

WESLEYAN

we are all about you



MAKING MEMBERS' MONEY MAKE A DIFFERENCE

STEWARDSHIP REPORT 2023

FOREWORD FROM OUR CHIEF PRODUCT OFFICER



“ Our commitment as a mutual means doing the right thing for our members and customers, colleagues and communities, by operating a sustainable and responsible business. ”

JAMES NEEDHAM
Chief Product Officer

We were delighted to retain our UK Stewardship Code signatory status last year and are pleased to share this update covering the period from July 2022 to June 2023, a time full of unexpected events both globally and nationally.

We continue to progress our strategy to become a more resilient and sustainable organisation for members today and in the future. As a mutual with no shareholders to serve, we don't let short-term events sway us.

We strive to ensure that the impact we have on the climate and our communities is as positive as the impact we have on our customers' investments. Our customers are increasingly demanding that sustainability and stewardship are at the heart of our business and, in the pages that follow, we provide information about the stewardship activity we undertake to make sure we will continue to be a sustainable business for our customers for generations to come.

Wesleyan acts as both Asset Owner and Asset Manager and in this report we provide an overview of our stewardship approach, outlining how we adhere to the FRC's UK Stewardship Code 2020 and how the Asset Owner interacts with the Asset Manager.

As sustainable investors, environmental, social, and governance (ESG) factors are crucial considerations when assessing the sustainability of our business and the companies we invest in. This approach also dovetails with our long-term 'buy and hold'

investment strategy because we believe businesses which 'do the right thing' are more likely to survive and thrive in the years ahead. By extension, this means they are also more likely to bring in strong financial returns for customers, over time.

We are also proud signatories of the internationally recognised UN-sponsored Principles for Responsible Investment (PRI) and Climate Action 100+, an organisation focused on ensuring the world's largest corporate greenhouse gas emitters take necessary action on climate change. Membership of the PRI also helps us to continually evolve our approach as best-practice develops, and allows us to collaborate with other investors, maximising our influence on key ESG issues.

We are dedicated to creating brighter financial futures for our customers by being responsible investors who care about the results we achieve and how we achieve them. I hope that you find this report informative.

JAMES NEEDHAM
Chief Product Officer

September 2023

ESG FACTORS



**SOCIAL
MATTERS**



**RESPECT FOR
HUMAN RIGHTS**



**ENVIRONMENTAL
MATTERS**



**ANTI-CORRUPTION
AND ANTI-BRIBERY**

PRINCIPLES OF UK STEWARDSHIP

The Principles of the FRC's Stewardship Code are listed below and align closely to our corporate strategy.

Principle			Link to Our Strategy	Pages
1	PURPOSE, INVESTMENT BELIEFS, STRATEGY, AND CULTURE	Our purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	 LIFELONG PARTNER  BRILLIANT TO DO BUSINESS WITH  MUTUALITY WITH EDGE	2 – 5
2	GOVERNANCE, RESOURCES AND INCENTIVES	Our governance, resources and incentives support stewardship.	 BRILLIANT TO DO BUSINESS WITH	14 – 17
3	MANAGE CONFLICTS OF INTEREST	We manage conflicts of interest to put the best interests of clients and beneficiaries first.	 BRILLIANT TO DO BUSINESS WITH	18 – 19
4	RESPONSE TO MARKET-WIDE AND SYSTEMIC RISKS	We identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	 BRILLIANT TO DO BUSINESS WITH	29 – 33
5	POLICIES, ASSURANCE AND EFFECTIVENESS OF THEIR ACTIVITIES	We review our policies, assure our processes and assess the effectiveness of our activities.	 BRILLIANT TO DO BUSINESS WITH	29 – 33
6	CLIENT AND BENEFICIARY NEEDS AND COMMUNICATION	We take account of client and beneficiary needs and communicate the activities and outcomes of our stewardship and investment to them.	 LIFELONG PARTNER	18 – 19
7	INTEGRATION OF STEWARDSHIP INCLUDING ESG	We systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil our responsibilities.	 LIFELONG PARTNER  BRILLIANT TO DO BUSINESS WITH  MUTUALITY WITH EDGE	6 – 13
8	MONITOR AND HOLD TO ACCOUNT MANAGERS / SERVICE PROVIDERS	We monitor and hold to account managers and/or service providers.	 MUTUALITY WITH EDGE	34 – 36
9	ENGAGEMENT WITH ISSUERS	We engage with issuers to maintain or enhance the value of assets.	 MUTUALITY WITH EDGE	20 – 25
10	PARTICIPATE IN COLLABORATIVE ENGAGEMENT	Where necessary we participate in collaborative engagement to influence issuers.	 MUTUALITY WITH EDGE	20 – 25
11	ESCALATE STEWARDSHIP ACTIVITIES	Where necessary we escalate stewardship activities to influence issuers.	 MUTUALITY WITH EDGE	20 – 25
12	SIGNATORIES ACTIVELY EXERCISE THEIR RIGHTS AND RESPONSIBILITIES	We actively exercise rights and responsibilities.	 MUTUALITY WITH EDGE	26 – 28

A BUSINESS BUILT ON PURPOSE

We are a UK-based financial services mutual offering a range of personal, professional, commercial and investment products designed to meet the financial needs of our customers through every stage of their life in line with our aspiration to be a *lifelong partner*. Our purpose is to create brighter financial futures for our members and customers, primarily doctors, dentists and teachers.

As a financially strong business, we can take long-term decisions, that deliver the best outcomes for our members and customers. We are here to provide specialist financial advice, give peace of mind and security, help our customers make the most of their money and give them confidence in their financial futures – in short be *brilliant to do business with*.

Our mutuality defines who we are; we have no shareholders, so we can stay true to the needs of our members, investing our time and energy on those who invest with us. We're firmly committed to our mutual status, and we believe this distinguishes us from many other financial services companies. We balance care and commerciality, providing societal benefits alongside financial returns for our members, and in turn deliver *mutuality with edge*.

Being a sustainable business underpins everything we do because we know that to succeed, we need to take action today.



1 WHO WE SERVE



DENTISTS

We understand the dental profession and support it with both personal and practice related finances from investments through to estate planning. The Practice Plan Group, market leaders in providing dental membership plans, is part of the Wesleyan Group.



TEACHERS

Our expertise and experience, gained from a deep understanding of the education profession, enables us to support with everything from mortgages and investments to retirement planning and making the most of the Teachers' Pension Scheme.



DOCTORS

We have a long heritage of providing financial advice for GPs and Hospital Doctors, from student years through to retirement and beyond. We can help with complex areas of specialist planning, including maximising NHS Pension Scheme benefits, managing investments and estate planning.



INDEPENDENT FINANCIAL ADVISERS (IFAs)/DIRECT

We have made our flagship With Profits Fund available to a wider customer base including through selected IFAs and via our website. This has helped to extend our reach in a way that supports our specialist financial advice model.

2 OUR STRATEGY

Our strategy defines our ambitious plans to grow our business and make it stronger and more sustainable. We are committed to delivering a first class customer experience providing added value for members, customers and colleagues.

The core elements of our strategy are:

- ▶ To enhance the way we reach new and serve existing customers with our products and services
- ▶ To use in-depth customer insights to enhance the products and propositions we offer, including leveraging the strength of our flagship With Profits Fund to a wider customer base
- ▶ To enhance our operating model so that it is more efficient, improving the way we serve customers and the sustainability of our business
- ▶ To maximise the strengths and opportunities of being a mutual

We are confident that our strategy puts us in a position of strength to serve our customers now and in the future.



LIFELONG PARTNER

We are focused on meeting the financial needs of trusted professionals through specialist financial advice and products at all stages in life, providing choice of how and when customers do business with us.



BRILLIANT TO DO BUSINESS WITH

We are building a sustainable and resilient business so that we can offer an outstanding service in a cost-efficient way for many years to come.



MUTUALITY WITH EDGE

As a mutual, our ethos of care is at the heart of everything we do. We work hard to get the best opportunities for customers and run a financially strong business to benefit our members.



3 WHAT WE OFFER



SPECIALIST FINANCIAL ADVICE



SAVINGS AND INVESTMENTS



PENSIONS AND RETIREMENT PLANNING



LIFE ASSURANCE AND PROTECTION



GENERAL AND COMMERCIAL INSURANCE



MORTGAGES AND EQUITY RELEASE



DENTAL MEMBERSHIP PLANS



Visit our website at www.wesleyan.co.uk to see more about our range of products and services.

4 STEWARDSHIP AT THE HEART

We are committed to acting in a responsible way in all our business operations, reflecting our commitment to doing the right thing for our members, customers, colleagues and communities.

ESG principles sit at the core of our sustainability strategy which guides our approach to investing our customers' money, the good causes we support and how we deliver a sustainable infrastructure and product offering.

The strategy is designed to ensure we meet our internal sustainability goals and links into the United Nations Sustainable Development Goals (UN SDGs).

To support the delivery of our goals we have an internal framework in place, designed to focus our employees' efforts in three key areas most relevant to our business.



BUSINESS IMPACT

We ensure that our own business practices are sustainable, including committing to being operationally carbon neutral by the end of 2023.



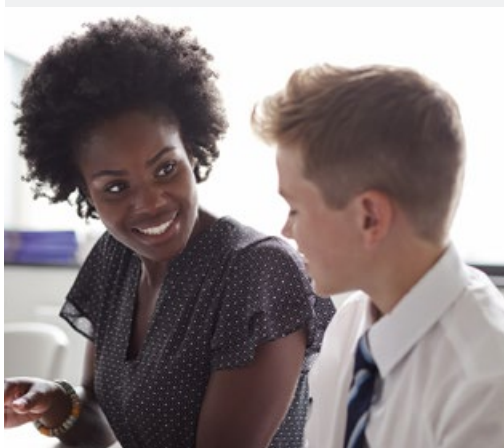
COMMUNITY AND CITIZENSHIP

We strive to make a difference for our members, our colleagues, and the communities we all live and work within through our day-to-day activities as well as through our charitable foundation.



SUSTAINABLE INVESTING

At Wesleyan we manage over £7bn of our customers' money. Like them, we care as much about what their investments are doing as well as how they are doing.



RECENT DEVELOPMENTS FOR WESLEYAN AND OUR MEMBERS

With unprecedented pressures on the National Health Service putting medical and dental professions under increasing strain and schools struggling with real-term cuts to budgets, our professional customers had much to contend with in addition to the increased cost of living. In the same way we supported them through Covid, we have been proactive in assisting them – and our colleagues – through this period. We have made substantial progress against a number of our key strategic aims, including making our With Profits ISA available to a wider audience online through aggregator sites and development of the infrastructure of our business with new technology and digital capability.

We have over 78,000 Society members. Every year members are invited to have their say in how we run our business by voting on key matters at our Annual General Meeting and putting questions to our Board of Directors. As a mutual we take long-term decisions to benefit our members and this includes ensuring we use our capital in the right way to drive member value. We are committed to enhancing the benefits of our mutuality, which defines who we are, how we act and how we serve our members.

The value of mutuality has become ever more apparent in recent years. In 2022 we made a £2.55m financial contribution to provide members with 20% off key insurance products including a price match promise on home and motor policies. We launched our new Member Rewards programme which offers full members a selection of exclusive rewards to choose from, via a new online customer portal. Throughout the course of 2023 qualifying members will be invited to choose a reward, as we strive to build a benefits package shaped around our members and their world.

Continued support for members and communities is provided through the Wesleyan Foundation, embodying the spirit of mutuality. Since it launched in 2017, the Wesleyan Foundation has awarded more than £5m to good causes across the UK, positively impacting the lives of an estimated 100,000 people.

We continued to make progress with our Sustainability Strategy which has ESG factors at its core. It covers key principles from how we reduce the carbon footprint of our business operations and investment portfolio through to the role we play in the lives of our colleagues and communities. The strategy drives vital behaviours and actions to ensure we meet our commitments aimed at supporting the UN SDGs.

Wesleyan is also committed to being operationally carbon neutral by the end of 2023 and for the whole organisation, including our full investment portfolio, to be carbon neutral by 2050 at the latest. We will create a carbon reduction roadmap to better align to our carbon neutral targets, which may involve setting more ambitious targets and intermediary milestones.

We remain confident that our long-term investment strategy continues to be right and is the best approach for our customers. Ensuring we invest in a sustainable manner, in businesses and assets we believe are equally sustainable, is of huge importance, particularly given the levels of uncertainty and change currently seen.



TAKING EQUALITY, DIVERSITY AND INCLUSION BEYOND BOX-TICKING

Wesleyan, along with a group of like-minded businesses, played a part in championing research conducted by the Centre for Women's Enterprise, Leadership, Economy and Diversity (WE LEAD) at the University of York. The research focused on how to ensure under-represented groups are valued members of their organisations and have the same opportunity as other colleagues to advance and grow. Key insights of the report were shared at an event hosted at Wesleyan's Head Office with guest speakers including our Group Chief Executive Mario Mazzocchi and Andy Street, Mayor of the West Midlands.

PEOPLE, DIVERSITY AND CULTURE

We are working to create a more inclusive senior leadership team and in 2022 aimed to ensure 35% of the team were women and 15% from a Black Asian minority ethnic (BAME) background. We were pleased to end the year with 38% of women on the team but narrowly missed our target for BAME colleagues with 14% representation. We will continue to ensure all Senior Leader vacancies have a diverse shortlist and increase our focus on talent management and succession planning, so we maximise the potential to grow our own diverse talent pipeline.

This year we began sharing our ethnicity pay gap report for the first time. Proactively analysing our ethnicity pay information will help us identify and investigate any pay disparities. While reporting on our ethnicity pay gap isn't compulsory, we passionately believe doing so drives accountability and transparency. We want to be leaders in best practice and take necessary actions on findings.

Enhancing our culture is a core part of our business strategy. We are committed to building a business which values equality and diversity, where colleagues can thrive in an inclusive culture. Our Equality, Diversity and Inclusion (EDI) strategy is the supporting framework to embed this throughout Wesleyan. It sets out our priorities for creating a culture that makes Wesleyan a better place for everyone to work and where all colleagues are treated with respect and dignity.

We are targeting a wider number of inclusivity indicators, rather than a sole focus on representation, ensuring we shine a light on the areas that matter to our colleagues and plan to increase our community engagement to showcase Wesleyan as an employer of choice for all of our diverse communities. This includes continuing our work with the 10,000 Black Interns Programme to provide a period of structured and paid work experience to Black students.

We are also seeking to add value to the next generation of Wesleyan colleagues by strengthening ties with local schools to give students a greater understanding of financial services and increase access to the profession and to develop broader stakeholder relationships and share best practice. And to enhance the work we are already doing, we'll continue working with our regulators, industry partners and other related groups.

We launched an enhanced Employee Value Proposition to ensure we can attract and retain the best talent to serve our members and customers. Known as Mutuality and Me, the proposition puts significant focus on inclusivity through recognition of diverse cultures, life stages and personal circumstances. We made enhancements to maternity and paternity benefits and moved to more agile ways of working, giving all colleagues the opportunity to request flexible working patterns.

We also launched an annual culture day for colleagues to mark a day that is significant to them for religious, cultural or personal reasons.

GIRLS ARE INVESTORS (GAIN)

GAIN is a charity set up by investment professionals designed to improve gender diversity for young women and non-binary people in their university studies and give them an insight into the career opportunities available in investment management.

In October 2022, the Sustainable Investment (SI) Team completed a survey by the charity with the aim of helping GAIN to establish an overview of gender diversity among graduate applicants and hires in our sector. The views and data we provided on the diversity of our applicants will give the charity an understanding of the challenges we face in recruiting diverse candidates, and it is hoped it will lead to initiatives to improve applicant diversity in the future.

To further support the charity in its aims, one of our Fund Managers formed part of a panel of experts presenting to charity members on the topic of "Why is ESG Important?". This formed part of member's training, preparing them for a role in the investments industry.



OUR INVESTMENT STRATEGY AND THE IMPORTANCE WE PLACE ON STEWARDSHIP

WHAT IS OUR INVESTMENT PHILOSOPHY?

We are dedicated to maximising the financial returns for members and customers and continue to do this by using our expertise to steer our funds through any market-shaping events or volatility. To help guide this objective, as Asset Owner we have defined our 'Investment Beliefs' as detailed below. These explain what we believe about how investment returns are generated. They are a series of principles that inform our approach to managing investment assets which our Asset Manager is expected to reflect in their investment decisions. The Policy is subject to annual review and any changes are approved at Board level.

BELIEF

We believe sustainable and responsible investing can deliver competitive long-term returns for our customers.

We are long-term asset owners and believe a long-term horizon allows us to withstand the pressures of short-term market events and take the rewards of patient investing to outperform more short-term focused investors over the long run.

We believe that strategic asset allocation is the main driver of good investment returns for our policyholders.

We believe managing risk through diversification across a large range of assets and geographies reduces the volatility of asset returns and improves customer outcomes.

We believe there is a place for both active and passive management within a fund, however active management must provide sufficient incremental return or diversification to justify its additional cost.

We believe that managing costs is important and excessive turnover of stocks can impact performance. Long-term ownership results in lower turnover and cost of ownership for our customers.

We believe we should be conscientious stewards of the assets entrusted to us and that integrating ESG considerations into our investment process for all our funds will improve investment returns.

We believe that strong governance is in the best interest of our customers and is a key tool for managing investment risk.

We believe that the Asset Manager we use to manage our customers' money should share similar beliefs to ourselves.

Our Investment Beliefs are articulated into practical guidance for our Asset Manager to follow in a Statement of Investment Principles (SIP) for each fund. SIPs support the achievement of fund objectives by setting rules and guidance for permitted investments, asset allocation ranges, risk limits, expected returns and sustainable investing principles. We have implemented a Prudent Person Principle Policy, which confirms the duty of care we hold when making investment decisions. The policy requires the Asset Manager to invest in assets and instruments where risks can be properly identified, measured, monitored, managed, controlled and reported, taking into account the assessment of our overall solvency needs. For further detail please view our website



<https://www.wesleyan.co.uk/savings-and-investments>.

THE RELATIONSHIP BETWEEN THE ASSET OWNER AND THE ASSET MANAGER

Internally, we make the distinction between Asset Owner and Asset Manager. The Asset Owner provides products and has a direct relationship with the customer and member. The Asset Owner appoints an Asset Manager to manage its investment funds. As Asset Owner, we entrust the management of our members' assets to the Investments Team of our internal Asset Manager (referred to in this Report as the Asset Manager or the Investments Team).

The Investments Team manages all of our customer funds on behalf of the Society's customers and members, Wesleyan Unit Trust Managers Limited and the Wesleyan Staff Pension Scheme, making decisions on the assets to invest in and the types of investments to be made. The aim of the Team is to provide a cost effective, active fund management service.

They are aligned to our investment beliefs and strong mutual culture. They have an overarching objective to achieve the best possible long-term returns for all Wesleyan's customer funds. This objective shapes the team's fund management approach, which sees them identifying and investing in assets, such as bonds, equities and commercial property, that offer the greatest potential for long-term growth, in line with our Investment Beliefs.

As long-term investors, the team use periods of short-term market volatility to identify investment opportunities for our funds and when doing so consider all investment options. In addition, they are content to buy and hold some stocks for 10-20 years if they consider that is appropriate. Our funds are also long-term holders of commercial property and our in-house Property Managers work closely with our existing tenants to secure rental income and look for acquisition and disposal opportunities which align to our investment beliefs.

OUR SUSTAINABILITY APPROACH AND STRATEGY

Our approach to sustainability continues to be governed by our Sustainability Strategy, which is approved by our Board of Directors. With ESG at its core, this strategy sets out our key principles, encompassing areas such as sustainability in our product offering, our infrastructure, how we invest customers' funds, support and guidance for our colleagues and the good causes we support.

We have continued to make progress with our sustainability strategy this year. It covers key principles from how we reduce the carbon footprint of our business operations and investment portfolio through to the role we play in the lives of our colleagues and our communities. The strategy drives vital behaviours and actions to ensure we meet our sustainability commitments.

We believe that the sustainability factors of an investment asset are typically longer term in nature so are critical in assessing its long-term prospects; consequently we regard sustainability as a key component of the investment research we undertake. The Investments Team integrate sustainability into the investment

decisions of all our funds as they believe it can lead to better risk-adjusted returns, notwithstanding ESG factors may have a differing impact dependent on where the company operates. We take the same approach in integrating sustainability into the analysis of equity and fixed income holdings as well as our direct property holdings.

We firmly believe that sustainable businesses will be more profitable in the long term, which will impact how our funds perform and the level of investment returns we can generate for those who invest with us.

To support our approach, our Sustainability Committee meets on a monthly basis as a sub-Board Committee and provides governance and oversight for sustainability activity. The Sustainability Committee receives regular reports on progress against sustainability objectives, as well as receiving updates on sustainability related risks and opportunities through regular and adhoc reports.

WHAT WE HAVE DONE SO FAR

Against the backdrop of economic uncertainty we achieved the following key milestones:



Continued to implement the Sustainable Investing Policy, improving the sustainability of our investment portfolio ('Reducing Harm', 'Positive Impact', 'Driving Change').



Embedded the role of a Group Sustainability Manager to oversee all Group sustainability activities and the sustainability strategy.



Monitored the sustainability profile of our investments via ESG and carbon footprint benchmarks, ensuring alignment with targets set within our Sustainable Investing Policy.



Undertook customer research to understand preferences and utilised findings to update our Sustainable Investment Policy.



Became signatory members of the Financial Reporting Council (FRC) Stewardship Code.



Aligned our Community and Citizenship (C&C) activity to five United Nations UN SDGs most pertinent to our operations.



Aligned our carbon reduction plan to support the UK's net zero strategy. With this, and more scrutiny of our carbon footprint, we are on track to be operationally carbon neutral by the end of 2023.



Continued to roll out the EVolve company car scheme offering electric and low emission vehicles through salary sacrifice. This has been well received.



Embedded sustainability throughout our new Procurement Charter and updated policies accordingly.



Reduced use of office space within our Birmingham Head Office to utilise space more efficiently, decreasing both operational carbon footprint and waste production.



WHAT'S NEXT

We have clear plans on how we will progress our sustainability strategy in 2023, embedding our ESG principles further across the business. To follow are some examples of work we plan to progress.



To meet our commitment to being totally carbon neutral by 2050 at the latest, we will set intermediate targets for our total carbon footprint (including investments).



We will continue to rigorously challenge companies we invest in to ensure they align with our Sustainable Investing Policy.



We will keep sustainability issues front of mind for colleagues through regular updates and the delivery of sustainability and carbon literacy training.



The introduction of a 'Lived Experience Panel' to listen to the views of our communities, ensuring the work of Wesleyan Foundation supports them in the right way.



We will evolve the work of Wesleyan Foundation to further support the aims of the United Nations SDGs. In addition to supporting grass roots charities and our professions, funds will be available for projects supporting climate action and equality.



We will work closely with our Employee Network groups to develop a more collaborative and inclusive approach to recruitment and professional development. We will also collaborate with other key partners such as the Association of British Insurers (ABI).



We will continue to build a diverse senior leadership team that better represents our customers and communities.



We are working to achieve Disability Confident Leader (Level 3) status by 2024. By raising awareness and understanding of disabilities and long-term health conditions we will better support the needs of both current and future colleagues.

OUR SUSTAINABLE INVESTING PRINCIPLES

We know our customers are increasingly concerned by what their investments are doing as well as how they are performing. While growth is a key aim for us, it's not at any cost. An updated Sustainable Investing Policy was implemented in 2021 and reviewed in 2022 based on customer research and feedback.

Whilst sustainability is at the heart of what we do, sustainable investing can mean different things to different businesses. Our approach applies to all our directly-managed customer funds, not just a small selection of them. This means that our Asset Manager's Investments Team have to follow our three pillar approach.



Reducing harm

Our members and customers can rest assured that we will invest their money in businesses committed to reducing the negative impact they may have on people, communities and the environment.



Positive impact

We believe investments have the power to do good in the world, which is why we invest in companies that are actively involved in improving the environment, our society and peoples' lives.



Driving change

We work with other companies and like-minded investors to drive positive change within the businesses we invest in, encouraging them to take steps that improve their sustainability and achieve better outcomes for the environment and society.

Each principle has various rules associated with it, such as the type of businesses the team can invest in and exclusions they must adhere to. When determining the importance of ESG factors for the companies assessed, the Investments Team uses research and data supplied by an independent third-party ESG data provider, as well as company reports, meetings with management, and other publicly available information.

This scrutiny of ESG factors helps highlight any specific opportunities or risks relating to the sustainability of a company or industry that may not be immediately apparent when solely undertaking financial analysis. As a result, we believe the analysis of a company's sustainability supports the Asset Manager in determining the long-term value of an investment.

In recognising how our investment decisions can have a positive impact on global sustainability, and to ensure we remain aligned to the Society's sustainability goals, the Asset Owner has put in place an ESG and carbon intensity target, detailed in our Sustainable Investing Policy. These targets will be reviewed periodically to ensure they are sufficiently demanding.

Through our ownership and management of commercial property it is recognised that we have an impact on the environment and on a wide range of stakeholders. We aim to ensure our assets operate as sustainably as is practicable whilst maximising the financial return we achieve for our customers. As part of this we produce an annual ESG report for our property portfolio. The first report was produced internally in December 2022 and we intend to produce a document annually evidencing the evolution of our initiatives and plans in this important area.



THE GRANGE, GRANGE PARK, BISHOPS CLEEVE, CHELTENHAM – PROPERTY INVESTMENT ASSET REPOSITIONING

Acquired at the height of the pandemic, this sleeping giant 1990s (Former Eagle Star) head-quarters office building was purchased by Wesleyan with re-positioning in mind. The goal has been to create a modern multi-let working environment for up to 2,000 staff per day that inspires colleagues to be together, to promote wellbeing and optimise output.

With ESG firmly at the heart of our plans, Wesleyan's work to date includes:

- ▶ Formulation of a comprehensive master plan which includes repurposing existing space to support small and micro businesses and also adding new buildings that supplement the core office offering for larger corporate firms- essentially re-using rather than renewing.
- ▶ The gradual rejuvenation of the parkland setting, with over 100 protected trees, manicured to encourage workers to take time out, pursue leisure activities and exercise in the fresh air. Direct access has been re-established to Grangefield Park, providing an extra 11 acres of parkland offering opportunity for those seeking peace and quiet or with an interest in nature and wildlife.
- ▶ Commenced a thoughtful refurbishment of The Grange office building, creating a variety of working spaces and break out areas, including The Street; an airy tree lined boulevard with an abundance of natural light- a vital amenity space to be used for social, charity and private events.
- ▶ The energy performance of those offices that have now been refurbished have been improved from an E rating to an A rating (the highest rating).
- ▶ A re-modelled reception area that makes use of natural materials, setting the standard for the rest of The Grange building and the wider park.
- ▶ The consumption of only renewable electricity and solar panels introduced to the roof to feed on site renewable power back into the buildings' common areas. A marked reduction in the use of electricity since ownership. Refurbishing the building on a phased basis has led to steadily falling utility consumption, as old plant is re-configured, rationalised and replaced with modern efficient solutions and supplemented with renewable energy sources.
- ▶ A marked reduction in the use of natural gas and a plan to phase it out altogether in 2024.
- ▶ A cutting edge heat recovery fresh-air ventilation system in The Grange building now features and ensures a comfortable working environment, supporting greater clarity of thought to those using the building.
- ▶ An abundance of free on-site parking, as well as secure cycle racks along with shower, changing and clothes-drying facilities, EV charging points and a dedicated on-site bus stop with regular services, are all intended to offer an inclusive solution by providing choice, at the same time attempting to reduce emissions and travel costs.



“Our aim through our Sustainable Investing Policy is to be totally transparent for everyone who trusts us to be responsible guardians of their money. Being a mutual, with no shareholders, we do everything in our power to invest our customers’ money wisely, to provide them with a brighter financial future. Together we make money make a difference.”

LUCAS HOWARTH
Fund Manager

A DEDICATED TEAM

The Investments Team has a dedicated Sustainable Investment (SI) Team, who bring the three principles of sustainable investing to life through their work, sharing their research findings with Investment Analysts to produce reports and investment recommendations for our Fund Managers.

The SI Team enhances the investment process by highlighting areas of concern relating to a company or industry’s sustainable positioning, or through identifying emerging sustainable trends. This includes, for instance, the push to increase the energy efficiency of residential and commercial buildings, or the growing number of markets planning to ban cars with internal combustion engines. The purpose of the SI Team is not to immediately exclude companies that may have exposure to specific sustainability concerns, but rather to highlight the opportunities and risks open to these companies as a result of their exposure to both positive and negative ESG factors.

The SI Team leads on stewardship and engagement activities with external management teams and Boards, putting pressure on them when and where appropriate. This is a particular focus in companies where they believe change would be of benefit to the company and will result in a more sustainable world. By engaging with external stakeholders to collaborate or voice their concerns, and having open dialogue with management teams about areas for improvement, they proactively try to help them improve on numerous issues. This can range from executive remuneration to environmental concerns, and from safety track records to Board diversity and independence.

They use ESG factors to help quantify this research and challenge or support decisions where appropriate. This collaborative approach engenders rich discussions and ensures Wesleyan’s Sustainable Investing Policy is adhered to.

Consequently, the relationship between the SI Team and the broader Investments Team is collaborative in nature and enhances research, providing a sustainable oversight function and also helping to improve long-term financial returns for our clients. The SI Team review the sustainability of the holdings in each fund and share their conclusions with the whole team. Where the SI Team believe that the sustainability of an investment has not been given due consideration by an Investment Analyst researching a company, they are able to raise this with our Fund Managers directly or at the weekly Investments Research Meetings. This autonomy ensures the SI Team can directly influence the investment decisions taken by the Fund Managers and any companies held within our fund range.



Our Sustainable Investment Team

PROGRESS SO FAR

POSITIVE IMPACT

<p>We are a top 15 shareholder in a UK company that invests directly in infrastructure supporting the energy transition.</p>	<p>We have invested over £35m¹ into funds focused on sustainable energy production or infrastructure since the start of 2020.</p>  <p>£35m</p>	<p>We have over £80m¹ invested in companies contributing to social equality.</p> 	<p>We have over £500m¹ invested in companies contributing to the advancement of medical health and the fight against diseases.</p>
-------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------

DRIVING CHANGE

<p>We are signatories of the Principles for Responsible Investment, Climate Action 100+, Access to Medicine Foundation, FAIRR and The Investor Forum.*</p> 	<p>We have had over 300 meetings with companies to encourage better business practices.</p> 	<p>In the past year, we also voted at 500 company meetings, ensuring our voice as an investor was heard and encouraging sustainable behaviour.</p> 
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

¹ All figures and data as of 30 June 2023.

* More information is available on our website at www.wesleyan.co.uk/sustainable-investing

REDUCING HARM

<p>Prior to launching our Sustainable Investing Policy, we sold over £40m of investments that failed to meet our 'Reducing Harm' requirements.</p>  <p>£40m</p>	<p>Of that, £15m was sold from companies we believe weren't taking the threat of global warming seriously.</p>  <p>£15m</p>	<p>We do not have any exposure to companies that produce tobacco products.</p> 
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------



STEWARDSHIP IN ACTION

Wesleyan invests in a global manufacturer of construction machinery and equipment. The SI Team felt that the firm was not setting sufficiently challenging targets for carbon emission reductions or giving enough prominence to sustainability issues in its business strategy. Consequently, the SI Team collaborated with other investors to encourage management to take steps to improve their approach to the sustainability of their business.

The manufacturer responded positively to our concerns and has since established the new leadership position of Chief Sustainability & Strategy Officer, reporting directly to the Chairman and CEO. The Board of Directors have also committed to incorporating ESG factors into the 2022 incentive plan for Executive Officers. This goes a long way to ensuring that sustainability metrics are central to the business.

The Sustainable Investing Team continues to work with their leadership to ensure further improvements are introduced.



TRANSFORMING OUR ENVIRONMENT

Wesleyan's Property team aim to manage a sustainable, diverse, high-performing property portfolio to benefit our members and customers.

This approach has led to a redundant piece of land being transformed into a new outdoor space for the local community and office workers to enjoy, providing positive environmental benefits and creating a unique feature of one of our office development sites.

Wesleyan proactively varied the terms of the long lease of land in Ludwell Valley Park held from Exeter City Council. Having agreed consent for the 3.5 acre plot to be used for public enjoyment in 2021, we have now arranged for the management agreement to pass to Devon Wildlife Trust. They plan to create a woodland with around 1,000 new trees supplied by Wesleyan. Known as Pynes Copse, it will link to an adjacent nature reserve increasing the space available for the public to enjoy. The new woodland will also further increase the biodiversity of the whole reserve.

“ The creation of Pynes Copse is a project which can only be positive for wildlife, the local community and our office occupiers. It is a tremendous example of re-purposing otherwise unusable land and we look forward to seeing the woodland grow. ”

PETER MILLYARD
Property Asset Manager



HOW WE ENCOURAGE STRONG STEWARDSHIP WITHIN WESLEYAN



MARTIN LAWRENCE

Martin joined Wesleyan in 1995 as an Investment Analyst, after graduating from the University of Exeter with a degree in Mathematics, and he subsequently qualified as an Associate of the Chartered Financial Analyst (CFA) Society of the UK. He became a Fund Manager in 2001. For 20 years he managed several Wesleyan funds, including the With Profits Fund until December 2020.

As Director of Investments, Martin is responsible for overseeing the management of all Wesleyan funds and our in-house Investments Team, which includes our Fund and Property Managers, Analysts, and Sustainable Investment Team.

THE ROLE OF THE ASSET MANAGER

The Investments Team is led by Martin Lawrence, Director of Investments, who is a member of the Society's Group Executive Committee and a Senior Manager Controlled Function Holder. To reinforce the strategic role the Investments Team plays in implementing Wesleyan's strategy, Martin reports directly to the Group Chief Executive Officer. In order to enhance accountability and oversight of all Wesleyan funds, he has no fund management responsibilities.

Martin is primarily supported by Marc O'Sullivan, Head of Investments, and Joe Curlett, Head of Property, who in turn manage teams of Fund Managers, Analysts, Property Specialists, and support staff.

WIDER STEWARDSHIP WITHIN WESLEYAN

As a mutual, we have a long history of doing the right thing for our members and communities, and we believe stewardship goes beyond just the investments we make. To meet our Sustainability Strategy and climate-related commitments, we have either adopted or committed to meet certain standards and have affiliated ourselves with organisations that share our sustainability goals; some of the key ones are listed on page 32.

As part of our continued commitment to sustainability, 2023 has shown a considerable focus on sustainability being embedded through every area of the organisation. We have publicly committed to being operationally carbon neutral by the end of the year to better align to our carbon neutral targets for 2050, which will involve an element of offsetting through credible channels. In 2022, our commitment to carbon reduction was shown by moving all electricity tariffs for office locations to renewable tariffs. In addition to this, we have

added Sustainability Risk as one of our nine principles within our Sustainability Strategy and have proactively been ensuring sustainability is reflected in our employee benefits package by offering a salary sacrifice EV (electric vehicle) car scheme, enhanced cycle to work subsidies and discounted public transport. A considered approach has been taken to ensure all events are managed in a sustainable manner and sustainability has been embedded within our newly produced Procurement Charter. We will continue to ensure the Asset Manager challenges companies we are invested in to ensure they align with our Sustainable Investing Policy and we will focus on harnessing all of the good work being undertaken at Wesleyan and communicating that both internally and externally through regular updates and reporting.

Since joining in 2022 Dan Gamson, Group Sustainability Manager, has led on furthering Wesleyan's sustainability practices whilst Jazz Sehmi, Equality, Diversity and Inclusion Manager has focussed on enhancing Wesleyan's inclusivity, and Jacob Ayre, Community and Citizenship Manager has taken ownership of the Wesleyan Foundation to boost the Society's social responsibility by leading on charity, volunteering, and social mobility in communities.

Successes this year include the development of the gender and ethnicity pay gap reports as an organisation and alignment of the Sustainability and Community & Citizenship strategies with the UN SDGs that are most pertinent to our operations.

We were also delighted to secure a Stonewall Bronze Award and increase our position in the Workplace Equality Index to enter the top 200 for the first time.



THE WESLEYAN FOUNDATION

In 2017 Wesleyan launched the Wesleyan Foundation as part of our commitment to supporting great causes that are important to our members, customers and colleagues and the communities in which they live and work. Since then, it has helped an estimated 440,000 people by awarding grants to charities, community groups and social enterprises across the UK. This year also saw the Foundation passing £5million worth of donations since its inception.

The work of the Foundation has been particularly welcomed in the last year as the charity sector continues to feel the pinch of the cost of living crisis. The Wesleyan Winter of Giving initiative, launched in October 2022, supported 48 charities across the UK, nominated by members and colleagues.

Almost half of the donations in 2022 were made to smaller grass roots organisations doing invaluable work in difficult circumstances as they dealt with the continued fallout from the pandemic, compounded by cost of living pressures. There have been a number of new grants offered through the Foundation to align with the UN SDGs, most notably the inaugural Climate Action Grant which has awarded more than £50,000 to charities to support action against climate change and also the completion of the Wesleyan Big Clean for World Environment Day where more than 100 members of Wesleyan staff utilised their volunteering days to undertake litter picking on local canals, beaches and in inner city Birmingham to collect almost 1 tonne of waste.

The Foundation is also proactive in the education, dental and teaching professions providing support for causes important to Wesleyan's customers. These include projects such as helping young people from under-represented backgrounds get into medicine, supporting positive mental health initiatives for dentists and a financial education programme in primary schools.

“ We've designed our Foundation's activities in a way that supports the delivery of the United Nations' Sustainable Development Goals (SDGs) of Good Health and Wellbeing, Gender Equality, Reducing Inequalities, Quality Education and Climate Action. ”

JACOB AYRE
Community & Citizenship Manager

MEMBERS MAKING A DIFFERENCE

We want our members to play an active role in our business and so we committed to donate £5 to Magic Breakfast for each vote made at the 2022 AGM. These votes translated into the equivalent of 150,000 healthy breakfasts for disadvantaged children and young people through a £21,000 donation from the Foundation.

At least 2.6m children are at risk of starting their day without a healthy breakfast which has a huge impact on their learning and behaviour. Magic Breakfast works with over 1,000 schools in disadvantaged areas of the UK to ensure no child is too hungry to learn. They offer free, healthy breakfasts daily and provide expert support to schools.

Catherine Mackenzie, Head of Corporate Partnerships at Magic Breakfast, said: "The current cost of living crisis is really stretching family finances and this is sadly having a knock-on effect on the number of children and young people at risk of going to school hungry. When a child is hungry, they cannot learn and this impacts their education and life chances."

“ We are incredibly grateful to Wesleyan Foundation for their generous donation which enabled us to provide free, nutritious breakfasts to more pupils across the UK, giving them the chance to reach their full potential. ”



STEWARDSHIP AND REMUNERATION

Rewards within the Society are benchmarked to the market to ensure they remain competitive, and attract and retain the right calibre of staff. Remuneration is made up of fixed pay (i.e. base salary, pension and benefits) and annual performance related pay.

Decisions about remuneration are made taking into consideration the long-term interests and sustainability of the Society, the funds it manages and our members. Measurements of performance include mechanisms to consider all types of current and future risks. For 2023 we have introduced new measures to the Wesleyan Employee Bonus Scheme Balanced Scorecard, to include for the first time a target of reducing our carbon footprint per colleague by 10%.

Within the Investments Team the Director of Investments is eligible to receive bonus payments under the Executive Variable Pay Scheme and Long-Term Incentive Plans, details of which can be found in the Directors' Remuneration Report within our Annual Report and Accounts.

An Investments Bonus Scheme is in place for all Fund Managers, Analysts and Property Specialists. The Investments Bonus Scheme assesses personal and team performance against a balanced scorecard of measures aligned to our strategic priorities - each team member has an individual scorecard, but also shares a team one.

Fund benchmarks are reviewed annually and performance against these and sustainable investment targets are included within the balanced scorecard to assess bonuses. The investment performance benchmarks are reviewed and approved by the Investment Committee annually and overseen by the Remuneration Committee.

The Investments Team support staff are incentivised through participation in the wider Wesleyan Employee Bonus Scheme.

The Society's strategic priorities are reflected within our remuneration strategy. For example, the Incentive Plan for the Executive Management team includes a target to reduce our operational carbon footprint by 55% by the end of 2022 relative to 2020 levels. The Investments Team bonus scheme is also linked to targets for ESG and carbon footprint against benchmark for our investment funds.



STRONG GOVERNANCE AS AN ENABLER FOR HIGH QUALITY STEWARDSHIP

Strong governance is key to our business model, which seeks to be a lifelong partner to our customers and brilliant to do business with through the maintenance and enhancement of our in-house management capability.

HOW OUR COMMITTEE STRUCTURE SUPPORTS STRONG STEWARDSHIP

Stewardship at Wesleyan is everybody's responsibility. Our aim is for sustainability to be embedded within the culture of the business such that sustainability is considered as a key factor in all our decisions and interactions. The Wesleyan Board has overall responsibility for our Sustainability Strategy which sets out the principles by which the Board and Senior Management oversee the Society's business to act in a sustainable manner. It includes details of how members of the Board and Senior Management are held accountable and responsible for their actions and decisions.

The Group Executive Committee, the Boards of the Society and WUTM, and the With Profits Committee also receive regular updates and provide challenge as appropriate on investment and stewardship activity. The With Profits Committee and Wesleyan Unit Trust Managers (WUTM) Board also receive regular updates on how the Sustainable Investing Policy is being embedded.

Our established Investment Committee, comprised of non-executive and executive members, is chaired by an independent Non-Executive Director. The Committee meets to provide oversight on investment strategy, performance, governance matters and to monitor that our investments are managed in line with our Sustainable Investing Policy. The Committee also reviews the Stewardship Report prior to its approval by the Board.

Stewardship is one of our Sustainable Investing Principles under the 'Driving Change' pillar and both the Investment Committee and the Sustainability Committee receive regular updates on our stewardship activities. Response to climate change is a key factor considered when monitoring investee companies, which influences how the Asset Manager decides to exercise our voting rights and whether they provide challenge to senior management of these firms.

Operational responsibility for its implementation (including managing climate-related financial risks) has been allocated to the Chief Risk Officer, Group Sustainability Manager and Sustainability Committee. Operational oversight is provided by the Sustainability Committee that provides governance and oversight for all sustainability and stewardship activity.

WHAT ARE THE KEY TOPICS DISCUSSED?

Key matters discussed at Board, Investment Committee and other governance committees during the period included:

- ▶ Regular review of investment strategy and performance. Any changes to the investment approach taken are governed through the Society and WUTM Boards, including ensuring changes are made in line with our Sustainable Investing Policy, with the Investment Committee giving support to provide oversight and challenge.
- ▶ Review, challenge and agreement to strategic Investment Beliefs and tactical Statements of Investment Principles. The Investment Beliefs Policy is reviewed and updated annually to develop existing elements and ensure effective stewardship. As the With Profits Fund continues to recover from the worst impacts of Covid-19 we regularly reassess asset allocation, including increasing the geographical diversification of the equity portfolio.

- ▶ Strategy, and monitoring, of progress to reduce our carbon footprint also received Board attention with an ongoing commitment for us to be operationally carbon net zero by 2023. A firm commitment has also been made to make our investment portfolio carbon neutral by 2050, at the latest. The Sustainability Committee review third party reports on our carbon footprint and agree plans to manage/reduce/offset our carbon footprint.
- ▶ WUTM Board reviewed its Value for Money Assessment Reports for customers to ensure its funds are offering value for money across seven criteria prescribed by the Financial Conduct Authority (FCA) and published its findings in a client facing report. Where areas of improvement were identified clear actions have been put in place to improve the position for the benefit of customers.
- ▶ Discussion and agreement of the approach taken on ESG matters including the agreement of any changes to the Sustainable Investing Policy, to improve the sustainability of our investments. The Policy reflects the results of customer research and feedback and is applied to the investment of assets for customers.

Targets have now been set to measure the sustainable performance of our funds and these are monitored on a regular basis. This includes each fund having an ESG rating which is above the benchmark selected for the fund and the fund's carbon intensity being below the selected benchmark. All funds adhere to the 'Reducing Harm' and 'Positive Impact' requirements and significant progress has been made in meeting the 'Driving Change' priority. All funds met their ESG rating target and all but one fund met the carbon intensity target. Actions to address this continues to progress during the period.

Included in our work to enhance sustainability, we monitor the latest market developments for sustainability activity from our customers, competitors, regulators, and any legal developments; this helps us to assess any reputational risks and prioritise our sustainability work.

We validate our Sustainable Investing Policy and how our current approach to allow for ESG and carbon footprint ratings in investment decisions compares to other firms in our industry.

We have also reviewed sustainability messages in customer brochures and other marketing material, analysing customer and colleague feedback on sustainability, and contributing to external climate-related surveys and development of corporate communications on sustainability. In November 2022, we supported a major energy company with an ESG survey where they asked questions on our stance on ESG issues (including climate change), and how important we thought these issues were.

WORKING HARD TO ENSURE OUR CUSTOMERS' NEEDS ARE MET

Wesleyan manages approximately £7.2bn of assets on behalf of the Society and its customers. We have over 78,000 Society members, and over 260,000 customers have a Wesleyan product. As we do not have shareholders, our customers and members are central to our decision making. We stay committed to our specialist business model and believe we have room to grow further in our core medical, dental and teaching markets. A key pillar of our strategy is to build lifelong partnerships with our professional customers throughout their careers and into retirement. This means understanding their needs and ambitions at every stage of their life, as well as what's impacting them personally and professionally.

MEETING OUR CUSTOMERS' NEEDS

We offer a range of financial products to retail customers within the UK and provide advice to help them find the best ones to meet their requirements. We take the nature of our customers' professions into account when making decisions, to ensure that our products meet their needs. We also have a small number of corporate investors who have products through our Wesleyan Unit Trust Managers (WUTM) fund range. We operate a With Profits Fund, unit linked and unit trust investments, which can be bought through a variety of wrappers including personal pension products. We are long-term investors and look for ways to enhance customer investments, over a 5-year period at the very least.

Meeting our customers' needs is paramount in developing an appropriate investment strategy and also for sustainable investing and stewardship. We regularly engage with our members through our Advisory Boards made up of representatives from our core segments in the medical, dental and teaching professions who cover various ages, life and career stages. This, along with our own research, provides a mechanism for us to understand the relevance of our propositions, the challenges and worlds of our customers, including in relation to sustainability and other key investing matters. Members of these segments also periodically attend our Board meetings to provide further insights. During 2023, we refreshed and relaunched our Members Advisory Board (MAB), bringing together the previously separate MAB and Junior Advisory Board, and we recruited new members to complete the diverse group of individuals. By building in various experiences and viewpoints, we've built a MAB that can help us approach problems

and opportunities from different angles, and it leads to a healthy, robust debate and discussion.

MEETING CUSTOMER EXPECTATIONS ON STEWARDSHIP AND SUSTAINABILITY

Updates to our approach are, and will continue to be, tested with customer panels. We undertake regular customer research on customer opinions on sustainable investing and other areas, and we proactively look for feedback from customers and our Specialist Financial Advisers to ensure our Sustainable Investing Policy is reflective of our customers' views. This research informs how we drive change as stewardship continues to evolve, and how we keep pace with customer needs and expectations.

Recent surveys conducted during 2023 of approximately 3,000 customers and several in-depth qualitative interviews across a broad range of our customer segments found that stewardship and sustainability are important to our customers. They were reassured that Wesleyan makes sustainable and responsible investing a priority and value our approach across our funds. 100% of age group 25–44 would like us to consider offering Green funds.


The majority of our customers tell us they agree with our approach to sustainable investing and would rather all our funds be sustainable and aligned to our mutuality ethos. They also like our approach of using the three core principles; Reducing Harm, Positive Impact and Driving Change to show how we are committed to investing in companies that are actively working to protect the environment and tackling the issues that impact the planet and its people.

We will continue to obtain customer opinion as we evolve our thinking and will use the output to further develop our policies and practices on stewardship and sustainability.

The effectiveness of our engagement with customers is regularly monitored by our Customer Committee and key results fed through to our Executive Committees and Board, with appropriate actions agreed to address any areas for improvement.

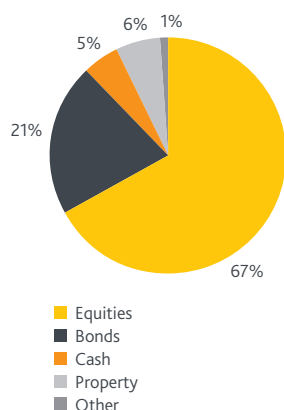
We recognise that we may have financial exposure to firms that could be considered to have specific negative sustainability issues, which some of our customers may believe is incompatible with our stance on sustainability. The long-term investing time horizon naturally gives rise to greater weight being placed on sustainability concerns, which are monitored and assessed through ESG-focused research conducted by the Asset Manager and at a more in-depth level by our SI Team. This means the companies we invest in are likely to be more sustainable than their peers.

We are always looking for ways to communicate our sustainable position to customers more clearly. We regularly refresh and update the information which is available to customers on our website (www.wesleyan.co.uk/savings-and-investments/sustainable-investing). This includes information about our approach to sustainable investing, our core principles and how we apply these. Our annual report and accounts also highlight the work we do in this area and the progress we have made in line with the overall expectations of the Society.

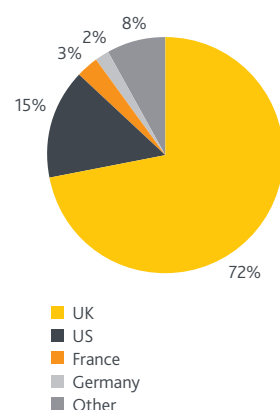
 (<https://www.wesleyan.co.uk/about/reports-and-accounts>)

The Investments Team continues to work with Specialist Financial Advisers from Wesleyan Financial Services to improve their knowledge of our investment range and outlook, and provide updates on our sustainable investing activities, to ensure that they can continue to have meaningful conversations with their customers about our approach to stewardship and meet customer needs every time they interact with a customer.

AUM by asset class
AS AT 30 JUNE 2023



AUM by geography
AS AT 30 JUNE 2023



HOW WE ENSURE CONFLICTS DO NOT IMPACT CUSTOMERS' NEEDS

Conflicts of interest may arise from time to time between the Society, the funds managed on behalf of our customers or between funds. We do not believe stewardship activity is any different; potential conflicts here are mitigated as no single individual has overall responsibility for stewardship and engagement activity. We have published our Stewardship and Engagement Policy on our website (www.wesleyan.co.uk/savings-and-investments/sustainable-investing).

A separate Conflicts of Interest and Anti-Bribery Policy is in place, which all members of staff are required to read and adhere to. This policy is also available on our website (www.wesleyan.co.uk/about/corporate-governance). We take all reasonable steps to identify and manage conflicts of interest and always to act in the best interest of our customers. Any conflicts of interest are logged, and management of conflicts are monitored and reported by our Risk Team.

Policies are also in place for the management of Gifts and Hospitality, Personal Account Dealing, Market Abuse (including access to non-public, market sensitive information) and Best Execution of investment transactions. These policies are reviewed and updated annually. Mandatory training is also conducted periodically on key topics such as Conduct Risk, Financial Crime and Market Abuse.

When engaging with companies, the Asset Manager's Investments Team has a strong preference to not be privy to non-public, market sensitive information, as this restricts our ability to trade in the company. An example would be if an investee company gave advance notice of a particular course of action which they intend to follow. However, from time to time it may be appropriate for the Investments Team to voluntarily agree to receive such information in order to aid our discussions with management.

At the Asset Manager's weekly Investments Team Meeting, attendees are asked to identify and disclose any conflicts that may have arisen, e.g. if a member of staff owns a stock which is of interest. Investment research is also shared amongst fund managers.



Cost of living guidance
Helping you navigate the current economic climate

COST OF LIVING HUB
In a year full of unexpected events, customers told us a key theme was the 'cost of living crisis', with rising inflation eroding real incomes and lowering the living standards of many households. As a result our Cost of Living Hub has been designed to provide helpful information for customers all in one place to feel reassured during turbulent times. Our specialism provides the opportunity to be the financial partner that members and customers expect us to be.

The Cost of Living Hub was supported with empathetic and informative communications across all channels to enhance member experience with over 1,000 customers and members visiting the hub since launch in October 2022.

Our Risk Team has responsibility for monitoring adherence to policies where conflicts may arise within the Investments Team, such as personal account dealing or any offers of gifts or hospitality from third parties. The Risk team also monitor any conflicts which may occur from trading between funds or where there is potential for market abuse to arise. All activity and outcomes covering conflict of interest monitoring is detailed within quarterly reports to our Investment Committee.

We are pleased to confirm that no stewardship-related conflicts were identified and escalated to the Investment Committee during the reporting period.

“ 81% of survey respondents felt that sustainability is important. ”

SURVEY HIGHLIGHTS

Top industries to **avoid harm**



Top industries to invest in for **positive impact**



Top industries to invest for **driving change**



OUR APPROACH ON ENGAGEMENT, COLLABORATION AND ESCALATION

As long-term investors, stewardship is integral to our investment management process. We have a responsibility to act as sound stewards of our customers' investments, and at Wesleyan, stewardship goes beyond just ensuring our management's interests are aligned to those of our customers. It also considers the environmental and social impacts of the investments we hold. We have a vital role to play in supporting the companies we invest in, to help them become more sustainable.

OUR APPROACH TO ENGAGEMENT

We believe that through effective stewardship of our customers' money, we (via our Asset Manager) are not only able to influence a company's strategy for the good of our customers, but also for the benefit of society and the world as a whole. We do this by requiring our Asset Manager to be signatories of the Principles of Responsible Investment and by clearly articulating the themes we would like our Asset Manager to prioritise when engaging with companies within our Sustainable Investing Policy.

Our approach to stewardship is set out in our Stewardship and Engagement Policy and we delegate our engagement activity to our Asset Manager. Having the robust processes in place to monitor our Asset Manager, as we described earlier, allows us to use their expertise and resources to deliver the desired engagement outcomes. With a shared philosophy and common beliefs, engagement through our Asset Manager benefits from consistency. They achieve this by actively engaging with companies and other organisations, collaborating with like-minded investors, and reinforcing the Society's views through voting at company meetings. Through this open dialogue, they are able to encourage companies to invest sustainably and ensure high standards of corporate governance in the companies we are already invested in, and those we look to invest in (investee companies).

Open dialogue allows the Asset Manager to further their understanding of investee companies' strategy, give feedback on any concerns they may have, and encourage change that may lead to improved outcomes for stakeholders. Consequently, we expect them to actively engage with potential and existing investee companies. Whilst recognising the benefits of engagement, to engage with all companies we are exposed to is likely to lead to insufficient time being dedicated to each engagement and a lower likelihood of successful outcomes, so our Sustainable Investing Policy sets out priority themes of engagement under the 'Driving Change' pillar. These themes were chosen after undertaking regular surveys on our customers' views.

PRIORITY THEMES OF ENGAGEMENT

CLIMATE CHANGE/ENVIRONMENTAL TOPICS:

We will lead engagement within certain industries such as Utilities, Mining, and Oil and Gas to support the transition to lower carbon emissions and improved environmental impact, or if they do not commit to carbon neutral by 2050 or making strides towards it by 2030, we will disinvest. We will lead engagement with companies to ensure they are minimising their water usage, maximising recycling and restoring biodiversity within their operations.

DIVERSITY AND EQUALITY:

We will encourage and engage with companies to promote diversity, equality and inclusion:

- ▶ Companies should promote all forms of diversity, and provide greater opportunities for women, and minorities at all levels of the organisation.
- ▶ Companies should adopt more transparent tax strategies.

BUSINESS CONDUCT:

We will engage with companies where any of the following failings have occurred, or where their policies or controls leave them open to any of the following:

- ▶ Failure to comply with local and national working conditions, or more stringent codes of conduct to ensure compliance with local laws covering child labour, working conditions and health & safety.
- ▶ Failure to meet UN standards on human rights, labour, environment and anti-corruption (UN Global Compact).
- ▶ Whose activities clearly infringe or are complicit in infringing on international agreements (such as the International Bill of Human Rights).
- ▶ Repeated and significant violations related to bribery and corruption.
- ▶ A pattern of fundamental regulatory breaches, a track record of unfair or inappropriate practices towards customers, or where management has failed to take effective measures to respond to incidents of misconduct and/or unethical behaviour.

The below diagram shows how we bring stewardship to life.



DECIDING WHEN TO ENGAGE

In deciding which companies to engage with and on what issues, we require our Asset Manager to prioritise our Driving Change themes, whilst also being mindful of those issues they believe will have the greatest impact and those that are most likely to be realised. In doing so they can have the greatest positive impact for our customers and drive the greatest positive change for wider society.

The Asset Manager's Investments Team undertakes its own research into the companies it invests in or may potentially invest in to highlight aspects of a company's or industry's operations that they believe, through engagement, could bring about positive change for shareholders or broader stakeholders. They also use information provided by an ESG data service provider to help highlight those companies whose exposures or practices are of particular concern.

Where appropriate, they may also contact companies to discuss our voting intentions, or to highlight specific concerns we may have. As part of the voting process, they will contact a company where they feel it would be beneficial to communicate why they intend to vote contrary to management's guidance. This engagement serves to inform management of improvements they can make, which may result in support for current or future proposals. Voting without engagement is typically less effective; without effective communication it may be unclear to a company's management team why we have voted against their guidance. Engagement can also help clarify issues, or further our understanding of a proposal, leading to more amicable voting outcomes.

The Asset Manager may also believe it necessary to contact a company following a controversy that has taken place. Examples of this include an environmental accident or concerning reports on product safety or staff treatment. In these cases, their priorities are to determine why such an event has occurred, to review the remedial actions taken by the management of the company, and decide whether they need to take further action, such as voting against the reappointment of directors. They will then continue to monitor the company's progress, engaging with them, voting where appropriate, and divesting (selling our investments in the company) where deemed necessary.

The Investments Team adopt the same approach to engagement across all holdings in our funds, regardless of sector or geography. However, we recognise that they have greater potential to achieve positive change in those companies where we have a greater financial interest. We make no distinction in our approach between those companies where we hold equities or bonds although the Asset Manager is able to exert greater influence through equity holdings as they have the ability to vote at company meetings.

HOW TO ENGAGE

The team mainly engages with companies through in-person meetings. This creates the best opportunity for open dialogue and to discuss our concerns or suggestions directly. Typically, discussions are held with a company's investor relations teams, executive or non-executive directors, or company specialists. These meetings provide the opportunity to increase the Team's depth of knowledge of a company's operations, update or develop understanding of their strategy, discuss material ESG risks or opportunities, and ask probing questions.

While the Team believe in-person meetings continue to be the most effective communication channel, the availability of company management may mean engagement is not timely, or conversations could be more fruitful had they received some initial feedback from management prior to meeting. With this in mind, last year we highlighted that we would be making greater use of written communication and through the quarterly sustainable investment update that the Asset Manager provides us, we have seen a marked increase in the quantity of written communication with management teams, and the Investments Team believe this has helped them better select those companies to engage with face to face.

Over the period from 1 July 2022 to 30 June 2023, the Asset Manager reported they undertook over 300 company engagements with the majority of these taking place with the management of the company, and the most prevalent topic being strategy. Having reviewed the topics of these meetings, the proportion of company meetings where social or environmental topics were discussed has decreased. However we have seen an increase in the total number of ESG-related engagements that were undertaken, which includes responding to regulatory consultations, meetings with collaborative organisations and industry-wide initiatives, and liaising directly with companies. Whilst strategy is likely to remain the key topic in most company meetings, we hope to see further progress made by the Asset Manager in discussing ESG issues in future years.



COLLABORATION WITH OTHER INVESTORS

The Asset Manager's Investments Team has a preference for engaging privately with companies; however, there are instances where they believe collaborating with other investors or organisations would be beneficial.

The situations that they believe warrant collaboration are broad but may include:

- ▶ instances where they feel another investor has raised a matter that they believe merits exploration;
- ▶ where they feel they need to exert greater pressure on the company to act, for instance where management are failing to give our views due consideration; or,
- ▶ where they are a relatively small investor and are looking to encourage a company to adopt a specific stance or action.

Through specialist research, the SI Team have furthered their understanding of the negative environmental impact that our investee companies have on the world, and how they can adapt to mitigate it. However, many of the largest polluters are also some of the world's largest companies, meaning we typically have a relatively small holding in the company and engaging successfully can be more difficult. If the Asset Manager fails to engage with these companies, we miss the opportunity to encourage the change that would have the greatest positive impact on the world.

Therefore, where we have a small relative holding, but the team believe successful engagement would generate a positive benefit for our clients and wider society, they may choose to collaborate with like-minded investors through membership of organisations who share a similar ethos to us.

To this effect, Wesleyan have become signatories of a number of collaborative organisations, including the Access to Medicine Foundation (AMF), an organisation that encourages and guides pharmaceutical companies to do more for people living in low- and middle-income countries with limited access to medicine. We believe the aims of the AMF complement our customers' views, as it encourages a reduction in the negative impact of the pharmaceutical firms we invest in. We have already started to effectively integrate the AMF's specialist research into our assessment of pharmaceutical firms' environmental and social impacts. In time we hope to fully incorporate it into our investment decisions and company engagement.

We believe engagement, rather than exclusion, results in the best outcomes for customers and wider stakeholders. By investing in and engaging with a company, we are able to encourage the 'right' activities and practices. Divesting or withholding investment in a company can be effective, but in general we believe it does little to foster the correct response from a company and the opposite may even occur, as less environmentally or socially conscious investors could then become a larger proportion of the investor base.

FINANCIAL SERVICES COMPANY

SMALL COMPANY

So that we can engage with all companies we invest in (regardless of the size of the holdings we have with them), the Asset Manager will often collaborate with like-minded investors. On this occasion, the engagement covered 'climate risk' as we felt the investor company's current disclosure was insufficient.

The Asset Manager will often talk to other asset management firms that share company exposures with us. This can be as part of a collaborative organisation, or, as in this case, directly with another investor who also has a material shareholder in the company.

In 2022, after having discussed our 'climate change' engagement priorities with the other investor, they wrote a collaborative letter requesting more information from the investee bank asking what steps they were taking to reduce their carbon footprint, and what actions they were taking to reduce their exposure to landlords that own property portfolios with low Energy Performance Certificates (EPC) ratings and how they were going to reduce the related regulatory risk.

The response we received outlined the bank's approach and the actions they had put in place to address this, such as 'identifying properties with an EPC rating of worse than C', and the work they were doing to estimate the renovation costs to move to a minimum rating of 'C'. The Asset Manager believed the response was sufficient for the moment, but felt they would need to further engage with the company in future on the same topic to ascertain if future work were needed.

The Asset Manager wrote to the company again in 2023, again alongside the other investor, to ask what progress had been made since our last engagement. We were pleased to hear that significant actions had been taken by the company on climate risk issues such as new product ranges to help landlords finance home energy efficiency improvements, a general improvement in EPC ratings and ratings coverage, along with a plan to enhance climate transition risk analysis.

TAKING CONCERNS FURTHER

Initial engagement with a company may not always achieve the desired results. Where the Asset Manager has concerns regarding specific topics or the general approach adopted by companies they invest in, they may choose to escalate their stewardship activities. This could include:

- ▶ seeking additional meetings with the company
They may choose to reach out directly to management or investor relations at the outset - where the level of concern is particularly high and we have a material financial interest in the company. Instances where this is more likely to occur are when a company's business conduct has fallen short of their expectations, which may relate to what they see as a poor material strategic decision (e.g. 'overpaying' for an acquisition), or where a company is performing poorly on one of the engagement criteria listed in the 'Driving Change' pillar of our Sustainable Investing Policy.
- ▶ contacting the non-executive directors, or company advisors, to seek further explanations
Where there are concerns regarding the strategy of a firm or their approach to ESG, it may be more productive to write to the company in the first instance. Where the response to written communication fails to alleviate initial concerns, the team will then reach out to management or investor relations asking to discuss the matter in more detail.
- ▶ in cases where we have a material financial interest in the company and the outcome of meeting management or investor relations does not alleviate our concerns sufficiently, the Investments Team may choose to contact the relevant independent Director. If the company then fails to respond to concerns or where the team believe the rationale provided by the company remains unsatisfactory, they may withhold our vote or vote against related items, or Directors, at the company's AGM. In extreme cases they may choose to divest our holdings in the company.
- ▶ joining a collective engagement vehicle of other investors who share similar goals with us to combine efforts and achieve the same goal, and
- ▶ voting against management.

In cases where our financial interest is limited and there are significant concerns which are not satisfied by initial contact, the approach is likely to be more straightforward. The Team may then contact the company to discuss any issues we have; however, they may feel that due to the size of our small holding, a meeting is unlikely to lead to a beneficial outcome and be an unproductive use of time. If this is the case, they may choose to abstain or vote against related items/Directors at the company's AGM, or sell our interest. In cases where there are minor concerns regarding the strategy or environmental and social performance of a company, and a small relative shareholding, the team are more likely to abstain or vote against related AGM items than engage in the resource-intensive activity of meeting with management.

Their approach to escalation is determined by their level of concern and our financial interest in the company. By escalating and engaging where they can use their influence and have the greatest impact, they are making the best use of the resources they have at our disposal. Ultimately, if this escalation fails to invoke meaningful change in a reasonable time, divestment will be considered.

There is no exhaustive list of concerns that we feel warrant escalation, but items they have engaged upon in the past include governance failures, climate change strategies, executive remuneration and continuation votes.

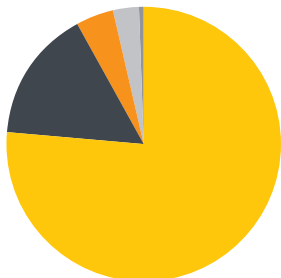
They adopt a similar approach across all our funds and geographies, albeit our UK bias means we are more likely to escalate issues with UK listed companies, as a result of the greater financial interest we hold in this region. We try to influence the issuers of bonds we hold in the same way as equities; however, in cases where we do not also hold equity in a company, we are unable to vote on related items at a company's AGM so have less immediate influence, but the option to divest still remains.

“ We believe engagement, rather than exclusion, results in the best outcomes for customers and wider stakeholders. ”

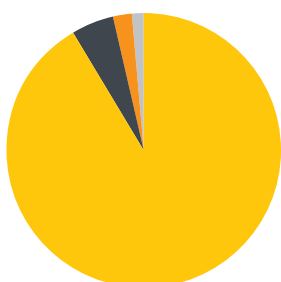


What we engaged on

JULY 21-JUNE 22



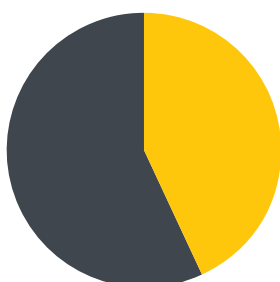
JULY 22- JUNE 23



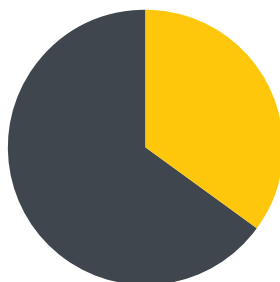
- Strategy
- Environment
- Social
- Compensation
- Board Capability/Independence

Method of engagement

JULY 21-JUNE 22



JULY 22- JUNE 23



- Private meeting
- Group meetings



FINANCIAL SERVICES COMPANY

SMALL COMPANY

Having engaged with the company's Remuneration Committee Chair (RCC) over recent years and having voted against the remuneration report and policy items at the company's AGM since 2019 and abstaining on re-election of the RCC at their 2022 AGM, our Asset Manager looked to engage with the RCC further in 2022.

In July 2022, they met with the RCC to discuss the forthcoming Remuneration Policy, which would be introduced at the subsequent AGM. They provided examples of how they felt remuneration could be better structured, but expressed broad support for the policy and the changes being made. In February the following year, the Asset Manager raised further concerns about the 2022 Remuneration Report - which was being voted for at the company's 2023 Annual General Meeting later that month. The Asset Manager felt it provided insufficient detail on the bonus awards being given to the company's Board, there was double counting within the rewards themselves, and they were being boosted further by windfall gains (benefits outside of their control or making).

In the same month, the Asset Manager met with the RCC who offered some rationale regarding the windfall gains, but the Asset Manager remained unconvinced. The double-counting issue was explained, and understood, but they felt that it should be presented in the Remuneration Report itself, and their remaining concerns were not alleviated. Consequently, at the company's AGM, the Asset Manager voted against the Remuneration Report as it felt the detail and rationale for the level of the awards was 'still not sufficient'. However, after their engagement over the past three years and the productive discussions with the RCC, the Asset Manager voted in favour of the new Remuneration Policy and hopes this new policy will help rectify the issues they have had with previous Remuneration Reports.



MEDIA COMPANY

LARGE COMPANY

We believe all people should be treated fairly no matter their race, gender, sexuality, or other personal characteristics; and we also believe companies benefit from a diverse workforce. This is why Wesleyan has made 'Equality and Diversity' one of its 'Driving Change' priorities.

We hold shares in a video game company that in early 2022 faced scrutiny over employee claims of discrimination and harassment of female employees. This included a number of outstanding lawsuits, a settled sexual harassment lawsuit, and an ongoing Securities and Exchange Commission investigation into the company's handling of sexual harassment and discrimination allegations.

At the company's Annual General Meeting (AGM) in June 2022, the Asset Manager voted against the re-election of all Board members who were in position at the time of the occurrences surrounding the controversies. They did this as a sign that they felt stronger oversight of the company's social issues should have been in place and that the Board members had failed in their oversight duty.

At the same AGM, they also voted contrary to the Board's recommendation and in support of a shareholder resolution requiring the company to produce a "Report on Efforts to Prevent Abuse, Harassment, and Discrimination". The majority of shareholders supported this and during the subsequent 12 months, the company filed a 'Transparency Report' which the company believed satisfied this requirement as it provided further detail on the steps being taken to reduce instances of abuse, harassment, and discrimination. The report also contained statistics on the number of complaints, how they were resolved, and how long it took to resolve them.

However, whilst this was a step in the right direction, the Asset Manager felt the company needed to provide more detail on the effectiveness of their harassment and discrimination policies, their efforts around this, and provide improved disclosure of the company's current and historic response to allegations. Consequently, at the company's June 2023 AGM they voted contrary to management and in favour of a shareholder resolution to "Report on Prevention of Harassment and Discrimination in the Workplace". We hope that this resolution will garner enough votes to pass, and that we are able to see a marked improvement in the company's harassment and discrimination data in the coming years. If not, the Asset Manager will continue to vote against the re-nomination of key Board members and other appropriate items at their AGM.

EXERCISING OUR VOTING RIGHTS

Exercising our rights as investors in companies is another vital component of our stewardship activities, and through our Asset Manager we look to exercise our rights as investors at all opportunities to promote best practice and improve the sustainability of those companies we are invested in. Voting helps us to exert influence on company management and shape investee company outcomes. The Investments Team may outsource decision-making on specific votes to allow them to focus on areas they believe are of greater benefit to our customers. In these instances, they use the services of a specialist proxy service provider. Their selected service provider applies a sustainability policy when providing voting recommendations, which ensures the voting applied more accurately reflects our views and those of our customers.

Quarterly reporting is requested of our Asset Manager on all voting and engagement activity that has been conducted and we challenge those we believe are inconsistent with our expectations.

OUR APPROACH TO VOTING

The in-depth analysis, company engagement, and experience of our Asset Manager influences how they vote. Most voting opportunities relate to our shareholding in companies, however the general principles described below apply to all our investments.

We expect the Asset Manager to consider voting on all proposals and in the year to 30 June 2023 they voted on our behalf at 99% of all corporate proposals relating to our equity interests. Instances where they have not voted are predominantly because of power of attorney or share blocking requirements.

They look to exercise our rights on our fixed interest holdings when possible. However, instances where this is possible are limited, as there is no annual requirement as there is with equities and proposals can only be put forward by the company.

Our custodian periodically provides our proxy service provider with a list of our holdings. The Asset Manager undertakes manual validation to confirm all our holdings are being correctly recorded, and our voting rights are correctly displayed and applied.

The team monitor the occurrence of voting opportunities on a weekly basis, which provides line-of-sight on upcoming votes and the opportunity to discuss any voting items they deem controversial. This ensures they are aware of impending votes when they are buying or selling investments, and means they can avoid the loss of voting rights due to the timing of trading. Wesleyan does not currently undertake stock lending, and as such it always retains full voting rights over its investments.

Wesleyan only manages pooled funds, so as a result we do not allow clients to direct our voting. However, the Asset Manager may take client views and feedback from our customers into consideration when voting. Recognising the need to be transparent with our clients in how we manage the rights associated with their investments, we publish our voting record annually, covering the previous twelve months. During the period covered, 1 July 2022 to 30 June 2023, the Asset Manager voted on over 38,000 proposals at 500 meetings.

1 July 2022 to 30 June 2023 voting activity by issue

Issue	Total number of resolutions	Percent of votes contrary to management
Routine/Operations	12,316	2%
Shareholder Rights	561	12%
Compensation	5,892	9%
Director Oversight	18,063	5%
Social	1,248	29%
Environment	316	49%

You can find our most recent voting record here (<https://www.wesleyan.co.uk/savings-and-investments/fund-prices>) under "Voting history".

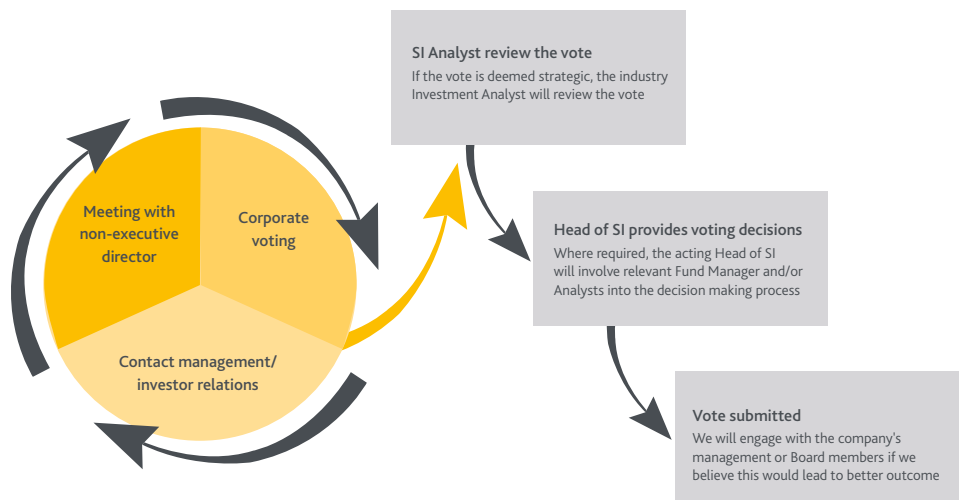
HOW WE EXERCISE OUR VOTING RIGHTS

To complement their fund management and research process, the Asset Manager also uses expert research provided by a specialist shareholder services provider. This helps them to form an opinion on the voting proposals under consideration at any company meeting we have a right to vote at. Whilst this research and advice is useful, voting decisions are based on their own analysis of the factors involved. They endeavour to manually review and provide decisions on as many proposals and meetings as possible. However, in some instances it may be a better use of resources to delegate voting decisions to the specialist shareholder services provider. Delegating some decisions allows the Investments Team to focus more on those votes where they believe they have the greatest influence and can therefore generate the greatest positive impact for our customers, ourselves, and the world we live in.

They will manually review all proposals and determine their own voting position where any of the following conditions apply:

- ▶ Wesleyan hold a material position in the company, defined as being more than 0.50% of the company's issued share capital;
- ▶ The meeting proposals are considered to be unacceptably breaching best practice or contain controversial content;
- ▶ The company operates in a controversial sector, currently covering the Aerospace & Defence, Oil & Gas, and Mining sectors.

Meetings selected for manual review are assigned to the SI Analyst who specialises in the sector the company is part of. In the case of the vote being deemed strategic, the industry Investment Analyst will review the vote.



When voting, we are aware that companies in different markets and sectors can operate under significantly different conditions. Due to this, the Asset Manager considers the presence of mitigating and exacerbating factors in their decision making. They also recognise where company management have taken remedial steps, and engagement is often key in revealing the impact of their actions.

To ensure delegated meetings and proposals align to our approach to sustainable investing and stewardship, we review the tailored Sustainability Policy of our chosen shareholder services provider. This policy has a broader remit and incorporates the ESG performance of a company into its decision making.

FACTORS WE CONSIDER WHEN VOTING

Votes are made on the basis of the broad principles set out below. However, these are only to provide guidance as many proposals are more nuanced and, as such, proposals are taken on their individual merits.



Director capability and independence

Boards should be composed of appropriately skilled individuals who provide suitable challenge to the executive directors. The Board should be predominantly independent, diverse, and led by an independent Chair.

We will vote against directors who we feel hold too many roles and are 'stretched', or where their election would contribute to the Board no longer being independent or suitably knowledgeable.



Shareholder rights

We are generally supportive of proposals that increase shareholders' capacity to shape the corporate agenda and support the right for shareholders to nominate Directors.

We expect changes in capital (such as share buybacks and issuance) to only be undertaken where they are an effective means of generating value for customers and are not detrimental to the long-term interests of shareholders.



Compensation

We support remuneration policies that encourage the recruitment and retention of high-calibre individuals.

We expect performance targets to generate long-term value for the company and align to our views on sustainability. Targets should be sufficiently stretching and rationale should be provided for awards issued, particularly in the case of qualitative criteria.

We will vote against proposals that we believe are excessive or fail to align to the long-term interests of shareholders and other stakeholders.



Sustainability

We support actions that help reduce the negative environmental and societal impact of a company, whilst recognising the need to act in the best interests of our customers.

We support improved disclosure where we believe this enhances our understand of a company's exposures. Where relevant, we support the use of recognised standards in reporting, such as those provided by the Sustainability Accounting Standards Board and the Task Force on Climate-Related Financial Disclosures.



DRINKS MANUFACTURER

SMALL COMPANY

As part of our commitment to equality, diversity and inclusion, we regularly look at companies we are institutional investors of and our Asset Manager engages with the company's Board and senior management on these subjects.

In their opinion, a company we hold a material percentage in, had limited diversity on the Board. We were keen to speak to Board members about this so at their May 2021 Annual General Meeting we voted in favour of the Nomination Committee Chair. As we had not raised this with them before, we wanted a better understanding of their approach to improving diversity at Board level.

In June, the Asset Manager met with the Chair, and it was clear that diversity was a priority at company-level, and they had started to put plans in place. They did acknowledge however it would take time to see improvements – likely to be c.50% by 2030, as their incumbent directors leave.

At the company's AGM in May 2022, we abstained from the Nomination Committee Chair, as whilst we felt there was progress on diversity it was still short of where it should be. Prior to the 2023 AGM, the Asset Manager met with the company to discuss performance. They noted that some actions were taken to improve diversity, but remained unsatisfied with the level of public disclosure provided - particularly at Board level.

At the May 2023 AGM, a new Chair was voted for, and despite still not being satisfied, the Asset Manager felt it was right to give them time to incorporate changes. Following the meeting, they wrote to the company to request greater disclosure on the diversity of their workforce and the actions being taken to improve it. To date, they are still awaiting a response – this will factor into future engagement and voting actions with them.

QUICK SERVICE RESTAURANTS

LARGE COMPANY

Under our 'Reducing harm' pillar, the Asset Manager had the opportunity to use our corporate voting rights and to leverage our public disclosure with one high-street name, even though our ownership with them is minimal.

In our Sustainable Investing Policy we state that we will exclude "Companies involved in the production of animals, that do not have robust policies and systems in place to uphold good standards for breeding, rearing, transport, housing and slaughter". Although the company does not directly produce the livestock, they do deal with suppliers and therefore, have the power to evoke change on this issue, so we felt this was in the spirit of the three pillars detailed in our policy.

At the company's Annual General Meeting in May 2023, we voted for a shareholder proposal for improved disclosure and on the use of antibiotics within the supply chain. It's a well-known fact that misuse of antibiotics can lead to the development of antibiotic resistant diseases which are a major threat to society as a whole.

We also publicly declared our intention and rationale for voting for this shareholder proposal via one of our signatories: the UN PRI's voting resolution database. As the database is publicly viewable, our intention was to make other investors and the company aware of our rationale – this approach we felt would improve the chance of other investors following suit, and of the company being aware of the reasoning behind shareholding voting activity.

In July 2023, we utilised our partnership with FAIRR (Farm Animal Investment Risk & Return) – a collaborative investor network that raises awareness of the material ESG risks and opportunities in intensive livestock production. In partnership, we wrote to the company in question, and others in the same line of business. In the letter we asked for improved public disclosures and policy on their animal welfare policy. In addition, we plan to engage directly via meetings on this issue for those companies where we are also shareholders. This activity is yet to yield meaningful changes at the targeted companies.

As a consequence of us voting at the AGM, 18% of eligible votes were filed 'for' on this shareholder proposal. Whilst not sufficient to force changes at the company, it is sufficient to send a signal to them that a large group of shareholders desire change. It is therefore in the company's interests to consider improving disclosure. We will continue to work alongside FAIRR in the hope that we drive change on this critical issue.

HOW WE SUPPORT WELL-FUNCTIONING FINANCIAL MARKETS AND MANAGE RISK

Although all risks cannot be fully avoided, and many are already impacting the economy as a whole, we have a responsibility to mitigate their impact and work with policymakers and standard setters to address them in the long term.

THE IMPORTANCE OF STRONG RISK MANAGEMENT

We recognise, in a fast-paced and challenging world, the importance of strong risk management to support well-functioning markets and we employ a risk management framework which is integrated into our business processes. We have a clear and documented organisational accountability structure including Boards, Committees, a dedicated Risk function and named individuals laid out in relevant terms of reference, policy and procedure documents.

The Board Risk Committee has oversight of the overall Risk Management Framework to ensure it is appropriate for the services we provide to our customers and meets regulatory expectations. Risk management covers our key risks which can be financial, operational or strategic in nature. As part of a forward-looking risk management approach we:

- ▶ Maintain and monitor compliance with risk policy statements, including market, liquidity and credit-related risks;
- ▶ Monitor emerging risks, geopolitical developments, and the overall market landscape. During the reporting period this has included the impacts of climate change, political volatility, higher inflation and interest rates, and the Ukrainian crisis; these have been closely monitored by our Asset Manager. This allows timely identification of any market-wide or systemic issues and supports our commitment to stewardship and responsible investment;
- ▶ Engage with regulators, government organisations and standard setters to advance good governance and responsible investment. This includes providing responses to consultation requests, surveys, and meeting with regulators and others to express concerns or support for policies and practices in relation to good governance;
- ▶ Outsource the management of relevant funds to a third party where we consider that we do not have sufficient expertise in a market or sector. The process for identifying and monitoring such outsource partners is rigorous and robust, and included the outsourcing of the management of the North American bonds in our non-profit fund to Goldman Sachs which has assets under management of £120m.



REF	RISK	KEY CONTROLS	RESIDUAL RISK
1	There is a risk that we are unable to grow our business, remain relevant in our core markets and achieve scale to be competitive.	Monitoring changes in our markets; Increased agility to react to competitors (as result of transformation developments); Understanding our customer needs; Increased diversification through platform sales.	Medium
2	There is significant economic and political uncertainty and there is a risk that this undermines the Society's ability to achieve its Strategic Goals.	Regular monitoring of market conditions; Diversification of market risk exposure; Diversification of income channels; Maintaining our financial strength; Scenario and Reverse Stress Testing.	Medium
3	There is a risk that our control environment is not sufficient to prevent a cyber-attack and / or that we do not detect and respond to such an attack appropriately, leading to loss of data or access to systems to service our customers.	Implementation of Cyber Risk Strategy; Cyber Risk Framework; Operational Resilience Framework; Robust cyber threat defensive procedures (including scenario testing); Regular employee training; Cyber Insurance.	Medium
4	There is a risk that we do not meet customer expectations in respect to climate change and sustainability which leads to reputational damage.	Sustainability Strategy; Climate Change Risk Assessment; Governance through the Sustainability Committee; Sustainability KRIs; Scenario Testing; Regular customer surveys / feedback.	Low
5	Increasing Regulatory change could affect the ability of Wesleyan to deliver its strategic objectives. The PRA and FCA have introduced significant regulatory change which can be demanding and require management and Executive attention.	Horizon scanning of regulatory change requirements; Robust plan to fill gaps; Monitoring of work plans and progress; Contribution to feedback and requests for opinion by the regulators to ensure our customers' needs are reflected.	Low
6	There is a risk a material third party does not perform as expected, leading to operational and financial loss.	Procurement and Supplier Relationship Management Policy; Monitoring of capability and performance of existing third parties; Operational Resilience Framework.	Low

KEY

HIGH: Outside of risk appetite, significant risk to financial strength, reputation of the Society or its ability to provide good outcomes for our customers

MEDIUM: Approaching risk appetite tolerance, moderate risk to financial strength, reputation of the Society or its ability to provide good outcomes for our customers

LOW: Within risk appetite, limited risk to financial strength, reputation of the Society or its ability to provide good outcomes for our customers



FOCUS ON CLIMATE CHANGE AS A SYSTEMIC RISK

Through in-depth horizon scanning and customer research, we have identified a number of systemic risks, such as climate change. These help shape our investment portfolios through their integration into our investment decisions and more formally via their inclusion in our Sustainable Investing Policy, which sets out how Wesleyan expects our Asset Manager to integrate sustainability into the management of our customer funds. They can be summarised as follows (for further detail, please see our Sustainable Investing Policy at



<https://www.wesleyan.co.uk/savings-and-investments/sustainable-investing/>

- ▶ Our exclusions; we exclude a number of different activities that our customers would prefer us not to invest in, or where we deem it exposes us to higher levels of risks. For instance, oil and gas firms without comprehensive plans to be carbon neutral by 2050;
- ▶ All directly managed customer funds must have 10% of their equity and corporate bond exposure in companies deemed to be 'doing good', including companies involved in the generation of 'clean' energy;

- ▶ We have engagement priorities that focus our stewardship activities on companies where our customers would like to see the greatest chance or we see the greatest risk of company inaction, such as water usage; and
- ▶ Our requirement for any Asset Manager we use to be members of the PRI ensures material ESG factors are considered as part of every investment decision.

Climate-related risks are currently identified and reassessed each year as part of the Operational Risk Solvency Assessment (ORSA) process in the Climate Financial Risk Assessment, which also forms the basis of the risk appetite limits for these risks included within our Risk Appetite Framework. These climate risk limits apply separately to Market, Insurance, Liquidity, Credit and Operational risks.

We have identified the following climate-related risks and opportunities which may have an impact on Wesleyan:

CLIMATE CHANGE RISKS

TRANSITION RISKS	DESCRIPTION	TIMEFRAME	POTENTIAL IMPACT
Market	Market Risk due to the value of equities held by the Society falling, e.g. from the repricing of carbon intensive assets	Medium term	Lower policyholder returns and reduced capital strength
Credit	Credit risk on bond assets due to higher costs to tackle climate change	Medium term	Lower policyholder returns and reduced capital strength
Reputational / Business	Failure to develop sustainable products / funds or to take action to become operationally sustainable	Short term	Reduced revenue and profitability
Property	Costs of meeting minimum energy-efficient standards for property investments	Short term	Lower policyholder returns and reduced capital strength
Regulatory	Costs to comply with climate-related regulatory requirements	Short term	Reduced profitability
Operational/ Technology	Provision of sustainability information and technological advancements to manage climate risks and opportunities more effectively	Medium term	Reduced profitability

PHYSICAL RISKS	DESCRIPTION	TIMEFRAME	POTENTIAL IMPACT
Market	Economic crisis events due to food shortages, pollution, political disruption etc.	Long term	Lower policyholder returns and decreased capital strength
Insurance	Increased sickness or mortality risks due to climate effects	Long term	Lower policyholder returns and decreased capital strength
Property	Losses from physical damage (e.g. due to flooding) on direct property investments	Long term	Lower policyholder returns and decreased capital strength
Operational	Failure of material outsourcers / strategic business partners due to climate impacts	Medium term	Decreased profitability

CLIMATE CHANGE OPPORTUNITIES

OPPORTUNITIES	DESCRIPTION	TIMEFRAME	POTENTIAL IMPACT
Customer Offering/Brand	Building on our mutuality to provide sustainable advice, products, services and operations to improve customer experience, employee satisfaction and the environment	Short term	Increased revenue and reduced harm to the environment
Resilience	Flexible working, reduced travel and lower costs from being a climate resilient business	Short term	Increased profitability and reduced harm to the environment
Market	Strengthening our Sustainable Investment Principles and investing in well-governed, sustainable businesses for the long term	Long term	Higher policyholder returns and increased capital strength

The climate-related regulatory landscape is continually developing. However, our risk management function is appropriately resourced, and the processes, systems, and controls are in place within our overall Risk Management Framework to ensure that we are effective in managing any regulatory risks from climate change.

INDUSTRY BEST PRACTICE

To meet key climate related commitments within our Sustainability Strategy, we have either adopted or committed to meet certain standards and have affiliated ourselves with organisations that share our sustainability goals; some of the most important ones are listed below:

Climate-related Standards and Organisations	How Wesleyan is Responding
UN Principles for Responsible Investment (PRI)	The Asset owner requires the Asset Manager to be a signatory and to align to the PRI. As a PRI member and signatory, we are fully committed to responsible investment; our Sustainable Investing policy is aligned to the six UN Principles for Responsible Investment.
Climate Action 100+	The Asset Owner requires the Asset Manager to be a signatory. Through the PRI, we support this investor led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.
Financial Reporting Council (FRC) Stewardship Code 2020	As part of our "Driving Change" strategy, we commit to meeting the standards of the Stewardship Code. We were accepted as a signatory to the UK Stewardship Code in March 2022 by the Financial Reporting Council, and were successful in renewing our application in March 2023.
Task Force on Climate-related Financial Disclosures (TCFD)	We will implement the TCFD recommendations in full for the end of 2023 reporting cycle (1st Jan 2023 to 31st Dec 2023) in our Annual Report and Accounts due to be published in April 2024.
Greenhouse Gas (GHG) Protocol	We comply with this standard when accounting for greenhouse gas (including carbon) emissions and ensure it is used as the basis for the calculation of our carbon footprint.
UN Sustainable Development Goals	We target our CSR (Corporate Social Responsibility) activity towards meeting the United Nations SDGs most appropriate to Wesleyan.



SURVEY RESPONSE

In early November 2022, Tulchan, a PR and lobbying group published a 'State of Stewardship' Report which highlighted a number of problem areas in the way that the UK's leading companies work with their institutional investors.

The report summarised the frustrations of 35 UK Board Chairs (many of these at companies we have holdings in) and nine leading institutional investment figures, citing a perceived deterioration in the quality of engagement with their key shareholders – believing that governance and regulation is hindering productive conversations. They also perceived that the dominance of third-party proxy voting agencies has led to the deterioration in the quality of engagement with Board members, which included the following criticisms:

- ▶ a lack of flexibility on the part of proxy agencies with boards;
- ▶ being prone to conflicts of interest;
- ▶ delivering an inaccurate output; and,
- ▶ shareholders are heavily influenced by proxy agency guidance in their decision-making.

In early November 2022, a collaborative organisation we are members of contacted the Asset Manager, along with other members, for their views on the report. As they were not part of the nine institutions who contributed to the report, they welcomed the opportunity to respond and take part.

In the hope of generating better outcomes for investors and companies, the Asset Manager fed their views into the collaborative organisation, which included challenging the accuracy of the Chairs' frustrations and how best they felt the issues raised could be resolved. In December 2022, the collaborative organisation produced a summary of the views expressed by members (which the Asset Manager fully supported).

In January 2023, the organisation wrote out on behalf of all members to the FTSE Chairs that contributed to the original report and the FTSE 100 Company Secretaries, suggesting steps to improve the relationship between Board members and investors, how to improve the quality of discussions, and reduce the focus of meetings on generic issues.

Although it is still early days, we wait to hear how effective the steps suggested by the collaborative organisation will be with improving relations between Board Chairs and their investors.

HOW WE OBTAIN ASSURANCE ON OUR STEWARDSHIP ACTIVITIES

We closely monitor changes in regulation affecting our members and customers, as well as those which impact on our stewardship activities.

We are supported by colleagues in Risk and Corporate Audit. In early 2022, an audit of Wesleyan's sustainable investing approach was carried out by our Corporate Audit team. This audit rated our control environment as "some improvement needed". The audit recommended improvement to the integration of the SI Team into the investment decisions made around our directly managed commercial property portfolio; these assets are managed by our in-house Property Team. As a direct result of this audit, a number of processes have been introduced to ensure the SI Team has greater sustainability oversight of our directly-managed commercial property, including vetting all new tenants' businesses prior to the completion of a lease agreement or purchase against our Sustainable Investing Policy to ensure we are not exposed to breaches in our exclusions.

During 2023, the Enterprise Risk function conducted an internal assurance review of the SI Team. This review was completed to establish if sustainable investing and stewardship had been integrated into the investment activities of the Asset Manager. The overall rating was 'Satisfactory' and evidenced that both our Sustainable Investing and Stewardship & Engagement policies had been embedded effectively.

Board and Committee Effectiveness Reviews are carried out annually and include assessments of key topics including sustainability and stewardship. An external review of Board and Committee Effectiveness was commenced in late 2021 and will be completed over a three-year period.

In preparation to be compliant to the Task Force on Climate-Related Financial Disclosure (TCFD) regulations in 2024, we have included disclosures within our last two Annual Report and Accounts to identify what processes and procedures need to be established between now and 2024. To ensure we are on track to meet the legally binding disclosure deadline, external third-party support has been sought in 2023 to undertake a gap analysis of current disclosures. In addition, the process has undergone internal scrutiny with our Internal Audit team undertaking an audit of metric collation and data availability as part of the carbon footprint analysis conducted by another external consultant. Findings from both internal and third-party reviews have highlighted areas of improvement within data collation and governance. These findings have informed updates to our processes and the creation of an action plan to ensure preparedness for the 2023 year-end report to be published in 2024, and subsequent submissions.

Although we do not seek specific external assurance for our stewardship activities, we have internal controls in place to ensure our policies and procedures are followed. These policies and procedures are reviewed annually and updated in line with regulation and good practice, with compliance monitored by our Risk and Regulatory Monitoring teams; we consider this approach is appropriate given the knowledge and experience in these teams.

ENHANCING OUR APPROACH TO STEWARDSHIP

Our Investment Committee oversees matters relating to stewardship and is responsible for oversight of this Stewardship Report. It is supported in its role by the Sustainability Committee to oversee the production of the report and to monitor our stewardship activities. In doing so, the Committees consider the report to provide a fair and balanced view of our approach to stewardship and responsible investment. Additional assurance has

been provided by Corporate Audit and Marketing Communications in assessing if the report is fair, balanced and understandable. The report has also been assessed to ensure it is written in Plain English.

We continue to work to make enhancements to the scope, depth and quality of our stewardship and responsible investment activities, which we hope will deliver better company engagement on a wider variety of topics and improved outcomes for customers. This has included more detailed and regular reporting and oversight over stewardship activities at the Sustainability Committee.

We believe that working with peers and policymakers on sustainability and ESG issues is an important activity. As part of our wider engagement, we regularly respond to public consultations both as a firm and working with investor groups. We view this contribution as key towards promoting high standards and supporting the functioning of capital markets.

Engagement with a variety of industry bodies helps us to understand the thoughts of the wider industry on current events. The Association of British Insurers (ABI) brings insurance and long-term savings industry peers together to discuss and respond to risks, policy and regulation and we have representation on a number of ABI working groups and networks and are regular attendees at ABI conferences and roundtables. Among systemic risk topics that we've engaged on are climate change and the impact of providers of ESG ratings on market stability.

HM TREASURY CONSULTATION

In March 2023, HM Treasury introduced a consultation on whether regulation should be introduced for ESG ratings providers. This exercise aimed to support the government's aim of improving transparency and promoting good conduct in the ESG ratings market.

The consultation asked all participants to share their opinions on the best way to promote ESG outcomes if there was a potential regulatory framework in place.

In June of the same year, our Asset Manager replied to the consultation stating Wesleyan were supportive of introducing regulation aimed at improving the transparency of methodologies, governance, and processes of ESG ratings as this would minimise the risks investors are exposed to.

They also noted that the information that providers of ESG ratings produce, is increasingly being relied upon by retail and professional investors. They therefore felt that these providers should be subject to regulation to guarantee the accuracy of the data and to ensure sufficient disclosure is provided so that investors using it are fully aware of the implications and limitations.

As part of their response, they also pointed out that they felt a key challenge would be the structure of the regulations. ESG ratings providers need to provide sufficient detailed descriptions of their methodologies so any differences are clear enough for investors to understand. They also noted that each ESG ratings provider uses different methodologies, have different weightings criteria, and have access to different levels of information. The conclusion was that because providers of EGS ratings operate differently to each other, it may be hard to introduce a blanket regulatory regime.

HOW WE HOLD MANAGERS AND SERVICE PROVIDERS TO ACCOUNT

HOW DO WE OVERSEE THE ASSET MANAGER?

As Asset Owner, the Society owns the fund strategy and is responsible for the selection of a fund manager. As outlined previously, we entrust the management of our members' assets to the Investments Team of our internal Asset Manager.

The Asset Manager is required to follow the Statement of Investment Principles for each fund, which includes alignment to the Sustainable Investing Policy. Each quarter the Asset Manager is required to provide a report and attestation to the Asset Owner, confirming alignment to the Sustainable Investing Policy, and providing data on the CO2e and ESG targets of the funds. The report also includes evidence by fund and asset type.

The data is reviewed by our independent middle office function and is reported to the Investment Committee for discussion and, if required, further action on issues raised from the report.

In the past year, our Asset Manager oversight has continued to evolve. We have regular action-focused discussions with the Investments Team in order to gain more insights and examples on how ESG is integrated into the investment and stewardship decision-making processes. To date, we have been satisfied with the services provided and consider them to be aligned with our needs.

WHEN WOULD WE USE AN EXTERNAL FUND MANAGER?

Although we currently delegate fund management responsibilities for all of our customer funds to our internal Asset Manager, there may be specific cases when we may feel our customers' interests would be best served by utilising the services of an external fund manager, either for all or part of a fund. Should this be the case, we have selection, monitoring and replacement processes in place to manage the risks of outsourcing the management of our members' assets, and ensure good customer outcomes.

The Asset Manager may also choose to select an external fund manager to invest all or part of the Wesleyan fund rather than buying equity directly. Currently over 90% of our assets are invested directly. For the remainder, the Asset Manager may use funds or investment trusts to gain access to new asset classes or

new markets. When choosing an external fund to invest in, they adopt both quantitative and qualitative filters to select the most appropriate underlying external fund. Each Analyst specialises in a specific area of the market and leads on the selection of new fund managers where appropriate. Key amongst the filters they employ is consistency of strategy and performance, and the knowledge of the management team. Consequently, they always meet with potential fund managers, or a delegated representative, prior to selection to allow them to probe their knowledge and understanding.

HOW DOES THE ASSET MANAGER OVERSEE FUND MANAGERS?

When the Asset Manager chooses to invest in an external fund, the Financial Risk Team will review the fund to provide oversight from a risk perspective and will continue to do so annually. If any concerns are raised, the Asset Owner is informed and the selection of the fund may cease or, if already held, we may divest from the position.

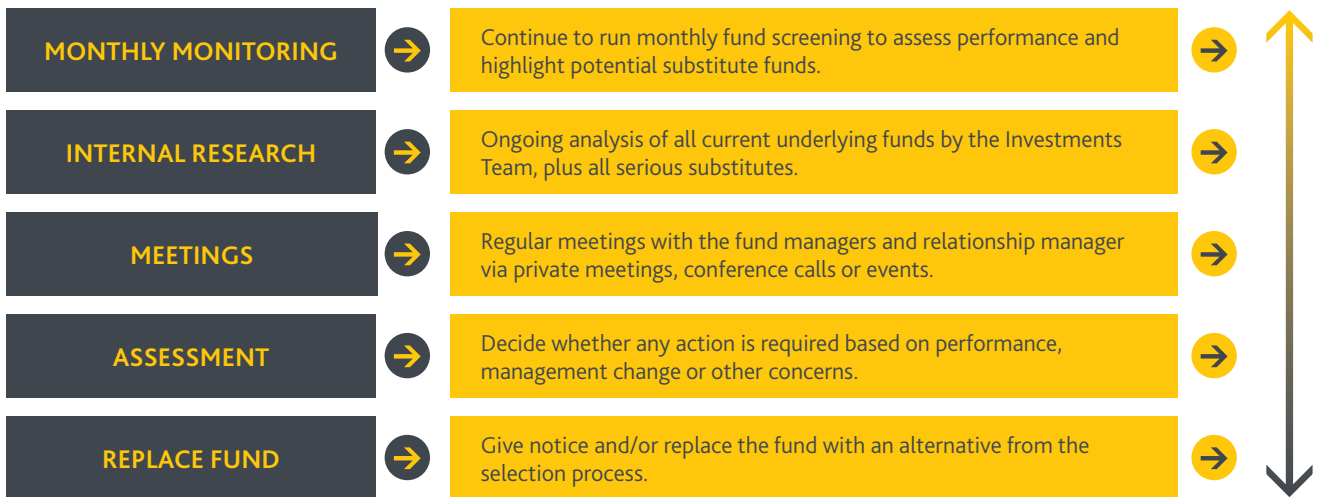
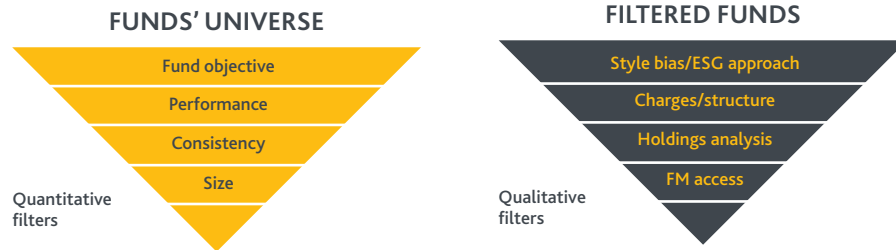
The Asset Manager monitors its underlying fund exposure on an ongoing basis, with the appropriate Analyst presenting their findings at the monthly Investment Funds Meeting. Particular focus is placed on the performance of the funds and any changes to holdings, to ensure the fund strategy remains consistent with the basis upon which it was selected.

In instances of poor performance or unexplained strategy changes, the Asset Manager's Investments Team would initially reach out to their sales contact to provide underlying reasoning. If they deem this insufficient, they will look to meet with the fund manager to provide further detail. In instances where they felt the fund's poor performance was unlikely to improve, or where the strategy of the fund no longer aligned with our views, they would divest and follow our external fund manager selection process to select a replacement.

To further our understanding of tactical shifts and the positioning of the funds, the Investments Team meet existing and potential external fund managers on an ongoing basis. In the period 1 July 2022 – 30 June 2023 they met with 65 fund managers or their selected representatives.



The Asset Manager also pays for research services from a number of 'sell-side' brokers to further inform their understanding of current or prospective fund managers. This research is assessed at their quarterly Research Allocation Meeting. They assess the brokers on perceived value for money, focusing on the quality, depth, breadth and relevance of the research provided. They also discuss any potential additional or substitute research brokers and may look to secure trials with any prospective brokers to allow assessment of their offering in the same way as existing brokers.



MONITORING AND HOLDING SERVICE PROVIDERS TO ACCOUNT


Wesleyan seeks to work collaboratively with our suppliers as they are integral to the running and success of the business. We look to build strong long-term relationships, particularly with suppliers to whom we outsource critical activities. Suppliers and potential suppliers are classified so that they are evaluated, onboarded, overseen and governed proportionately to the services provided. We will look to work to support smaller suppliers where possible to develop their ESG standards so they are not excluded from doing business with us.

We have a group-wide policy setting the standards for selecting, managing and overseeing our suppliers and service providers. We use a balanced scorecard approach to choosing a supplier, where a potential supplier is scored by more than one person. This year we have enhanced our supplier due diligence process in order to understand suppliers in more detail from an ESG perspective.

We will only purchase services and equipment from companies that meet our sustainability standards and our sustainability principles are embedded into our procurement policies. As with our investment management activities, commercial decisions and customer offerings, there may be occasions where compliance with this principle takes precedence over short-term commercial considerations when choosing suppliers, outsourcers and other business partners.



In 2022 we created a new Third-Party Supplier Charter to encourage and promote cooperative relationships with all our suppliers, and where appropriate collaborate, innovate and create mutual value. This new Charter sets out the standards we expect of our suppliers, including their employees and supply chains in terms of performance, audits, documentation, risk management and continuous improvement. The Charter is published on our website and all suppliers onboarded must commit to it.

 <https://www.wesleyan.co.uk/-/media/pdf/wesleyan-third-party-suppliers-charter.pdf>

Oversight is carried out regularly throughout the supplier relationship by the business owner supported by a dedicated team who support the delivery of efficient and high-quality services, ensuring that suppliers and service providers meet the requirements of regulators and members, including environmental and social benefits. Wesleyan prefers to engage with service providers who have made credible commitments to ESG matters and take the following factors into account during supplier setup due diligence checks and periodic ongoing monitoring:

- ▶ environmental performance / targets (e.g. pollution, energy efficiency, recycling, reduced plastic usage) and provision of information to support Wesleyan’s commitment to a carbon neutral environment by 2030
- ▶ workforce diversity and equality (compliance with all relevant legislation and provision of information to support our commitment to equality and diversity)
- ▶ compliance with the Modern Slavery Act 2015
- ▶ living wage policy
- ▶ support of local communities
- ▶ performance on payment practices to their third parties

Suppliers will be replaced if a better partner emerges, or they do not hold the same standards and values as we do. Suppliers that underperform are put on an improvement plan, ultimately being replaced if underperformance continues. To date we have not had to replace a supplier for these reasons, with all suppliers sharing our values.

Wesleyan Group offers Financial Advice: Retirement Planning • Investing • Funding • Insurance

For more information visit wesleyan.co.uk/ourcompanies

Wesleyan Assurance Society

'WESLEYAN' is a trading name of the Wesleyan Group of companies. Wesleyan Assurance Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Incorporated in England and Wales by Private Act of Parliament (No. ZC145). Registered Office: Colmore Circus, Birmingham, B4 6AR.

Telephone: 0345 351 2352. Fax: 0121 200 2971. Calls may be recorded to help us provide, monitor and improve our services to you.