or InRetriement fund of funds to help ensure investments are as green as possible while remaining diversified and risk appropriate.

How we communicate with clients

Our dedicated communications team works closely with our responsible investment team to produce regular and relevant client communications. These can be distributed either directly to the client, or to our Partners for onward distribution. Our client communications vary from regular short online articles to education infographics and videos, as well as long form reports, as detailed below.

Communication	Frequency	Format	Description
Taskforce on Climate-related Financial Disclosures	Annual	Report	A summary of 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 those risks through stewardship.
Value Assessment Statement	Annual	Report	An assessment of the value that clients get from us. We currently include responsible investment metrics for every fund. These will be shown in our TCFD Product report from 2023.
Wealth Account	Annual	Report	A full-year summary of client investments accompanied by a letter from our CEO Andrew Croft reviewing the year.
Portfolio Carbon Emissions Report	Annual	Report	An overview of the carbon emissions of our investment portfolios.
Robeco report	Quarterly	Report	A summary from our engagement partners explaining their stewardship activity with our investee companies. At regular intervals we highlight themes through case studies for clients.

Helping Partners communicate with clients

The client's primary relationship will be with their Partner, who will be the one giving financial advice. We work hard to provide material specific to Partners to help keep them abreast of recent market updates, internal developments that might be relevant and generally make sure they're able to continue providing up to date advice. This material includes:

Podcasts

These cover a wide variety of topics – from discussions with fund managers about the market, to internal team leaders explaining a new product, and when it might be appropriate to recommend to a client.

SJP House

In 2022, we revamped our online learning and development system, launching SJP House. This is where we launched our responsible investing learning and development series, giving Partners an easy to access method to receive relevant training.

Online resources

Where relevant, we'll host online 'hubs', offering Partners all the material they need to help their clients. This could include items approved to share with their clients, or material specifically designed to help them understand a topic.

Events

We host regular educational events for our Partners, providing them with an opportunity to hear from our in-house experts, fund managers and their peers. These range in scale and scope, from online webinars through to our Annual Company Meeting and Investment Conferences.

Case study - Investment belief commentary

Our investment beliefs are an important part of how we approach investing. Therefore, it's important clients understand what they mean and the impact they have. As mentioned on page 12, one of these investments is around responsible investing. In 2022, we ran a multi-pronged campaign to help improve client understanding of these beliefs. This included a series of podcasts for our Partners. Each podcast focussed on a different belief, and featured relevant, senior SJP staff. Once these went live, they were followed by client facing articles, explaining to them what the belief meant, and why we felt it was important. All of this was accompanied by various pieces of media, including videos and one pagers.

How we evaluate our communications

Our communications approach has evolved rapidly over recent years. We've worked hard to develop a narrative structure that has enabled us to explain advanced topics to clients in a clear, consistent manner.

We monitor how effective our communications have been through tracking engagement levels, and from direct feedback from Partners.

Principle

Stewardship, investment and ESG integration

7

Principle

Monitoring Managers and Service Providers

8

Integrating stewardship within monitoring

The integration of responsible investment and stewardship within our investment process is something we take incredibly seriously and have been doing since 2014. Whilst we're proud of our approach, we do recognise the continued need to evolve and improve our process each year, given the increasing complexity of regulations, evolving information streams and our desire to do more within this area. Over 2022, the three responsible investing areas our investment division prioritised were:

Integration of ESG across everything we do

We don't limit our ESG process and approach to sustainable funds, but have applied a responsible investment assessment to all our fund managers since 2014. This is the philosophy we also expect of our fund managers: to be considering the material ESG risks and opportunities across all companies in their portfolio. This matters to us because considering ESG involves taking a broader view to company valuations and risks factors, which can help improve investment decision-making. It is also an expectation from our clients.

Considering asset class, region and sector

Given that ESG considerations vary significantly between asset classes, regions, sectors and companies, we believe the best way to approach stewardship and responsible investment is to adapt our approach and expectations for a given fund manager strategy (see pages 99-100). It's important that we have a nuanced and relevant view of responsible investment within our funds to support the overall fund objective meeting its goal for our clients.

Climate change is a systemic risk that must be considered

Tackling climate change is a key priority for many of our clients, wider stakeholders and for us as a responsible business. Through our monitoring, we make sure our fund managers consider climate change within their investment process. We expect them to consider risks and opportunities that the transition to a lower carbon economy is creating for companies within their fund.

Our approach to exclusions

We believe that engagement over divestment is crucial in driving positive outcomes and real-world change. This is a principle we also expect our fund managers to adopt, by being active stewards and using their influence with companies on ESG factors, rather than making divestment their first course of action. This is important as it allows us to use our size and scale to drive meaningful change and support improvements within various industries. We do however prohibit our fund managers from investing in companies producing controversial weapons or companies with unaddressed violations relating to United Nations Global Compact principles relating to human rights, labour standards, the environmental and anti-corruption.

Select, Monitor and Change

How we ensure stewardship is integrated from start to finish.
Our business model involves delegating day-to-day investment decisions to our fund managers. It is therefore vitally important that we have systems in place to make sure we only recruit fund managers and service providers that align with our beliefs. We also need to monitor them on an ongoing basis to ensure they continue to align with us, and smoothly change these providers if they fall short.

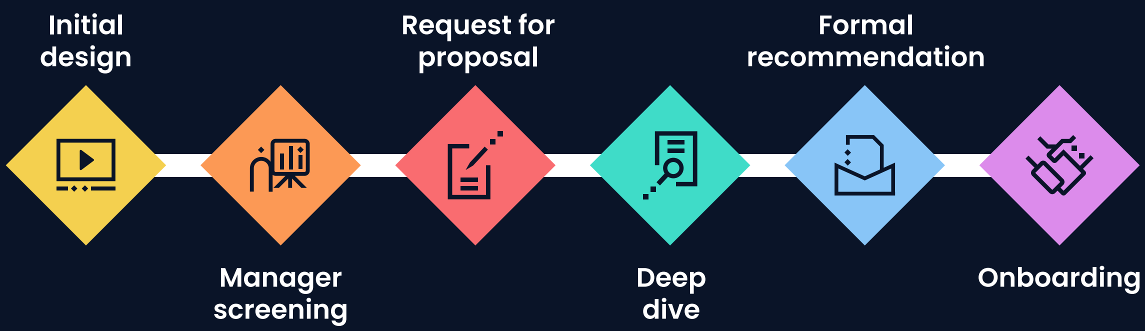
We select world class external managers to manage our funds.

Our experts continuously monitor managers to make sure they're achieving the fund's objectives.

We will change managers if it's in the best interests of our clients.

Select

We strive to connect our clients to the most appropriate, value-for-money solutions that meet their long-term goals. We select fund managers and third parties that help to evolve the solutions we can offer clients, help us become more robust as a business, or provide access to more detailed information. Our process of selecting fund managers and service providers is similar, however our expectations and selection criteria will differ slightly depending on the asset class, as set out later within this section. The process is as follows:



Initial Design

Our first stage in any manager search will be looking at the initial design of the fund mandate. This could be an existing fund, making sure it remains fit for purpose, or identifying a new area of opportunity. Key teams include our research team who conduct macro analysis across themes, emerging issues and opportunities. They work very closely with the responsible investment team, including issues such as ESG and climate change within their research. The proposition team is responsible for initiating any new design and will consider the Partner and client benefits. Stewardship will be a consideration at this stage, to ensure we are designing a mandate that allows effective stewardship and we're aware of any constraints.

Manager screening

We expect all fund managers to consider material ESG risks and opportunities within their investment decision-making processes. As a first step, we often conduct an initial screening of the investment universe to narrow down the pool of fund managers within a search. This could include a range of areas, such as stewardship and responsible investment.

This is our first line of defence to ensure a baseline of ESG integration and stewardship within the fund managers', investment process. We request information from potential fund managers to ensure they meet our minimum standards:

- Being a signatory to the UN supported Principles of Responsible Investing
- Having a named individual responsible for implementing the fund manager's responsible investment approach
- Having a structured, explicit approach to integrating ESG factors in the investment process

Request for Proposal (RFP)

Once we have narrowed our search to a handful of potential options, we review the fund manager's approach to conducting business, alongside the specific fund, tool, product or service solutions we're considering. Experts from our investment analysts, investment operations and responsible investment teams work with procurement, risk and compliance teams to assess the appropriateness of the proposed solution. These responses are assessed and again we eliminate providers that either do not meet our brief, or perform poorly when compared to the other options available.

By the end of this stage, we'll have detailed information on the following, pertinent to their responsible investing.

Responsible investment and specific stewardship topics

- Policy & Objectives
- Governance & Resource
- Cultural Approach
- ESG Integration
- Stewardship & Engagement
- Climate Risk and Opportunity

Wider due diligence will also take place, in accordance with our procurement policy.

Deep dive

Once we've established a list of potentially suitable providers, we then undertake further testing on each candidate. This includes a detailed review of elements such as reliability, culture, resilience and credibility. This captures a number of processes including ESG integration, stewardship and engagement activities and climate risk integration. This is conducted through meetings with key people, including their responsible investment team and investment analysts. We will use these discussions to make sure that we completely understand and are comfortable with the business and the proposed product. Specific examples and case studies of investment decisions and effective stewardship will be explored to ensure they are consistent with our expectations and the information provided to us earlier in this process. Any unresolved queries will be addressed prior to completing this stage.

Formal recommendations

Once all analysis has been completed, a formal recommendation is made to the Investment Committee for the appointment of the new fund manager. A summary of the initial responsible investing assessment will support the recommendation. That summary will include the fund manager's approach to engagement, voting policy and process (if relevant), means of integrating material ESG factors and confirmation that our minimum standards have been met. Each summary will be tailored depending upon the level of ESG integration and engagement, so that it accurately represents the fund.

Onboarding

If the recommendation is approved, we will create a mandate and seek regulatory authority to appoint a fund manager. This will clearly set out our expectations of them – including how we expect them to incorporate stewardship into their decisions. Once this final stage has been completed and any of our systems have been transitioned to accommodate the relevant change, we can then start to use the new fund manager. This will be supported by communication and education to all impacted employees, the Partnership and clients.

Case study - Changing fund managers on our Global Growth fund

In 2022, we updated our Global Growth fund as a means of improving its long-term growth potential. SJP restructured the fund, replacing two out of four managers, and adding two additional managers. This brought the total number of managers up to six. The selection process was as follows:

Manager screening	◆ Four analysts each independently submitted a list of 10 managers they deemed suitable for the fund. This resulted in 36 discrete potential managers. ◆ Following introductory meetings and internal review, this number was reduced to 10.
Request for proposal (RFP)	◆ These 10 potential managers and three existing fund managers submitted RFPs. A specific responsible investment RFP was also issued. ◆ Following an intensive RFP review and scoring process, seven managers progressed.
Deep dive	◆ The due diligence phase of the restructure lasted 10 weeks. ◆ We assessed managers on a number of distinct research modules, including philosophy, process, ESG integration, stewardship and engagement, risk and operations, and analyst case studies. ◆ This stage included a deep dive on responsible investing, where we took an evidence based approach, looking at the details of each managers investment process through interviews, questionnaires and case studies.
Formal recommendations	◆ Out of the original potential options, four managers were recruited ◆ Two of the original fund managers were retained. The other two were replaced with two new fund managers, and an additional two fund managers were also brought on board, bringing the total number of fund managers to six. ◆ Although all six managers invest in 'growth' style equities, their strategies differ slightly, in a way we believe is complementary to one another.

Alignment of service providers with our beliefs and priorities

Appointing service providers follows a very similar path to appointing a fund manager, or any other third party, as part of our wider onboarding process. Our due diligence process ensures we are using like minded companies and minimises preventable surprises later on.

Research	◆ Desk-based research ◆ Understanding the landscape and potentially suitable providers ◆ Manager outreach
Service provider screening	◆ Construct the Review Framework ◆ Identify priorities: industry experience of success in relevant field, credibility, and demonstrable track record and culture ◆ Assess market participants against this framework to create a shortlist
Request for proposal	◆ A questionnaire is created and sent to the potential providers ◆ Internal working group discuss the responses, informed by our previous research
Deep dive	◆ Deep dive interviews with remaining providers to gain further insight into queries raised from the RFP including, where relevant, around ESG matters
Formal recommendations	◆ Present at Propositional Committee: challenges and options discussed ◆ Ensure provider is fit for purpose and fits with wider propositional objectives ◆ Provider recommended and approved through SJP governance
Onboarding	◆ Legal agreements reached; relevant data flows enabled ◆ New partnership communicated widely if appropriate

An example from last year was the re-appointment of Baringa-Blackrock to support our work on climate scenario analysis work (see page 92).

Monitor

As part of our ongoing due diligence, we continuously assess our fund managers and third parties to make sure they're meeting our expectations.

Fund manager expectations

<table>
<tr><td>Philosophy</td><td colspan="6">St. James's Place responsible investment beliefs, principles and policies</td></tr>
<tr><td>Standards</td><td colspan="6">Fund manager responsible investment minimum standards</td></tr>
<tr><td rowspan="3">Ongoing Responsible Investment Assessment</td><td colspan="2">Liquid market responsible investment principles</td><td colspan="4">Alternatives (from Illiquid) market responsible investment principles</td></tr>
<tr><td>Equity</td><td>Fixed income</td><td>Private markets</td><td>Tax advantage</td><td>Liquid alternatives</td><td>Real estate</td></tr>
<tr><td colspan="6">Responsible Investment assessment</td></tr>
<tr><td>Data</td><td colspan="6">ESG data + analytics</td></tr>
</table>

ESG is a key pillar of our fund manager monitoring process and Investment Committee oversight. We undertake an annual responsible investment assessment across all fund managers. This covers areas such as the fund manager's ESG resource, their governance, the integration of ESG into their investment process, stewardship and engagement, and how the fund manager considers climate risk within their decision-making.

Our analyst team is responsible for this assessment. The responsible investment rating of a fund manager is part of an overall suite of monitoring metrics overseen by our Investment Committee. This is important as it means our responsible investment assessment is a key consideration in the way we monitor fund managers and hold them to account on their responsible investment activity.

Guided by our belief that ESG considerations can vary significantly between asset classes, we have developed specific responsible investment principles and specific assessments across different asset classes. Within each area, core asset classes have a tailored annual assessment to ensure we apply relevant and suitable questioning and expectations for the fund managers running the fund. At the same time, the underlying principles of the assessment remain largely consistent, for example, they all look at ESG integration.

Expectations based on time horizons

The time horizon of our clients' investments and the objective of the fund is also a key consideration of how we apply and monitor responsible investment through the assessments. As discussed on page 65, our clients tend to be invested for the long-term therefore, the majority of our funds are also designed with long-term objectives in mind. This lends itself to the activity of stewardship, as changing a company's behaviour and engaging with firms can be a multi-year process that requires deep rooted relationships and knowledge of the firm.

However, we also have strategies which are more short-term in nature, that can play a key role within an overall client's portfolio for diversification. Again, we take a nuanced approach and have differing expectations for strategies with a shorter time horizon, where the activity of stewardship can be more challenging. Nevertheless, the strategy would still fall into our responsible investment monitoring process. Each year our Value Assessment Statement (VAS) provides a full review of each of our funds and fund managers, offering an assessment of how they have performed against expectations. Their approach to responsible investing was included in the most recent VAS, however this will instead be presented in our TCFD Product Report from 2023 onwards.

Where we judge a fund is not providing a client with good value, further action will be taken.

Expectations account for different fund manager locations, styles and sizes

Within our fund manager engagements and responsible investment assessments, we take a nuanced view of other characteristics of the fund, such as the geography, style and size of the fund manager. For example, emerging markets tend to have less available ESG data than developed markets, while small, boutique fund managers may have less ESG resource and infrastructure than a large fund manager.

The different specialisms within the investment division will be assessed according to their level of involvement with fund manager selection, monitoring and replacement. Some will be deemed responsible, some accountable, some consulted and some informed. This assignment of responsibilities enables clear ownership and facilitates good governance.

These differences need to be considered within the assessment of the fund manager. This is also why our lead analysts, working collaboratively with our accountable investment team, are responsible for the assessment, as they are specialists within their asset class fields and have a deep working knowledge of their strategies and fund managers.

Assessing different asset classes

Investment Team	Asset class	What our assessment looks for in our fund managers	Key changes in 2022
Liquid Markets	Equities	Share ownership entitles our fund managers to vote at investee 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.	Introduction of a case-study into the responsible investment annual manager assessment template which ensures consistency of evidence across different managers and their strategies.
	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, our 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. We ensure this due diligence is being done to our high standards.	Additional detail was added into the annual responsible investment manager assessment to capture the manager process of integrating ESG and climate factors into their assessment of credit quality.

Continued on next page.

Assessing different asset classes (continued)

Investment Team	Asset class	What our assessment looks for in our fund managers	Key changes in 2022
Alternative	**Real estate**	Our property fund manager is covered by a tailored responsible investing manager assessment, which accounts for the nuance of the strategy. This can include a specific focus on how the fund manager engages and advocates with tenants for a more responsible approach. It also considers Energy Performance Ratings. We scrutinise this activity as part of our assessments.	Greater focus on building a historic dataset for key RI information. This includes elements such as EPR ratings and engagements with tenants.
	Private markets	Our private markets fund manager considers the respective impact of the provision of private credit and equity funding. A lack of liquidity for these assets can also affect valuations which, in conjunction with highly varied investment time-horizons, warrants a more individual approach and closer monitoring of their stewardship activity in this specialist area.	Additional questions were added to the assessment to capture detail of how our manager integrates ESG factors and engages with a new business following acquisition.
	Tax advantaged	We are working with an expert consultancy to create specific responsible investment assessments with targeted questions for Enterprise Investment Scheme (EIS), Venture Capital Trusts (VCT) and Business Relief (BR) strategies.	Collaboration with our expert third party consultant to create better consistency across the different styles of tax-advantaged strategies.
	Liquid alternatives	Given the nature of the underlying investment instruments within these strategies, the manager's ability to influence companies is reduced. However, we still assess our manager's approach to stewardship, in some cases focusing on the engagement with sovereigns and with private companies.	Started a review as to how best implement responsible investment practices for this asset class

Data insights and analytics

To support our annual assessment and fund manager monitoring meetings, we have a range of ESG data providers embedded in our internal monitoring systems. Systems include risk system provider BlackRock Aladdin and specialist ESG tools such the MSCI ESG Portal. This information is used to challenge and verify, or as case studies to support our fund manager reponsible investment assessments. More information on our data providers can be found on page 29.

Consultants and service providers

In 2021 we appointed Robeco to engage with companies on our clients' behalf. They were selected bacause of their culture, provision of service and transparent approach to reporting. They provide a good example of how we monitor third parties, to ensure they continue to understand and meet our expectations.

Robeco produce a report every three months which details their engagement activity and updates on specific themes, which we publish on our website. They also provide an in depth report. Our comms and responsible investment teams work closely with Robeco to ensure these independent reports remain in line with our standards, including reviewing the public report prior to publication.

Periodically, our RI team conducts an in-depth monitoring review of Robeco, which includes:

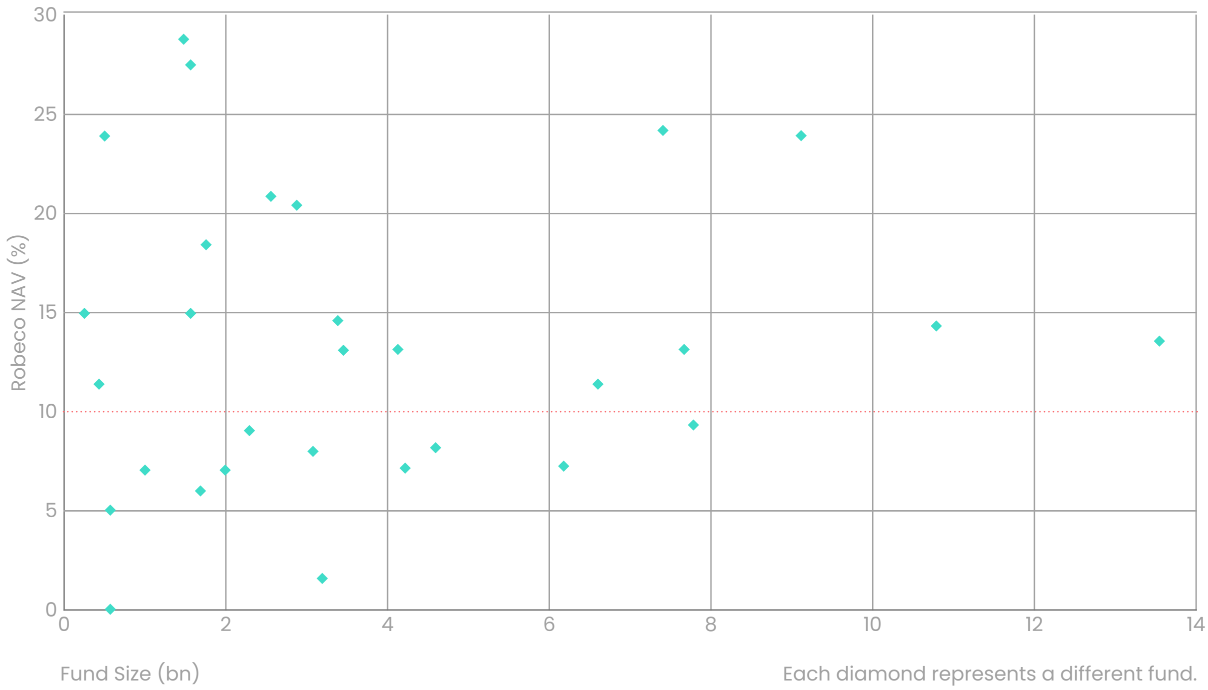
- An interview and deep dives into the engagement process
- Upcoming significant changes to engagement themes (client panel discussions)
- Additional dataset constructions
- An overview of resource and governance (e.g personnel changes within the Robeco Sustainable Investment team).

To make sure their activity remains aligned with our expectations, we submit new themes for discussion and consideration in a round table with all of Robeco's engagement clients.

We've a bespoke dashboard, which allows us to monitor the level of engagement between Robeco and the companies our fund managers have invested in. We can then measure this against a range of criteria, including the percentage of each fund's net asset value that Robeco is engaging with. The chart below represents Robeco's engagement with companies held within our funds by percentage. Overall, in 2022 Robeco engaged with 201 companies on our behalf, amounting to £16 billion assets under management (AUM). This represents 10.8% of our total AUM. We'll track the overall number and percentage of AUM Robeco engages with over time to ensure our clients receive value for money over the longer term.

Some funds will naturally have higher or lower levels of assets under management which intersects with Robeco's engagement activity. This is driven by a number of factors such as the asset type, geography and specialism of the fund manager, industry, quality and ESG characteristics of the companies themselves and the themes of engagement Robeco are currently undertaking. A high or low percentage for an individual fund is not in itself a good or bad indicator of how responsible that fund is.

Percentage of fund net asset value that Robeco engaged with in 2022



This dashboard remains a work in progress. By monitoring Robeco's engagement in this way, we can evaluate Robeco's reach within our investment universe, and identify potential gaps.

Case study - Baringa-Blackrock service provider tender

In 2022, we undertook due diligence processes on Baringa's scenario analysis packages and one of their competitors for the latest TCFD cycle over the course of three months. Virtual deep dive calls took place, centred around updates to the respective models and evolution of underlying assumptions.

This took place just six months after Baringa was originally appointed, and therefore it focussed on asking key questions from perceived 'gaps' from the last cycle, such as the lack of climate opportunity in climate models. This determined the provider had the data and outputs that fit with our focus on narrative for the scenario analysis section of the report.

Baringa
Brighter together
BlackRock

Case study - Tax advantaged investments

In 2022, we worked with consultancy MJ Hudson Spring to create specific responsible investment assessments with targeted questions for Enterprise Investment Scheme (EIS), Venture Capital Trusts (VCT) and Business Relief (BR) strategies.

The results of this assessment were aggregated onto a proprietary dashboard which allows us to analyse and dissect them. Given the early stage of data and integration methodology for these types of assets, we have focussed on fund manager feedback and engagement following the first iteration of the assessment. Each fund manager on the panel has been individually consulted and taken through the assessment results. To complement this, in November, we held a fund manager seminar in London, where we highlighted key results of the assessment, and shared best practise examples from within the industry.

As part of this work, we also established principles for new minimum standards for our tax advantaged managers. These are tailored to suit this unique space. Although these standards won't become live until 2025, we communicated them to our fund managers in the November event, to give them time to get up to speed in advance of this date.

Change

Where we believe a fund manager is not meeting our expectations, we will take action. Our programme of continuous monitoring enables us to remain aware of all aspects of fund management, service providers and operations. It is of paramount importance that we meet our clients' goals and expectations, by providing robust products and services that offer value for money over the long-term. When issues are highlighted through our monitoring activity, there are steps that we can take with the fund manager or service provider to improve them. Fund managers will be aware of our responsible investment expectations and generally appreciate our assistance and calls for more evidence to support their decision making. On the occasions that the investment analysts and responsible investment team believe a fund manager is not meeting our expectations, our initial focus is to ensure we are sufficiently supporting them to make improvements.

This could take different forms, including:

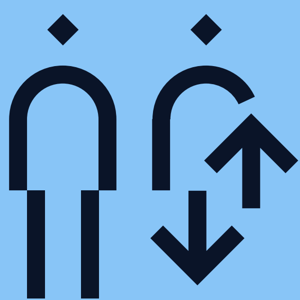
- Improving communication mechanisms of how fund managers are acting, to safeguard the long-term viability of the companies in which they invest.

- Giving fund managers milestones to implement changes, such as how best to consider material ESG factors within their investment process and using third-party data.

- Escalation to the Investment Committee if we believe improvements are not being made, or not with sufficient speed or commitment.

As a last resort, we will remove the fund manager.

Fund manager changes are, whenever possible, planned. However, sometimes unexpected changes can occur at a fund manager which are not anticipated. Our priority is to make sure that our clients' money is always managed in the best possible way, and we'll reallocate assets to another fund manager if unanticipated circumstances warrant such a change.



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.

Case study - Succession planning and fund managers

We invest a lot of time making sure the fund managers we work with are aligned to our values and expectations. As we continue to only work with good fund managers, we can preserve the long-term value of client holdings. One area of risk is when a portfolio manager approaches retirement age. This will necessarily see personnel changes, and we need to remain comfortable with the new team.

This happened last year with one of our fund managers, where we had a strong investment conviction in the portfolio manager. However, as they approached retirement and outlined their succession plan, we met and interviewed their future replacements. We found their investment philosophy differed from the incumbent lead, and therefore were less certain the fund manager would continue to align so closely with our requirements and values. We also noticed the investment decisions of the incumbent portfolio manager began to dip, possibly as a result of needing to split their time between succession planning and managing the fund.

As a result of these concerns, we began to search for an alternative option, and once an appropriate fund manager was found and sufficient due diligence conducted, the fund manager was replaced.

Principle
Engagement

9

Our engagement activities

Engagement and escalation are key aspects of effective stewardship. We've a strong preference to engage with companies, rather than divesting away from them, believing this will contribute to more tangible positive changes across the whole economy.

Our investment beliefs, explained on page 12, include diversification and drive investment across the economy. Encouraging those companies to evolve into better versions of themselves over the longer term builds resilience and helps secure the future success of each company.

However, in 2022 we introduced a formal exclusions policy. This prevents any of our fund managers from investing in producers of controversial weapons or companies violating United Nations Global Compact principles relating to human rights, labour standards, the environmental and anti-corruption. Failing to address unacceptable behaviour following prolonged enhanced engagement results in companies being excluded. Together with Robeco we'll periodically review these companies. If they make significant improvements to their products or practices we may reconsider our stance.

Our engagement methods

Our business model provides for three different levels of engagement on behalf of our clients.

01 Our engagement with fund managers

02 Robeco's engagement with companies

03 Fund manager's engagement with companies

01

Our engagement with fund managers

Our Select, Monitor and Change programme is a rigorous process that continually assesses our fund managers, including their approach to engagement. Whilst we don't direct how our fund managers undertake engagement activities, before appointing a fund manager we'll consider their process and its robustness so that the fund manager represent our clients and their objectives appropriately.

Our baseline responsible investment expectations of all fund managers are:

- **Material ESG factors should be incorporated into decision making, in a structured and evidence-based manner**
- **Managers should act as active owners, using their voice to engage with companies on material ESG matters**
- **Climate change and the transition to net zero is going to create investment risk and opportunity that must be considered within investment decision making**

We don't prescribe how each fund manager meets these broad expectations, as this will differ according to their wider investment objectives, asset class, geography and style. Each fund manager will provide details of how they have selected, developed and prioritised their engagement themes. We don't express any preference for fund managers to either conduct engagement activities through voting in-house or through proxy services. However, we assess their chosen stewardship, engagement and voting activities, including the process they followed, how and when they engaged, and the outcomes of that engagement.

Our monitoring process takes regular account of how our fund managers meet our expectation to integrate responsible investment into their decision-making processes, whenever they are considering buying, selling or holding an asset.

A lead analyst from St. James's Place will talk with the fund managers who make the investment decisions for any given fund. These calls will be supported by our responsible investment analyst when specific expertise is needed around ESG factors or stewardship. This follows our integrated approach, embedding ESG knowledge throughout our business. Our monitoring will be informed by the detailed fund manager information we receive from the annual responsible investment manager assessment and the array of data provided to us directly from the data provider MSCI.

Our assessment will consider the breadth and type of assets that they manage, the accepted practices of the region they invest in, the nature of the fund and the materiality of the issues by each company or country. We expect interactions to be prioritised, targeted and aligned to an explicit framework.

Fund managers who are highlighted as struggling within our assessments will be put on an enhanced engagement programme with specific objectives and expectations set by the lead analyst and the responsible investment team. In 2022, five fund managers were on an enhanced engagement programme. This largely focused around the consideration of material ESG factors becoming more embedded and well-documented within the managers investment decision-making process.

Regular meetings provide an opportunity for us to conduct deep dives to further check that the fund managers are meeting our expectations. They also provide us with an opportunity to be updated on team changes, ongoing training, alterations of processes and specific challenges or successes that a fund manager has experienced in their engagement activities.

When assessing managers of differing asset classes, we'll consider the following:

Fixed Income

- How they assess and prioritise material ESG factors of countries or companies before purchasing bonds
- How they compel companies or countries to implement positive changes ahead of entering into bond agreements. For instance, by seeking improvements to contracts and debenture terms and conditions
- How they interact with senior company representatives to improve the ESG ratings of their firms, both before they invest and throughout the bond duration
- How engagement is prioritised according to the bond size, duration, credit quality and materiality of ESG risks, pertinent to the country or company
- How and when they challenge senior company stakeholders when they do not meet their objectives, or veer away from their strategy
- How and when they collaborate with other bondholders, when a company doesn't recognise or implement positive strategies that will support the debt instrument over the long-term.

Equity

- Are the senior company representatives considering longer term changes that could affect future business success, including issues relating to ESG factors
- Are they suggesting ambitious but meaningful milestones against which companies can measure their success
- How are they voting at company Annual General Meetings (AGMs)
- How and when they challenge senior company stakeholders when they do not meet their objectives, or veer away from their strategy
- How and when the fund manager collaborates with other shareholders, when a company doesn't recognise or implement positive strategies that will support the shareholders assets over the long-term

Liquid alternatives

- How the manager handles specifics related to relevant sub-asset classes i.e. 'Long-Short strategies and participation in exchange traded funds

Property

- How do property managers assess and improve the efficiency and carbon emissions of the buildings they own
- What is their approach to due diligence prior to purchasing real estate, for example, their approach to incorporating ESG issues when carrying out due diligence on selling and buying real estate assets

Tax advantaged

- The assessment mentioned in pages 88-89 which will provide managers with more details about our expectations for Stewardship in relation to EIS, VCT and BR

Private Markets

- How do private market managers use their higher control and ability to influence when engaging with investee companies
- What additional information relating to stewardship and ESG is made available or open to access when investing in new businesses
- How does our private market manager use their expertise to help new businesses integrate sustainability within their operations

More detail of our Select, Monitor and Change programme can be found on pages 80-95.

Case Study – Writing to our fund managers

In 2022, Tom Beal, the director of our investment division, wrote to all our fund managers, asking them their opinions on climate change and responsible investing, as part of our collaborative approach. Below is an excerpt of the message:

Over the past few years we've significantly increased our focus on Responsible Investment. This has been driven by several factors including our clients, our role as a FTSE 100 company, and our aim to become a leading responsible business.

In 2020 we became signatories to the Net-Zero Asset Owner Alliance. Then in 2021 we set out our net zero framework, principles and interim target of a 25% reduction in our investment proposition emissions by 2025. We're committed to becoming net zero by 2050, if not sooner. We know the challenge of climate change is too great, complex, and interconnected for one asset manager to tackle on their own. We also recognise that responsible investing has its challenges, including a lack of standardisation, asset class complexities, data availability, differing geopolitical agendas and a range of value-driven views from all types of individuals.

With that in mind, we believe open dialogue on targets, strategies and solutions is one way our industry can make collective progress on climate change. A key component in our climate investment strategy for 2022 is exploring and understanding the net zero trajectories and commitments of our managers, as well as investee companies.

As part of this we're collecting the insight and opinion of our fund manager network regarding net zero commitments and alignment to net zero goals.

Emissions measured against end-2019 emissions as a baseline. Commitment is inclusive of equity real estate and publicly listed corporate debt only. Rowan Dartington assets are excluded.

Case Study – Working with KKR

In 2022 we worked with our Private Market manager KKR to conduct a climate and carbon data 'audit' of the Diversified Asset Fund (FAIF).. Data in this asset class is harder to access, given the nature of the investment. However, through a combination of primary data collection and modelling we were able to gain a better understanding of the carbon emissions characteristics of the funds.

As this sector covers a number of different types of assets, and can be spread across different geographies, data collection capabilities can vary dramatically across the spectrum. Despite this, KKR was able to look at information such as Scope 1 & 2 Carbon emissions, as well as work on providing a picture around Scope 3 emissions.

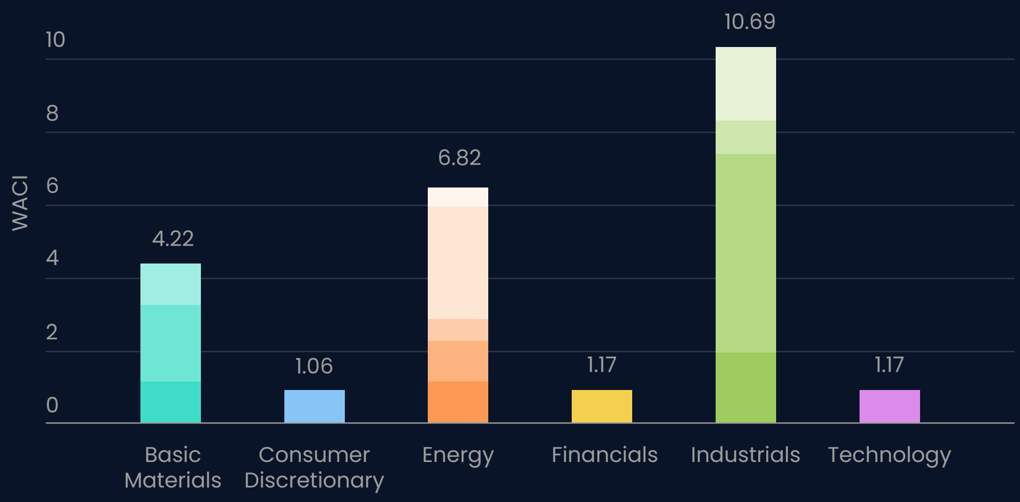
Case Study – Top 20 emissions dashboard

In 2022, we worked with a number of third parties to develop a bespoke emissions dashboard (see page 26). We used this dashboard to identify the top 20 emitting companies our fund managers held. We did this by breaking down our whole investment universe by issuer, calculating the weighted average carbon intensity across each company and determining the top emitting companies.

We identified which of our fund managers held the highest weighted average carbon intensity in their portfolios. These fund managers were then put under a targeted approach to assess their engagement and climate integration processes. We requested and examined specific case studies from among the top 20 emitting companies in our dashboard they also held. This allowed us to analyse their approach, engagement capacity and progress.

This work commenced in the second half of 2022. As engagement rarely produces instant responses, we'll be following up on this over 2023. We'll continue to monitor the emissions of these companies and look for future improvements, as well as speak to fund managers if other companies drop into the 20 top emitters in the future.

Weighted average carbon intensity (WACI) for top 20 emitters by industry



02

Robeco's engagement with companies

In June 2021, we appointed Robeco as our engagement partner due to its world-leading credentials in responsible investing, as we wanted to supplement the activities of our fund managers. As at 31 December 2022, Robeco has over 20 years' experience of engagement and works on behalf of multiple stakeholders. Robeco has a rigorous due diligence process undertaken before they agree to act on an asset owners behalf. This process establishes whether potential partners are like-minded.Robeco's Sustainable Investment Centre of Expertise consists of 52 sustainability investment professionals, with 13 of those dedicated to stewardship and active engagement. We felt that working with these experts would create benefits for us and our clients or for our clients. With more assets under engagement, Robeco will have an even more significant voice at the table, while they have resources across the world that stretch far wider than our internal responsible investing team.

Robeco will provide engagement services to St. James's Place through dialogue with investee companies on ESG issues and sustainability risks and opportunities. Robeco has earned its credibility by implementing a rigorous and targeted framework to its engagement activities, and including the priorities of asset owners, like ourselves.

Robeco

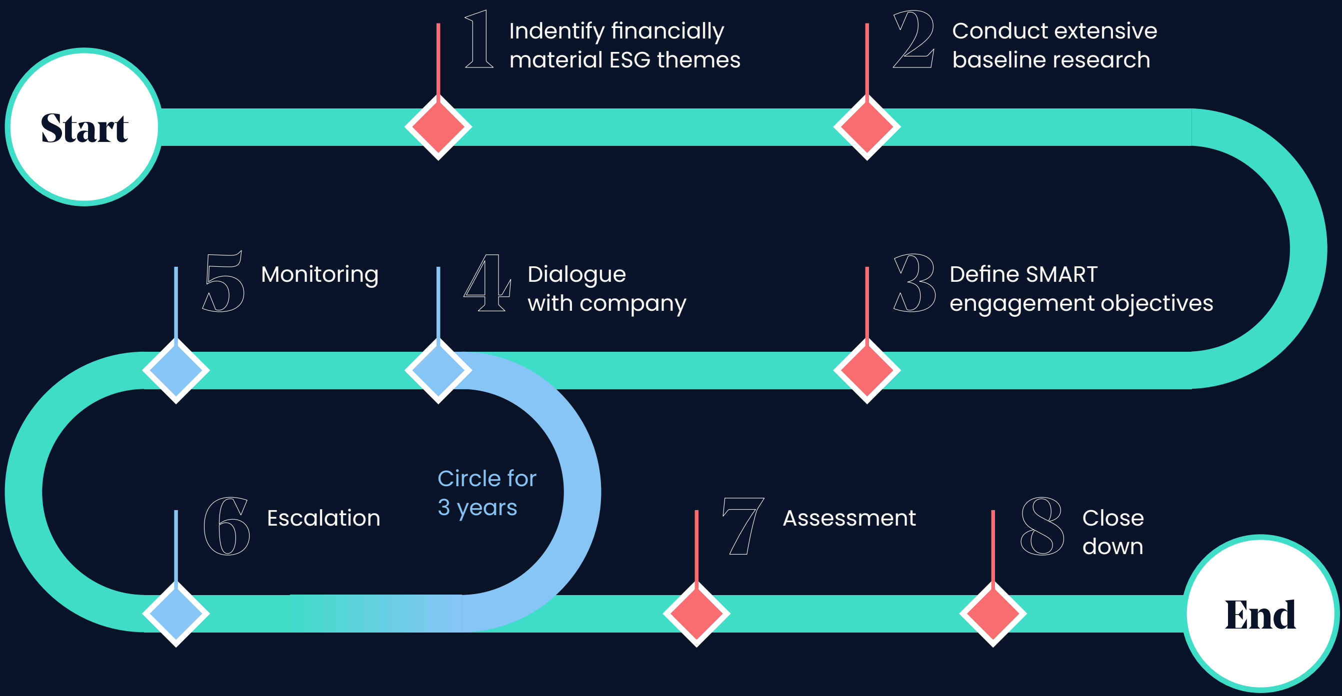
922
engagement activities in 2022

218
companies engaged with in 2022

20+ years
experience of engaging with investee companies

Figurers represent all activity conducted by Robeco in 2022 on behalf of stakeholders, including SJP.

Robeco's engagement process



Robeco's process does not differ materially between different asset classes, as their aim is for companies to act for their long-term benefit, and that of the people and planet around them.

We work with Robeco to establish their upcoming themes. Our responsible investment team will highlight themes that have emerged over the year, and submit them to Robeco, alongside our reasoning. Robeco will collate these, and then host a joint call between all engagement partners they represent to discuss the themes all partners have raised. Those on the call will vote on the themes, and the three most popular themes are taken forward for engagement.

Types of engagement

Robeco separates its engagement into two types: value and enhanced engagement.

Value engagement

This is the proactive approach to a company's long-term financially material ESG opportunities and risks that can affect their valuation. It also addresses their ability to create value, by identifying potential areas and setting objectives for all engagement cases.

Enhanced engagement

This focuses on companies that breach minimum behavioural norms. When engaging on these issues, Robeco's primary objective is to address the reported shortfalls against internationally accepted codes of conduct for corporate governance, social responsibility, the environment and transparency.

This is achieved by adopting a consistent strategy that:

- Eliminates the breach
- Improves company policy to stop a future breach
- Undertakes stakeholder dialogue to determine that the underlying causes of any breach are understood
- Helps the company adopt appropriate risk management systems to mitigate future breaches
- Promotes transparency

Robeco has a rolling calendar of themes, with engagement on each lasting for three years. Themes are decided each year through a panel discussion comprised of all the asset owners they represent. This gives us an opportunity to input and help shape the engagement objectives for Robeco.

Robeco engagement progress by theme, 2022

Due to a change in Robeco's methodology to account for engagement cases, numbers are expected to differ from previous quarters.

Robeco engagement work continued

Number of engagement cases by topic*

	Q1	Q2	Q3	Q4
Environment	45	51	39	69
Social	20	26	21	22
Corporate Governance	17	18	12	21
SDGs	15	29	10	31
Global Controversy	22	16	18	18
Total	119	140	100	161

Number of engagement activities per contact type

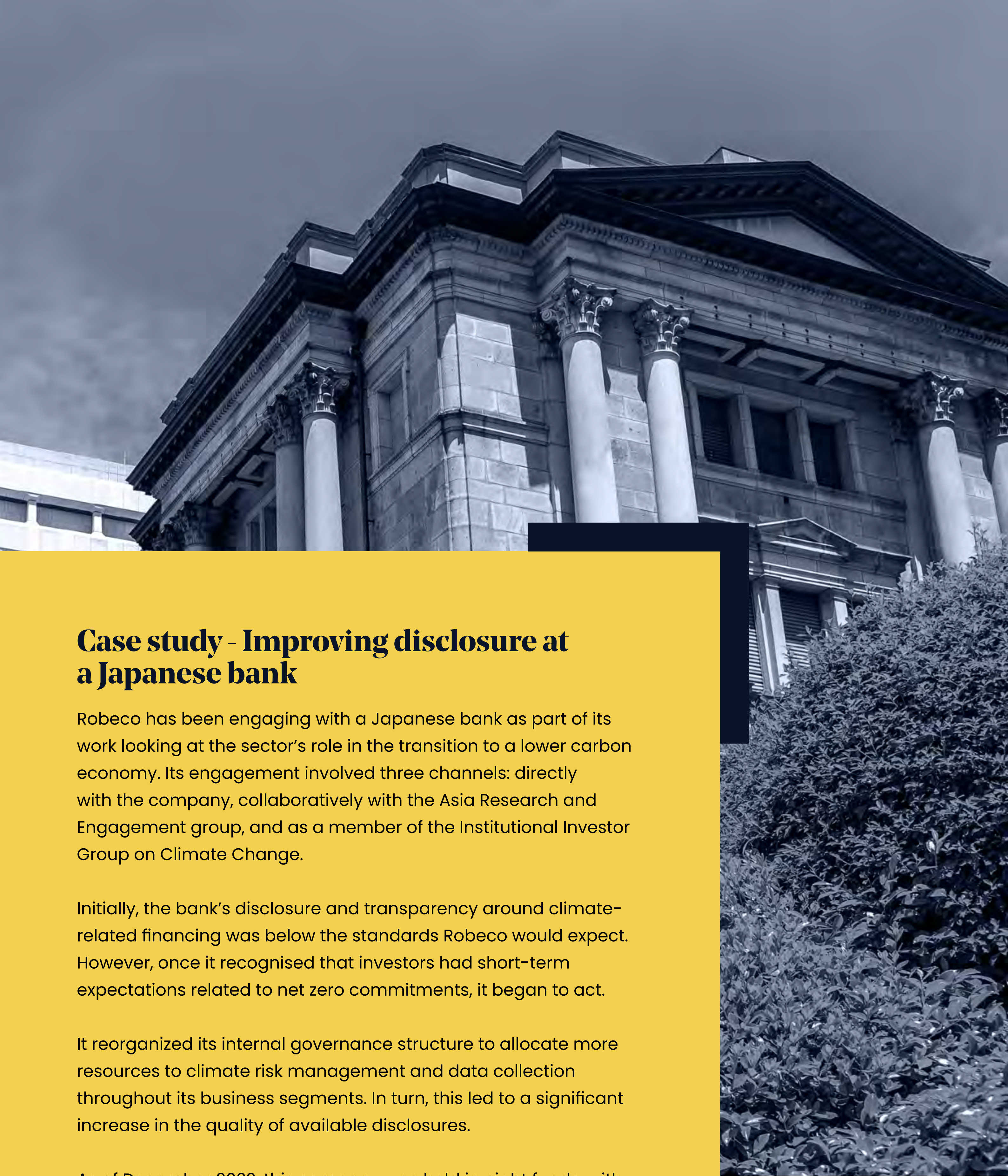
	Q1	Q2	Q3	Q4	YTD
Meeting	1	1	4	15	21
Conference call	75	85	57	103	320
Written correspondence	81	116	72	126	395
Shareholder resolution	0	1	0	4	5
Analysis	15	26	21	50	112
Other	1	8	1	2	12
Total	173	237	155	300	865

* Robeco engages on over 20 themes each year, which can be grouped together into larger topic categories.

Case study - Executive pay at a UK supermarket chain

In 2020, a large UK supermarket chain's remuneration report was rejected by the majority of shareholder votes at its Annual General Meeting. Since then, Robeco has been actively engaging with the company on the topic. Over this period, the company has been updating its compensation plan. Most recently, the supermarket has added ESG metrics into the executive pay framework and also simplified the structure of its short-term incentive plan. This helped align executive pay with long-term sustainable performance.

As of December 2022, this company was held in 10 funds, with over £250m combined worth of AUM.



Case study - Improving disclosure at a Japanese bank

Robeco has been engaging with a Japanese bank as part of its work looking at the sector's role in the transition to a lower carbon economy. Its engagement involved three channels: directly with the company, collaboratively with the Asia Research and Engagement group, and as a member of the Institutional Investor Group on Climate Change.

Initially, the bank's disclosure and transparency around climate-related financing was below the standards Robeco would expect. However, once it recognised that investors had short-term expectations related to net zero commitments, it began to act.

It reorganized its internal governance structure to allocate more resources to climate risk management and data collection throughout its business segments. In turn, this led to a significant increase in the quality of available disclosures.

As of December 2022, this company was held in eight funds, with over £71m combined worth of AUM.

Over the course of 2022, Robeco closed a number of engagement themes:

Single Use Plastics

Started Q2 2019 - Closed Q3 2022

Working with the PRI and the Ellen Macarthur Foundation, one of the first signatories to UN Plastics Treaty, Robeco engaged with chemical companies and consumer packaged goods companies, encouraging a shift towards a more circular plastic packaging value chain. Robeco was looking for more innovation, plastic recycling and harmonization, responsible lobbying for regulatory change, industry collaboration and public-private partnerships. Ultimately four out of five companies engaged with this theme were closed successfully.

Digital Innovations in Healthcare

Started Q3 2019 - Closed Q3 2022

In 2019, Robeco began exploring how digitalisation of the health care sector could lead to alleviating the health care crisis. This engagement initially had a slow start due to several organisations indicating that digitalisation was not a top priority.

However, COVID-19 caused digital healthcare to rapidly increase in importance. As a result, corporate interest in engaging on the topic accelerated. By the time Robeco closed the theme, both engagements closed successfully.

The next steps will be for Robeco to continue to engage with companies on sustainable development goals related to healthcare, as part of the UN's Sustainable Development Goals engagement program.

Social Impact of AI

Started Q4 2019 - Closed Q4 2022

With AI development growing at a rapid pace, Robeco looked to safeguard human rights and promote strong governance in AI. For this theme, Robeco worked with five companies that develop and use AI in the core of their business model. This theme was harmonised with other engagement themes.

Through the engagement, Robeco found that although an increasing number of technology companies have set up ethical principles for AI, transparency around AI governance and implementation remained low.

As a result, some companies engaged on this topic were transferred to a different program where Robeco continues to engage with them. As of the end of 2022, all other remaining engagements were successfully closed.

In 2022, Robeco opened the following themes

Net Zero Emissions

- Expansion of existing engagement theme
- Focus on high carbon emitting companies that are lagging in their transition to net zero

Nature Action 100

- Part of a global collaborative engagement programme
- Focus on terrestrial, fresh water and marine areas

Diversity & Inclusion

- Aims to improve embedding D&I in companies' human capital strategies
- Focus on workforce composition, recruitment and equity pay practices

Natural Resource Management

- Focus on water and waste
- Companies that face environment issues such as seabed and land mining, specific emissions, water scarcity, agrochemical waste and plastic waste

For each of these themes, Robeco has identified relevant companies, although the progress differs from theme to theme at this stage. In 2023 they will open 3 new themes, which we consulted on through round table discussions. Options for consideration were:

- Forced labor and modern slavery
- Just transition
- Sustainable fashion
- Tackling tax transparency
- Good governance after IPO
- Hazardous chemicals

With the final 3 agreed on as:

- **Forced labour & modern slavery**
- **Just transition**
- **Tackling tax transparently**

03

Fund managers engagement with companies

With around 45 fund managers, each of which is selected to meet specific objectives according to their style, asset class, geography and investment strategy, we do not specify the form that any fund manager's engagement should take. However, when fund managers engage with companies, they do so on behalf of our clients. We encourage encourage and recognise the positive impact this has and expect no less from the fund managers that we have selected. We expect our managers to set well-informed and precise objectives with their underlying companies.

Case study - Ninety One working with an Austrian bank on manager pay

Ninety One has held shares in a large Austrian bank for a number of years. However, last year it abstained from voting for the banks', remuneration plan. Analysis of management's pay versus larger European peers suggested rates of compensation had become excessive.

Initially speaking with the banks', Head of Investor Relations to provide comments and feedback, Ninety One felt the responses were insufficient. They therefore had a follow up call with the company's head of corporate strategy, who was responsible for the Annual General Meeting agenda. He noted that the company intended to disclose peer benchmarking in due course and said to expect a more detailed explanation in the next remuneration report. The bank is engaging with a remuneration consulting firm, which may result in more data and disclosures. Ninety One will continue to monitor and escalate this engagement until there is a satisfactory outcome.

Case study - Bluebay improving ESG disclosure with a Mexican petroleum company

In July, Bluebay met with the Chief Financial Officer, Chief Treasurer and members of the upstream, downstream, ESG and planning teams at a large Mexican petroleum company.

The primary goal of the engagement was to urge the company to become a signatory of the UN Global Compact, provide more timely sustainability reports including versions for English speaking investors and generally clearer and more concise ESG disclosures. Bluebay offered to be a sounding board to aid the company in its ESG strategy and presentation.

The fund manager left the meeting with a generally positive view that the company was receptive to the requests. Since then, it has become apparent that the company is facing similar pressure from other investors.

Bluebay will be following up with the company in the coming months to ensure concrete progress is made.

As of December 2022, Bluebay held approximately £35m worth of securities in this company, in two funds. A number of other fund managers hold this company, and we have spoken with them on the subject, raising the potential for collaboration where possible.

Principle Collaborative engagement

10

Industry engagement

Beyond engaging with our fund managers, we also work with collaborative groups, and several external partners to develop solutions across responsible investment, stewardship, client disclosure and climate change.

Collaborating with Robeco

As part of our work with engagement specialists Robeco, we work with other asset owners to collectively vote on themes we wish Robeco to prioritise. Robeco will then engage with the companies relevant to these that our clients have investments with, on their behalf. Robeco is realistic regarding its level of performance, acknowledging different themes it undertakes yield different levels of success.

For every theme Robeco advises us of their progress. In 2022 we created a dashboard which helps us track several metrics regarding Robeco's engagement with companies our fund managers have invested in.

See page 91 for an example of one of these metrics, as well as information around how we periodically conduct deep dives into their processes, to ensure we remain aligned. Robeco is a member of the UK Stewardship Code and works with other organisations to hold companies to account, and organise stakeholder efforts for the common good of society and the world at large.

Collaborating with The Investment and Savings Association (TISA)

A member of our Responsible Investment team is deputy chair for a working group within TISA's Responsible and Sustainable Investment Group. This gathers industry wide feedback pertaining to responsible and sustainable investing with the objective of improving client outcomes.

During 2022 the Financial Conduct Authority's Sustainable Disclosure Regime and the European Union's implementation of the Sustainable Finance Disclosure Regime were much discussed. Through these forums we shared opinions and potential alternative solutions. We also prioritised areas of feedback for regulatory consideration.

We were able to contribute extensively on behalf of our clients and wider UK consumers. Feedback centred around the labels proposed by the FCA and we shared feedback on client levels of understanding on data presented within ESG factsheets.

Collaborating with the Investment Association

As part of the Investment Association, we sought to align with other asset managers and asset owners. Similar to our work with TISA, the regulatory agenda dominated our discussions in 2022. However, the Investment Association's perspective is more closely aligned to product providers rather than clients. SJP has a voice that connects product manufacturers to clients and we are therefore well placed to offer insight to the Investment Association.

Contributing to regulatory developments

As well as working with industry bodies, we also responded to regulatory consultation and calls for input ourselves. We offered our opinion on the development of meaningful sustainability, ESG and climate-related client disclosure. With over 917, 000 clients, we understand the goals, knowledge and expectations of both UK clients and the community that provides advice to them. We believe it is the right thing to do to share our insight with those developing regulation pertinent to responsible investment, climate action and client disclosure. In 2022, we also provided written support directly to the FCA on the following:

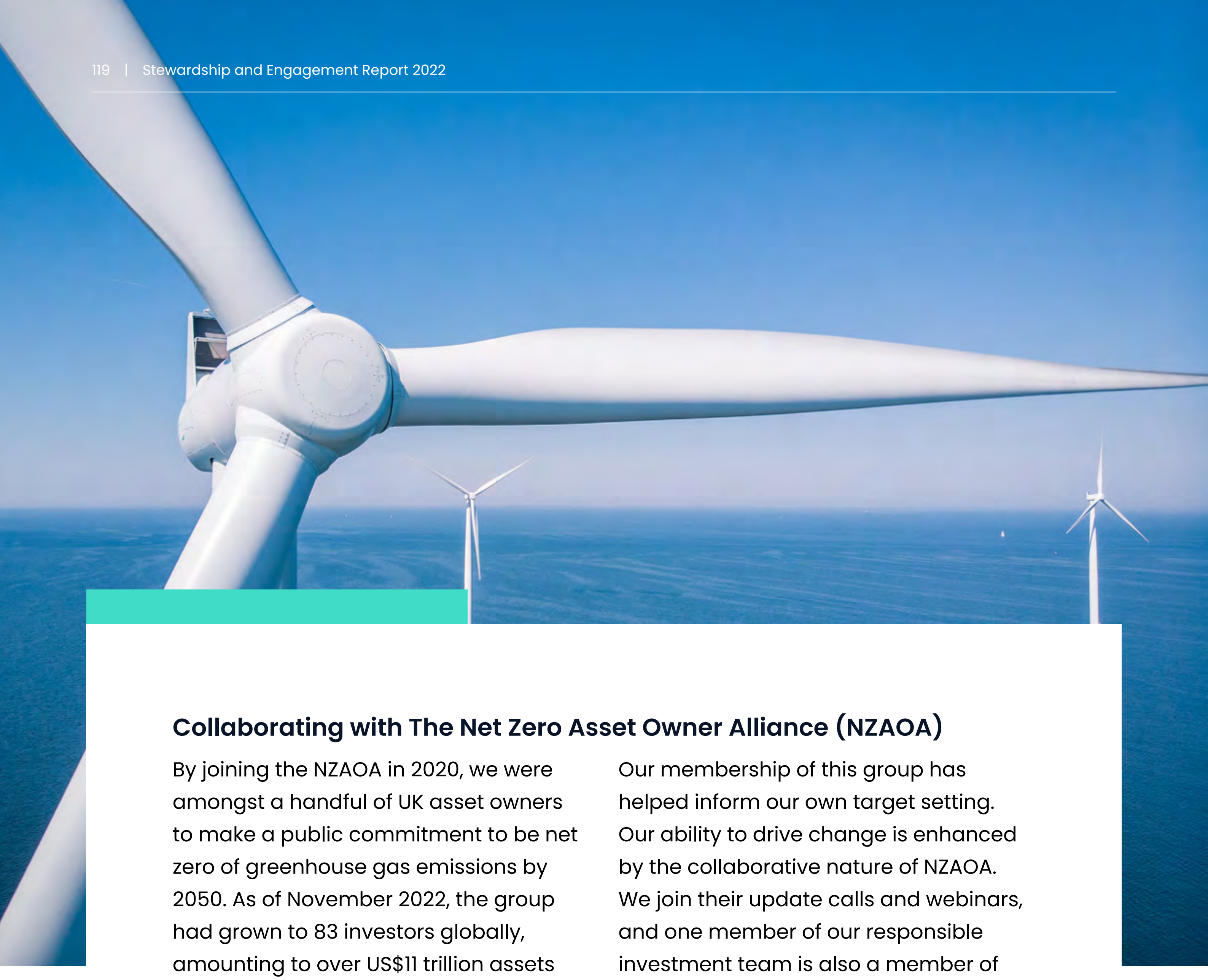
- FCA Discussion Paper 21/4: Sustainability Disclosure Requirements and Investment Labels
- FCA Consultation Paper 22/20 Sustainability Disclosure Requirements and Investment Labels

Collaborating around the UN supported PRI

The PRI is a UN supported initiative whereby institutional investors agree to incorporate ESG issues into their investment practice. We first became a signatory in 2018, and by the end of 2020 we had encouraged all our fund managers to also become signatories. Being a PRI signatory is now a minimum standard for all our fund managers.

As more and more of the industry sign up, the UN supported PRI provides an opportunity for us and our fund managers to share best practise and to learn from one another. We also use their annual PRI assessments as independent barometers alongside our own responsible investment annual assessments to get a more three-dimensional picture of our funds.

Members of our team join the PRI Quarterly Wealth Manager Calls, which helps ensure we are kept up to date on issues affecting the wider industry, and also allows us to give our views and offer suggestions to our peers.



Collaborating with The Net Zero Asset Owner Alliance (NZAOA)

By joining the NZAOA in 2020, we were amongst a handful of UK asset owners to make a public commitment to be net zero of greenhouse gas emissions by 2050. As of November 2022, the group had grown to 83 investors globally, amounting to over US$11 trillion assets under management, all committed to transition their investment portfolios to net zero.

The group drives the development of industry best practice. Each member will set interim public targets specific to their portfolios. The target of being net zero by 2050 is consistent with a maximum global temperature rise of 1.5°C above pre-industrial levels.

Our membership of this group has helped inform our own target setting. Our ability to drive change is enhanced by the collaborative nature of NZAOA. We join their update calls and webinars, and one member of our responsible investment team is also a member of the NZAOA Measuring, Reporting and Verification Track.

Emissions measured against end-2019 emissions as a baseline. Commitment is inclusive of equity, real estate and publicly listed corporate debt only. Rowan Dartington assets are excluded

83
institutional investors globally

2050
target of being net zero

25%
reduction in carbon emissions
Target for 2025

Principle
Escalation

11

Escalating issues when expectations are not met

We outlined our three approaches to engagement on page 97. Our means of escalating concerns will differ for each approach. These are explained below.

01 Fund managers

02 Robeco

03 Investee companies

01 Fund managers

We understand that as both we and our fund managers evolve, their direction may not always continue to align with ours. We release how fund managers have performed each year as part of our Value Assessment Statement. In the event that a fund manager's activity falls short of our expectations, we will initially seek to understand why.

We will then try to support the fund manager in their endeavours to meet our expectations more effectively. More information can be found on page 99.

When we've concerns that are not being resolved, or not being resolved in a timely manner, we'll escalate them to our Chief Investment Officer and the Investment Committee. Our concerns can then be assessed alongside any other issues emerging from that fund manager, asset class, investment style or region. The lead analyst can initiate discussions with senior stakeholders who oversee fund manager activity at a fund house, set targeted milestones and can ultimately terminate our relationship with a fund manager.

02 Robeco

We've initially agreed to work with Robeco for a three-year period. During this time, we'll collaborate with Robeco to ensure clear reporting, demonstrable engagement and escalation of issues not being addressed appropriately to drive positive change. In the event of Robeco not meeting our expectations we would initially seek to address this directly, but could, if needed, escalate through the Investment Division Proposition Forum and involve senior business representatives from both our organisations to resolve the identified issue(s).

Robeco was selected following an extensive due diligence process and so far have delivered to, or above, their agreed service level agreements. They've acted in a collaborative and supportive manner at all times and been on hand to explain their approach to each engagement theme on demand. We continue to be satisfied by the quality of both their quarterly public reports, and the more detailed confidential reports.

Robeco has several ways of escalating engagement activity in the event of an investee company not responding appropriately to its engagement (for more details of Robeco's engagement approaches see pages 104-106). Like ourselves, Robeco considers excluding a company from the investment universe to be an action of last resort.

Case study - Robeco escalating for controversial behaviour

In Q4 2021, Robeco updated its approach to assessing companies' controversial behaviour and developed an enhanced engagement and escalation strategy. During 2022, Robeco engaged with a number of companies our fund managers were investing in using this new strategy. To establish which companies qualify for the enhanced strategy, Robeco uses Sustainalytics' Global Standards Screening (GSS) research to analyse breaches of the UN Guiding Principles on Business and Human Rights and OECD guidelines. On a quarterly basis, Robeco then reviews this list, assessing the nature and severity of these breaches, the response of company management and their accountability for the issue. The majority of these companies are then generally placed on the enhanced engagement program.

Engagements with these companies last a maximum of three years, with regular escalation throughout. If the trajectory is not positive, Robeco may propose that the engagement is closed unsuccessfully earlier than the maximum time, with potential investment implications that could include recommending exclusion, without waiting for the full three years to elapse.

The majority of enhanced engagements are still open. Of those closed, all but one were closed successfully, and that final company was eventually added to our exclusion list.

3 months
- Send letter to CEO of company stating the risk of exclusion when the breach continues

6 months
- Chase company for a meeting
- Calling for support from broker to arrange meeting

9 months
- Escalation letter to Chairman of the Board

12 months
- Non-responsive company or no indication of verbal commitment

18 months
- Company should formally commit in writing to improvement against our objectives

24 months
- No formal written commitment from the company

30 months
- Monitoring progress against formal commitment on the improvement plan

36 months
- Final evaluation against the Enhanced Engagement objectives

03 Investee companies

Due to the variety of fund managers we use across geographical regions, sizes, styles and asset classes, we do not generally dictate the escalation routes all fund managers must follow.

The one exception to this is our exclusion list, which features companies our fund managers are not allowed to invest our client money into. This list was introduced after a lengthy consultation with Robeco and our fund managers. Ultimately, companies that did not improve as required were added to our exclusion list. This list will be updated on an annual basis, and is the ultimate form of escalation for companies that continue to either manufacture controversial weapons or companies with unaddressed violations relating to United Nations Global Compact principles relating to human rights, labour standards, the environmental and anti-corruption.

In other cases, we'll use the fund manager's responsible investment assessment, and individual dialogue with each fund manager, to assess how they escalate engagement and if they can provide examples of where they've done so.

Some managers have very structured and robust escalation routes that follow a similar framework to that of Robeco, but this is not a standard approach across all fund managers. Further case studies of engagement activity, and fund manager escalation can be found on the next page, as well as pages 113-114.

Case study - Redwheel interaction with a UK bank

In 2021, a large UK bank stated that it intended to hold a 'Say on Climate' vote at its 2022 AGM with an improved climate strategy and that they would include us in a collaboration during the year on that strategy. Redwheel informed the bank that they would not support the shareholder resolution. While the bank delivered on its promise of a vote, Redwheel did not believe the detail supported the high level aims of the plan or align with the Paris Agreement. The bank had set out three aims:

01 Achieving net zero emissions. This was flattered due to COVID-19 and the use of various synthetic instruments.

02 Reducing financed emissions. This was undermined by carve-outs and exemptions.

03 Financing the transition. This was flattered though a backdated start date, and impact capital committed not financially meaningful.

Ahead of the 2022 AGM vote, Redwheel wrote to the banks Chair, setting out why it would vote against the climate strategy, and encouraging it to continue developing their transition plan and provide another say on climate in 2023.

At the same time, Redwheel shared its analysis of the banks transition plan with 35% of the shareholder register, ShareAction and the Institutional Investors Group on Climate Change, and publicly announced our position ahead of the vote. In addition, it engaged with the Institutional Shareholder Services to challenge their standard policy recommendation which was to vote with management.

The vote attracted a sizable vote against (19.2%). Redwheel received a response from the bank after the vote inviting further engagement on the matter, which the fund manager has been doing. As of December 2022, Redwheel had invested over £73m in the bank, in one fund.

Case study - Our exclusion policy

Although as a starting point we outsource investment expertise to fund managers, over the last three years we've created a framework to establish stakeholder views on various controversial industries and practices. This included collating stakeholder views around tobacco, adult entertainment, fossil fuels, human rights breaches and weapons.

This allowed us to create a Full-picture Assessment to Investing Responsibly (FAIR) framework. This incorporated the views of clients, investors, the wider industry, employees, risk and investment specialists to begin building a list of exclusions from our investment universe. Over the course of 2021 we defined the scope of our exclusion policy, using a combination of MSCI screening and business involvement data and our specialist partner Robeco's engagement information.

In 2022 we introduced our exclusion policy, initially containing 25 companies.

As a minimum, we expect companies to meet the United Nations Global Compact (UNGC) Principles and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. These are widely accepted corporate sustainability principles that cover areas such as human rights, labour standards, the environment and corruption.

Where companies fail to meet them, they will be placed on Robeco's enhanced engagement programme. This process which may take several years, during which the company will have opportunities to improve. However, if the engagement ends and the company has not shown the desired behaviour change, we will exclude the company from our investment universe. Companies can also be added to the exclusion list if they are involved in the production and/or use of controversial weapons. In this way, our exclusion list has become our ultimate form of escalation.

Principle

Actively exercise rights and responsibilities

12

Exercising rights and responsibilities

Our expectations

We recognise that exercising our rights and responsibilities as investors is key to undertaking effective stewardship. We set expectations for our fund managers on exercising these responsibilities on our behalf. This is made clear from the outset to any new manager being onboarded within our selection process (as set out on pages 81-86) and wording is embedded within legal agreements. Our annual assessment includes a letter from our Chief Investment Officer, which details our responsible investment expectations and priorities for fund managers. Furthermore, expectations are set out for our fund managers at key events during the year, such as our Annual Company Meeting. Our expectations of our managers include:

01 Material ESG factors should be incorporated into decision-making, in a structured and evidence-based manner.

02 Managers should act as active owners, using their voice to engage with companies on material ESG matters.

03 Climate change and the transition to net zero is going to create investment risk and opportunity that must be considered within investment decision making.

Our approach to voting

We've made a strategic decision to delegate voting activities to our fund managers, as opposed to centrally casting votes in-house.

There are many reasons for this chosen method, including:

- Our managers are best placed to make company-based decisions on votes given their in-depth knowledge and research on their investee firms.
- Removing a manager's right to vote could potentially reduce a lever they have to engage with companies and reduce their potential influence and access to company management.

In 2021, we consulted with managers on voting and presented the benefits and challenges of taking voting in-house to our Investment Division Proposition Forum, which resulted in us keeping the current system. We will revisit this approach in 2023, giving consideration to the current variety of approaches adopted by our managers. We'll also consider our own preferences and priorities to in house or devolved voting, voting specialist capabilities; availability and quality of voting data monitoring and oversight.

As outlined in the section on the next page, we monitor our managers' voting policies on an ongoing basis. We therefore do not use proxy advisers in-house, but some of our fund managers do use proxy advisers to support their voting activities. Again, this is something we monitor and discuss with our managers.

Given our approach of fund managers casting votes on our behalf, we don't offer the ability for our clients to override a manager's voting policy, or cast specific votes within the segregated mandates. As outlined on pages 67-69, we proactively seek feedback from clients, and having the option to cast votes is not a common request from the community.

We believe our clients are comfortable that investment experts and analysts – with in-depth knowledge of the companies – are casting these votes on their behalf. Clear communication on our approach and providing data on request is therefore key to our clients.

We do also have an overall shareholder voting, stewardship and engagement policy. This covers areas such as how we monitor voting activity, disclosure of voting activity and how we monitor proxy voting. This is summarised in the following pages.

We periodically request significant votes from our equity fund managers. Due to the nature of different investee companies, fund manager approaches and geographies the fund managers operate in, there is no uniform approach to what constitutes a significant vote.

We're developing our approach to capturing significant votes over the longer term. In the near term, we will continue to publish case studies that highlight the voting stances of different fund managers in different situations, which can be found throughout this report.

View our shareholder voting, stewardship and engagement policy

Monitoring our equity managers

Given our model of external fund managers casting votes, it is important that we monitor voting activity on our and our clients' behalf and ensure that our rights and responsibilities have been executed appropriately.

We have various monitoring mechanisms with our fund managers:

Monthly

We've requested that our equity managers complete a template detailing the significant votes cast. This includes how they deemed each vote to be significant, the outcome of that vote, activity leading up to that vote, follow up activity after the vote and any abstentions. Conflicts of interests that have arisen are also documented in this monthly report.

Quarterly

We ask all fund managers to complete a reporting template which details if they have voted for, against or abstained across key voting areas. This includes themes such as remuneration, ESG matters, mergers etc. The reporting also asks fund managers to state if they have voted for or against proxy adviser recommendations, to understand if any challenge is applied on their stance.

Annually

Within our annual fund manager responsible investment assessment, we assess each equity fund manager's voting policy, how fund managers exercise their voting rights and what processes they have in place to review proxy adviser recommendations. We also assess how it aligns to considerations of broader systematic issues such as climate change and how it aligns to their broader responsible investment policy. These questions are then linked to the overall rating that is overseen by our Investment Committee.

Fund manager voting summary 2022

Vote topic	Votes with management	Votes against management or abstentions
General governance	1,834	96
Director related	56,849	6,176
Remuneration	9,431	2,033
Capital structure	8,682	1,160
Takeover/merger/reorganisation	3,399	614
Anti-takeover measures	547	28
Environmental issues	305	149
Social issues	478	191
Voting rights	14	4
Routine and other business	17,350	885
Shareholder resolutions	1,574	763
Audit/Financials	5,818	8362
Others	788	107
Total number	107,069	12,568
Total percentage	89%	11%

These votes are cast by our fund managers, either directly or through proxy voting services. We don't currently engage with fund managers ahead of individual voting decisions but monitor them, regularly discussing factors to understand their approach to company engagement and approach to driving long-term prosperity across their investee companies. Fund managers can only vote on options presented to them, and don't control the matters voted on, or the wording of the votes. This table only highlights voting numbers, it does not constitute a view on whether we agree with any one vote for or against management - that would depend on the wording of each individual vote. More details of how we select and monitor fund managers can be found on pages 80-95.

119,637
votes participated in 2022

89%
votes with management

11%
votes against management and abstentions

Case study - EdgePoint voting against management compensation at an industrial machinery company

Management compensation can be an important factor in aligning shareholders and management aims. Accordingly, EdgePoint believe the levels and structure of compensation for executives should not only be aimed at attracting, retaining and incentivizing executives, but also to promoting a long-term strategy.

The fund manager believes transparency and disclosure are essential to its analysis and understanding of executive compensation policies.

In this instance, EdgePoint voted against an industrial machinery company's compensation plan because it felt there was a significant disconnect between executive compensation and performance alignment. In its view, the long-term incentive plan allowed for significant payouts for below-median performance and effectively rewarded for significant underperformance.

EdgePoint also felt there was a lack of transparency around threshold, target, maximum and actual goals for on-time delivery under the short-term incentive plan, and the conditions for performance-based equity awards granted as long-term incentives.

Due to this, EdgePoint voted against the compensation plan. Overall, the advisory vote was rejected by approximately 77% of shareholders. As a result, the company said it would conduct outreach to further understand shareholder concerns regarding their executive compensation and proactively address any issues prior to its next annual meeting.

Case study - Somerset Capital voting with management on employee stock options

Offering employees share options can help boost employee retention and reward good performance. However, there is a balancing act. It can dilute existing owners' shareholdings. In this case, a bank proposed offering its employees, as well as those of its wholly owned subsidiaries, share options at a discount. The maximum potential dilution from the issue would be 1.4% over seven years.

A proxy advisory firm objected to this, on account of the level of discount, as well as the fact that the criteria for awarding shares had not been clearly specified.

However, Somerset voted with management. It felt incentivisation and retention of key employees would be important to the long-term investment case for the stock. As a result, it did not feel the maximum 1.4% dilution would have a long-term detrimental effect on shareholder value. Ultimately, the vote passed.

Fixed income managers exercising their rights and responsibilities

Whilst our fixed income managers don't have voting rights, they still have a powerful voice they can use with the companies or countries they lend to, as responsible stewards.

Where applicable, we expect fixed income managers to:

- Seek amendments to terms and conditions in indentures or contracts
- Seek access to information provided in trust deeds
- Understand impairment rights
- Review prospectus and transaction documents

Case study - Loomis Sayles engages with a European home provider

Engagement for fixed income fund managers does not involve the same voting capabilities as with equity fund managers. However, size, scale and relationship with company managers allows them to engage with their investees for the duration of the bonds – even if engagement tends to be heaviest pre-issuance.

Loomis has been engaging with a European housing provider since 2020 on an ongoing basis, as it looked at the environmental efficiency of its buildings, and exposure to regulation. This engagement involves annual contact with management, and continued through 2022, as it sought to ascertain the company's exposure to the issues.

An EU directive will require all residential buildings to achieve at least class F in energy efficiency by 2030. Only 6% of the company's existing portfolio has a classification below F (scale is A-G). Considering that it is refurbishing around 3% of its portfolio annually, meeting the Directive's target looks achievable. Moreover, Loomis discussed the mechanism that allows the company to recoup investments made to increase the energy efficiency of its portfolio. In Germany, where 90% of the portfolio is located, the company is allowed to increase rents by up to 8% of the capital expenditure incurred to modernize a property. In the opinion of Loomis, this is an important feature of the regulatory framework, allowing companies to recover (and potentially earn a return on) the investments required by new regulations.

Stock lending

None of our fund managers engage in stock lending on our behalf. Although this is not prohibited, we'd assess whether this activity would be an accepted approach ahead of it being implemented. Permission would then be granted on a case-by-case basis.

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