St James's Place

Stewardship, *Engagement* & Shareholder

Voting Policy

Shareholder Rights Directive II – SJP Unit Trust Group

Introduction

This policy outlines our approach to stewardship, engagement, shareholder voting and how our arrangements with our fund managers fosters the long-term stewardship of assets on behalf of our clients.

It explains our standards and how we comply with the Shareholder Rights Directive (SRD) II. Our annual **Stewardship and Engagement Report** provides evidence of how we embed these standards to support our investment decision making.

> The SRD II aims to promote effective stewardship and long-term shareholder engagement by imposing transparency obligations on institutional investors (such as insurers and pension funds) and asset managers (such as investment firms providing portfolio management services) to the extent investments are made in shares admitted to trading on UK and European regulated markets.

The Stewardship and Engagement Report is reviewed by the Financial Reporting Council to assess our eligibility into the UK Stewardship Code's 12 principles. We became members in 2022 and apply to remain a member every year.

This policy relates to St. James's Place Unit Trust Group (SJPUTG) and complements the information available on our responsible investing webpage.

Scope of this disclosure

St. James's Place Unit Trust Group (SJPUTG)

SJPUTG is the authorised fund manager for all our unit trust funds. SRD II classifies SJPUTG as an asset manager and the scope of the policy below includes all of SJPUTG's unit trusts. SJPUTG delegate the day-to-day management of assets to a range of external fund managers who serve as a link between our clients and the companies they invest in.

The external fund managers engage with companies on our behalf encouraging them to integrate material environmental, social and governance standards in how they operate as a business. They are monitored and overseen by SJP's Responsible Investment Team whose controls, approach and standards are set out in the policy below and reported against annually in the Group's **Stewardship and Engagement Report.**

Our investment approach

At St. James's Place, we offer a range of funds which are actively managed by external fund managers on our behalf. Our investment offering includes funds across different asset classes including equity, bonds, property, private markets. These provide our clients with choice and appropriate options to meet their financial goals and attitude to investment risk.

Our select, monitor, change framework allows us to blend investment strategies with the aim of delivering consistent returns over the medium to long term for our clients.

As an SRD asset manager, we have certain shareholder responsibilities including the exercising of voting rights, the management of conflicts of interest and wider stewardship of assets. Some of these responsibilities are delegated from SJPUTG to our external fund managers, for example voting and direct engagement with companies.

Our select, monitor, change framework

When selecting a fund manager, we consider their approach to responsible investing and stewardship, including shareholder engagement. Once appointed, we monitor them to ensure they continue to meet our expectations. If they aren't, we'll work with them and support them to improve. However, ultimately, we reserve the right to replace them if we believe this will be in the best interest of our clients.

Our expectations for fund managers' engagement and stewardship processes are outlined in the 'Our Engagement Approach' section of this policy. Our **Stewardship and Engagement Report** sets out in greater detail the actions we have taken over the year to monitor how our fund managers fulfil their shareholder responsibilities.

Our Investment Committee oversee the activities of manager selection and ongoing monitoring. The Committee have a responsibility to act on behalf of our clients, who will ultimately be impacted by the performance of our funds.

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.

Arrangements with our fund managers

Our external fund managers make investment decisions on our behalf. We have a legal agreement with each fund manager which formally outlines our expectations, including those relating to their stewardship responsibilities.

The duration of our agreements with fund managers is indefinite. We appoint fund managers with the expectation of a long-term relationship, which encourages them to adopt a long-term approach to stewardship and engagement.

Our select, monitor, change framework holds our fund managers accountable and incentivises them to continually meet our expectations. Our monitoring process also helps us identify areas where further engagement with a fund manager may be required.

We can provide extra support and set specific milestones and timeframes for change if we believe improvements can be made to the stewardship activities of a fund manager.

Ultimately, if a fund manager fails to meet our expectations, we can cancel our agreement with them and replace them with an alternative fund manager that we believe will better serve our clients.

Our annual Value Assessment Statement assesses seven key areas: quality of service, fund performance, fund charges, economies of scale, comparable market rates, comparable services and classes of units. The results of these assessments determine whether we consider 'fair value' is offered to clients across our entire fund range, looking back over a five year period.

Transaction costs are managed on a fund-by-fund basis by the fund manager. We carefully monitor these. Our investment team calculate a range of turnover related analytics and metrics periodically, which are regularly reviewed and monitored in the context of the fund managers' investment approach. Information on the size of transaction costs for each fund is available on our **website.**

We communicate the expected transaction costs associated with fund manager changes directly to clients ahead of the change.

The fund's Annual Report and Financial Statements disclose total transaction costs incurred by the fund during each accounting year. This report can be found on our website and includes the costs associated with fund manager changes.

Our engagement approach

Engagement and escalation are key aspects of effective stewardship. We have a strong preference to engage with companies, rather than divesting away from them, believing this will contribute to more tangible change.

Our exclusions policy prevents any of our fund managers from investing in producers of controversial weapons or companies with significant sustained breaches of the United Nations Global Compact (UNGC) Principles relating to human rights, labour standards, the environment and anti-corruption.

Our engagement approach provides for four different levels of engagement on behalf of our clients:

1. Fund managers’ engagement with investee companies
2. Our engagement with fund managers
3. Our engagement partner’s, Robeco, engagement with companies
4. Our engagement with the wider industry

1. Fund managers` engagement with investee companies

We expect all our fund managers to be responsible stewards on behalf of our clients. They should apply an active engagement approach whenever plausible to do so. We expect fund managers to monitor and engage with the companies they invest in on a priority basis, on financially material environmental, social and governance (ESG) issues.

We expect and make sure that our fund managers evaluate companies in many ways, including but not limited to:

- Material ESG factors
- Company strategy
- Financial and non-financial performance
- Other material risks
- Capital structure

Engagement with companies can take many forms, for example:

- Meetings with company management and relevant company stakeholders
- Writing to company management and relevant company stakeholders
- Industry-wide collaborative engagement with other shareholders
- Exercising voting rights and any other rights attached to shares

All these aspects are considered in our ongoing monitoring of fund managers.

2. Our engagement with fund managers

Our investment team monitor and evaluate our fund managers' approaches to responsible investment. Their stewardship and engagement processes and activities are an important element of our monitoring.

We carry out this monitoring through regular meetings, reviews and reporting. We also undertake an annual responsible investment assessment of our managers. The assessment includes a section dedicated to stewardship and engagement which covers:

- Stewardship, engagement, and active ownership policies
- Integration of shareholder engagement within investment strategy
- Governance and resources dedicated to stewardship
- Prioritisation and ongoing monitoring of the progress of engagement activities
- Escalation process for engagements
- Engagement case studies on a range of ESG topics
- Collaborative engagement activity with other shareholders and/or industry groups
- Voting policy, process and activity including case studies
- Management of conflicts of interests within the responsible investment process

This process keeps us abreast of developments in our fund managers' stewardship approach and allows us to identify where work may be required. Where needed, we can provide extra support and set specific milestones and timeframes for change.

However, ultimately, if fund managers fail to meet our expectations, we reserve the right to cancel our agreement with them at any time and replace them, if we believe this will be in the best interest of our clients.

3. Robeco`s engagement with investee companies

We work with our engagement partner, Robeco, to supplement the engagement efforts of our fund managers, through their two types of engagement:

1. Value engagement 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 of improvement and setting objectives for companies engaged with.

2. Escalation engagement 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.

Robeco also play a key role in implementing our **exclusions policy** which covers controversial weapons and controversial behaviour.

We work alongside Robeco to identify companies violating UNGC Principles under our controversial behaviour exclusion. Companies deemed to be in scope undergo an enhanced engagement process. This is aimed at eliminating a company's breach of the UNGC Principles and/or OECD Guidelines and installing proper management systems to prevent such a breach from recurring. If this enhanced engagement, which may last up to a period of several years, does not lead to the desired change, we will exclude the company from our investment universe.

4. Our engagement with wider industry

Beyond engaging with our fund managers, we also engage with other stakeholders and the wider industry. We do this through participating in collaborative groups and working with external partners to develop solutions across responsible investment, stewardship, client disclosure and climate change.

The value of an investment with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up. You may get back less than you invested.

Exercising voting rights and responsibilities

We delegate voting to our fund managers rather than casting votes in-house.

Our reasons for this include:

- Our fund managers are best placed to make voting decisions, as they're closest to the companies held in the funds they manage.
- Removing a fund manager's right to vote may reduce a lever they have to engage with companies and reduce their potential influence and access to company management.

We don't specify how managers should vote in our legal agreements. Instead, we choose to monitor their voting policy, processes, and activity through ongoing reviews and our annual responsible investment manager assessment.

We collect and review voting data from fund managers regularly. This allows us to identify areas for further engagement, for example if we don't understand a fund managers' rationale or believe they could take a more active approach.

The voting data we monitor for each of our fund managers includes:

- Votes for and against management recommendations
- Abstentions
- Significant votes cast over the period
- Votes for and against a third-party provider recommendation i.e. proxy advisor

As we delegate voting to our fund managers, we don't use proxy advisers in-house. Many of our fund managers do make use of proxy voting services. However, we expect fund managers to be active owners and not passively follow proxy adviser recommendations without challenge. We monitor our managers use of proxy advisors accordingly.

We disclose our fund manager's voting activity every year in our **Stewardship & Engagement Report**.

Conflicts of interest

We have processes for identifying conflicts of interest within our Group or with third parties, and for managing and monitoring any conflicts we find. On the **corporate governance section** of our website, you'll find policies which support this process.

The Group and our subsidiaries are responsible for operating the Group Conflicts of Interest Policy and making such arrangements as are necessary to underpin its operation.

As well as our Group policy and supporting documents, we also have a specific SJPUTG Conflicts of Interest Policy. This is about the management of our Group's Unit Trust funds (including fund of funds). The policy sets out governance and reporting procedures specific to the funds.

We carry out due diligence on our fund managers' policies before appointing them, and on an ongoing basis. This includes their policies on:

- Conflicts of interest
- Gifts and hospitality
- Personal account dealing
- Aggregation and allocation

Fund manager performance is kept under the scrutiny of our Investment Management team, with oversight from the Investment Committee.

Our employees are trained to raise awareness and understanding of how conflicts may arise, so they can be identified and managed. Where a potential or actual conflict is identified, it's reported in line with our Group's **Conflicts of Interest Policy**, and we agree a plan to mitigate the conflict.

Fund manager conflicts of interests

In chapter 3 of our **Stewardship & Engagement report** we disclose identified conflicts of interest relating to our fund managers and third-party providers which could impact their stewardship and engagement activity, on our behalf. We also disclose controls we have in place to address these conflicts.

We update this annually to reflect any developments or changes. These cover conflicts that may arise when:

- Fund managers use proxy adviser recommendations to inform their voting decisions
- Fund managers are acting as both an investee and investor of a company
- Relationships are present between personnel at fund managers and personnel of the companies they are engaging with
- Vested interest in companies being engagement or voting service providers
- Our engagement partner's vested interest as a fund manager