Exclusions Policy 2023

Introduction

We approach responsible investing by embedding it across our vision and strategy, our fund range, and the selection and monitoring of our fund managers.

At SJP we believe that, in most cases, engagement is the best way to manage risk and support the transition to a more sustainable economy. However, in certain circumstances where we believe engagement will not be effective, we will make exceptions and divest from companies.

Our exclusion criteria is outlined in this policy:

- This policy covers all funds for listed equities, public corporate debt, and derivatives on respective companies. The list of excluded companies does not apply to index derivatives.
- This policy does not cover investments managed by our Discretionary Fund Management subsidiary, Rowan Dartington. This service develops portfolios based on clients' specific investment objectives, which may or may not include exclusions.
- Our fund managers have freedom to apply their own exclusions policies as an addition to the SJP policy, according to their own responsible investment approach. This policy does not cover these exclusions.

Our FAIR framework

Our Full-picture Assessment to Investing Responsible (FAIR) framework establishes stakeholder views on controversial industries and practices. We use this to understand whether our exclusions meet the needs of our stakeholders including clients, employees, and shareholders.

Once an exclusion has been agreed, we then work with our third-party specialist, Robeco, to understand company exposures.

We hold regular discussions to review our exclusions policy and determine whether our policy remains appropriate for our stakeholders. Additionally, we:

- Regularly review the implementation of the policy to control for potentially relevant changes made to the company's activities.
- Monitor the behaviour of companies excluded in partnership with Robeco. A review of such changes may lead to the exclusion being lifted.

This allows us to continually evolve our exclusionary approach, selecting the most appropriate topics for debate and review.

Exclusion definitions

We will exclude from our investment proposition the following focus areas:

1 Controversial weapons

Certain weapons are considered controversial due to their disproportionate and indiscriminate impact on civilians, which continues long after military conflict has ended. Our policy has been adopted in recognition of international conventions and treaties that deem the use of such weapons to be unacceptable.

The production and use of certain weapons have been deemed unacceptable under international conventions and illegal within certain jurisdictions because they may cause severe harm to civilians during and after the conflicts and generate significant long-term health and safety effects on the civilian population.

We deem anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium weapons and nuclear weapons to be controversial weapons, and the scope of the policy will cover companies that produce, or produce essential components of, these weapons. Exclusion is applied to companies that are manufacturers of certain products that do not comply with the following treaties or legal bans on controversial weapons:

1. The Ottawa Treaty (1997) which prohibits the use, stockpiling, production, and transfer of anti-personnel mines.

2. The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production, and transfer of cluster munitions.

3. The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production, and transfer of chemical weapons.

4. Biological Weapons Convention (1975) which prohibits the use, stockpiling, production, and transfer of biological weapons.

5. The Treaty on the Non-Proliferation of Nuclear Weapons (1968) which limits the spread of nuclear weapons to the group of so-called Nuclear Weapons States (USA, Russia, UK, France, and China).

2 Controversial behaviour

We act in accordance with the United Nations Global Compact (UNGC) Principles and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises to assess the behaviour of companies. The UNGC Principles are widely accepted corporate sustainability principles that cover areas such as human rights, labour standards, the environment and corruption.

We work alongside Robeco to identify companies violating UNGC Principles. Companies deemed to be in scope undergo an enhanced engagement process. This is aimed at eliminating a company’s breach of the UNGC 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 its investment universe.

Implementation

The application of an exclusions policy can be a complex and nuanced area to implement, therefore, the expertise of our external fund managers, internal investment team and third-party consultant is combined on a case-by-case basis to ensure that we are building a divestment list with appropriate nuance and the rationale behind the exclusion decisions.

- Our exclusion policy and subsequent list of companies are integrated into our fund managers' investment management agreements.
- The following investment instruments are in scope: listed equity, publicly available corporate debt, and derivatives on respective companies.
- This policy applies to our range of Unit Trusts manufactured by the St. James's Place Unit Trust Group where we have direct control of the investment approach through segregated mandates. This policy does not apply where managers hold third-party strategies and/or Index replication strategies in which they do not have the ability to implement exclusions.
- For our Controversial Weapons and Controversial Behaviour exclusions, if a company holds a minority stake (more than 10%) of a company that is directly involved in an exclusion category, the company holding the stake is also considered involved in the same category and excluded.
- If a company is directly involved in an exclusion category and holds a majority stake (more than 50% of another company) the subsidiary is also considered involved in the same category and excluded.
- On a case-by-case basis, we have the discretion to exclude additional companies that we consider by best judgement to be involved in an exclusion category. Conversely, we have the discretion to waive the exclusion of companies on specific grounds by best judgement.

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.

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