St. James's Place

SJP SIMPLIFIES CLIENT CHARGING MODELS **17 October 2023**

St. James's Place plc (SJP) today announces changes to its charging structures that are planned to come into effect during the second half of 2025.

Having completed an internal evaluation of our charging structures, and concluded on these changes for the future, we are ensuring we continue to have a sustainable and competitive charging platform for the long-term, offering simplicity, comparability, and a continued focus on value for clients.

The changes announced today create a revised charging structure for the vast majority of new investment bonds and pensions. These will operate with an initial charge and ongoing charges applicable from the outset, and without any early withdrawal charges (EWC) or gestation period, as is already the case with our unit trust and ISA business. In addition, charges across all our wrappers, which have historically been disclosed primarily on an all-inclusive basis, will be separated into component parts. These will comprise initial and ongoing advice, investment management, and product administration which will be tiered for larger investments. Furthermore, we are rebalancing our charges so that they better reflect the value clients see across each element of our proposition.

These changes, which have naturally involved engagement with our key regulators, address the evolution over time of an external environment that is increasingly seeking simple comparability of all advice, investment management and other services, on a component-by-component basis.

In addition to benefiting from improved simplicity and therefore comparability, clients will see enhanced value from the changes we are making, with reduced overall ongoing charges for existing client investments across our core product wrappers. Our continued focus on value and outcomes for clients is consistent with the ongoing expectations of Consumer Duty and we are confident that our changes will work well for clients.

Our charges will continue to compare favourably with competitor rates available in the marketplace, representing good value for the high-quality service that we provide alongside our Partners. This will support our brand and reputation in the marketplace, which will, in turn, benefit the Partnership.

For shareholders, these changes and the associated implementation costs will affect the shape of the Cash result in the future. The changes will reduce the Underlying Cash result over the next few years before growth accelerates over the medium term and beyond, aligned with the development of total Group funds under management.

Andrew Croft, Chief Executive Officer, commented:
"The changes announced today are about positioning our business for continued success by putting in place a future charging structure that reflects the evolution of consumer engagement with retail financial services, and is aligned to the long-term value that we deliver to clients through the Partnership.

We have always been confident that SJP offers its clients real value that helps individuals and families achieve financial wellbeing. However, it is increasingly evident that consumers are seeking simple comparability, and this has been reflected in regulatory trends too, as highlighted with the Assessment of Value and Consumer Duty regimes. The review of our charging model reflects these developments.

I am confident that SJP's ability to both deliver and demonstrate value in the future, with this sustainable model of charging for our end-to-end services, is good for clients and represents an exciting opportunity for SJP."

More detail on the changes, implementation, and impacts, is included in the pages that follow.

Presentation webcast
Date: 17 October 2023
Time: 08:30 BST
Duration: 1.5 hours

If you have not registered to access SJP webcasts before, please complete the registration form in the link below and verify your email address in advance of the presentation. Registered viewers can access the webcast by entering your email address and clicking sign in, also using the link below.

Click here to register for and to access the webcast

Q&A session

The event will conclude with a live Q&A session starting at 9:00am BST. The event platform will remain open to listen to the Q&A, but if you wish to ask questions during this session please dial-in to the conference call line from 8:30am BST using the details below:

United Kingdom: +44 800 358 1035
United Kingdom (Local): +44 20 4587 0498
All other locations: Global Dial-In Numbers [netroadshow.com]

Participant Access code: 253032

*Press *1 to ask a question, *2 to withdraw your question, or *0 for operator assistance.*

Accessing the telephone replay

A recording will be available until Tuesday 24 October 2023

United Kingdom: 0808 304 5227
United Kingdom (Local): 020 3936 3001
All other locations: +44 20 3936 3001

Reviewing our charges

As the UK's leading provider of advice-led wealth management, with £158.6bn of funds under management and over 900,000 clients, we have a clear understanding of the growing need for trusted financial advice, and the critical value it provides for clients as they get the support and expertise that they need to build their financial futures. Over more than 30 years, we and our Partner businesses have evolved to meet changing client expectations and developments in the industry and regulatory landscapes. In 2023 we have seen a shift in the wealth management landscape, with the introduction of Consumer Duty cementing good client outcomes and value at the heart of our industry.

In recent months we have performed an evaluation of our business to ensure we are best positioned to serve our clients well over the long-term and capitalise on the market opportunity ahead. As part of this we have completed a review of our charging structure. As a result, we are making changes to our approach that will mean charges for our advice, investment management and other services are simple, comparable, deliver further value for clients, and provide us with the flexibility to develop our proposition more easily. Continuing to deliver good outcomes for our clients has naturally been central to the design of our future charges and it has also led us to consider how we further strengthen the way we support vulnerable clients who may face challenging circumstances.

Our future charging structure

The updates we are making to our charging structure following this review will result in three key changes that will apply to the vast majority of our investment wrappers. These changes are expected to be in place by the second half of 2025:

- **Simplifying new investment bond and pension business** – The structure of our investment bond and pension business will change so that new business will no longer include an EWC structure. Instead, new investment bond and pension business will operate with initial charges together with ongoing charges. These ongoing charges will be applicable from the outset for all components of our service, as is already the case with our unit trust and ISA business. Existing investment bond and pension products will continue to operate with the EWC structure until the end of their applicable six-year EWC period. This new approach aligns our charging structures across our product sets, significantly simplifying our proposition for clients.

- **Separating our charges** – Our charges will be separated into their component parts (advice charges, fund charges, and product charges). Showing our charges in this way will help clients to consider the value they are receiving from each element of our services, and better enable potential clients to review and compare our charges across the marketplace. It will also allow more relevant benchmarking of investment performance going forward, supporting our distinctive Investment Management Approach.

- **Rebalancing our advice and product charges** – Our charges will be rebalanced towards the value of advice. For all products, initial product charges will be removed, and ongoing product charges will be reduced and tiered for large investments. This rebalancing results in component charges that are aligned with where clients receive value across the components of our service proposition.

  Additionally, in 2024 we will introduce a more consistent approach to fund charges that reflects the value each fund provides. Some charges may decrease while others may increase, but on average the impact on fund charges across the whole portfolio is neutral.

For illustrative purposes, we have set out below what this new charging model might look like for a typical client:

Component	**Investment Bond & Pension**	**Unit Trust & ISA**
Initial Advice Charge[1]	Max of 450 bps	Max of 450 bps
Total Initial Charge[1]	**Max of 450 bps**	**Max of 450 bps**
Ongoing Advice Charge[1]	Max of 80 bps	Max of 80 bps
Ongoing Product Charge[2]	Max of 35 bps	Max of 27 bps
Ongoing Fund Charge[3]	52 bps	52 bps
Total Ongoing Charge[1,2,3]	**Max of 167 bps**	**Max of 159 bps**

[1] Varies with investment size and complexity of advice

[2] Tiered for larger investments

[3] Varies by fund, illustrative example shown

Making these changes will position SJP and the Partnership for long-term, sustainable success. Simplifying our charges will support our brand and reputation and challenge the common misconceptions around our proposition, broadening our appeal over time; and they will enable us to better present the value we and our advisers are able to deliver for clients across all elements of our proposition.

Clients will see enhanced value from the changes we are making, with reduced overall ongoing charges across our product wrappers. The overall level of client charges across all our wrappers will continue to compare favourably with competitor rates available in the marketplace, representing good value for the high-quality, financial planning service that our Partners provide.

Partners will receive an increased weighting towards ongoing advice fees in the future. An important focus of the business will be to engage with Partners through the transition period to ensure that their businesses are well placed as we implement the new structure.

Financial Impact
These changes will strengthen our business, supporting and underpinning our growth ambitions into the future. We expect they will also change the shape of the future Cash result, with a reduction in the short-term result, before growth returns over the medium and long-term.

The key effects of the changes are:

- **Implementation costs** – We will immediately commence a broad and complex programme to accommodate these changes and this will be structured in a such a way as to deliver improvement and value as the programme progresses. For example, in 2024 we will introduce changes to our fund charges.

    - We anticipate incurring investment costs of £140-160 million before tax to implement these changes, with approximately £10 million over the remainder of 2023, £95 million in 2024 and the balance in 2025.

- **Net income from funds under management** – We expect that the net income from annual management charges will be lower in the short term. This will reflect reduced and tiered ongoing product charges across our wrappers, partially offset by the retention of a proportion of ongoing advice and fund charges. We expect this to recover over the medium-term as existing funds under management in gestation matures and we benefit from all new business contributing immediately without entering a gestation period.

    - The margin range for net income from mature funds under management is expected to reduce by some 11 bps to a range between 43 bps and 45 bps from the point of implementation onwards;

    - In the future, 100% of gross inflows will contribute immediately to mature funds under management and, therefore, to the Cash result.

- **Margin arising from new business** – The removal of initial product charges across all product wrappers, means there will no longer be a contribution to the cash result from a margin arising on new business.

While the evolution of the future Cash result will naturally reflect actual variations in net new business, investment market performance and expenses, we anticipate these changes will reduce the Cash result in the short term. Following this, a period of growth in the Cash result should arise as new business contributes immediately to mature funds at the same time as existing gestation funds will also be maturing. This will set the Cash result on a more positive trajectory into the next decade and beyond.

There are no changes to our wider strategic priorities or the ambitions that we set out in our 2025 business plan, albeit we recognise the headwinds we face in the current market environment. Given our confidence in making these changes, there is also no change to our ongoing dividend guidance, which continues to be based on an expectation that we will distribute 70% of the full year Underlying cash result.