

WESLEYAN

WESLEYAN GOVERNMENT BOND FUND (LIFE) CLIMATE REPORT

Introduction

This report is designed to help you understand more about the impact that the assets held in the Wesleyan Government Bond Fund (Life) have on the climate. The report sets out a range of climate metrics that can be used to assess the fund's climate impact, risk and opportunity and gives the ability to compare a range of climate metrics with other funds.

We recognise that the investments within the fund could have an impact on climate change and equally, climate change could influence the performance of investments in the fund.

This report is based on the recommendations set out in the global standards and UK regulatory requirements set by the Task Force on Climate-related Financial Disclosures (TCFD). For a more complete understanding, this report should be read in conjunction with our TCFD entity report, which includes information on our strategy, governance and risk management. This can be found at www.wesleyan.co.uk/tcfid-reports

Fund objective

The Wesleyan Government Bond Fund aims to invest in one or more external funds that are most likely to deliver consistent performance over longer periods. The Fund seeks to provide capital growth over the medium to long term by investing predominantly in externally managed funds specialising in government bonds.

The fund does not consider climate change as part of its investment objective; however, it is required to comply with the Wesleyan Assurance Society Sustainable Investing Policy and approach to Stewardship. The Sustainable Investing Policy explains how we invest in companies we believe are operating in a way that reduces their impact on the environment and society.

The policy is available to read at www.wesleyan.co.uk/savings-and-investments/sustainable-investing.

Our stewardship approach includes active ownership. Our investment managers engage with companies to change their behaviour to help reduce the impact of climate change. The fund may therefore retain exposure to higher emitting companies, with the aim of engaging to influence real world emissions reductions, rather than to merely exclude.

Climate metrics

Fund Greenhouse Gas (GHG) Emissions

The table below shows the key measures used to evaluate the Greenhouse Gas emissions of the fund.

Climate Metric	2023 amount	Data Coverage
Scope 1 and 2 emissions	44.8 tCO ₂ e	1.0%
Scope 3 emissions	114.5 tCO ₂ e	1.0%
Total carbon emissions	159.3 tCO ₂ e	1.0%
Total carbon footprint	43.3 tCO ₂ e / GBPm Invested	1.0%
Weighted Average Carbon Intensity	561.2 tCO ₂ e / GBPm Sales	1.5%

source: Wesleyan / MSCI

Definition of climate metrics and how they should be interpreted:

Metric	Description
tCO₂e	tCO ₂ e stands for tons (t) of carbon dioxide (CO ₂) equivalent (e). It is a standard unit for counting greenhouse gas (GHG) emissions regardless of source (e.g. carbon dioxide and methane).
Scope 1 emissions	Scope 1 emissions are direct GHG emissions that companies produce themselves.
Scope 2 emissions	Scope 2 emissions are indirect GHG emissions by the business through its purchase of electricity, steam, heat, or cooling.
Scope 3 emissions	Scope 3 emissions are the result of activities from assets not owned or controlled by the business; however, the organisation indirectly affects in its value chain e.g. a car manufacturer and the GHG emissions of a car they have produced when in use.
Total carbon emissions	Absolute GHG emissions that the fund is responsible for. For instance, if we own 10% of a company, we would be responsible for 10% of that company's GHG emissions. This is the total of Scope 1, 2 and 3 emissions.
Total carbon footprint	The total amount of GHG emissions the fund is responsible for. This is shown per £m invested in the fund, allowing for like-for-like comparisons between different funds.
Weighted Average Carbon Intensity (WACI)	The total amount of GHG emissions the fund is responsible for, but provides the GHG emissions based on the revenue of the companies we invest in. This is shown per £m of revenue in each of the companies we invest in.
Data Coverage	Wesleyan works with multiple data providers in order ascertain the most accurate position of the investment market. For climate related data, our core provider MSCI is a leading provider of critical decision support tools and services for the global investment community. MSCI have one of the widest coverages of emissions data available; however, data gaps can be present due to lack of disclosures (usually smaller companies) or challenges with certain asset types e.g. derivatives. We work closely with data providers to minimise gaps and use estimation methodology where possible. Wesleyan use manual and automated techniques to analyse and map data appropriately. Along with strong governance, we have quality checks and review systems in place to manage any risk in process to ensure accurate outputs.

How climate change is likely to impact this fund

Scenario Analysis

Climate scenario models are complex calculations that simulate interactions between historical data, current observations, and assumptions about future socio-economic behaviour and the regulatory landscape to generate plausible scenarios of future climate conditions. They are designed to provide a forward-looking assessment and can be helpful in understanding the potential future impact of climate change but naturally there are uncertainties caused by the long-term nature of their projections. Given this uncertainty and the long-time horizons, the results shown here should be considered as the potential impact on this portfolio, these should not be viewed as forecasts. Climate models are dependent on many assumptions, including assuming our holdings do not change over time, and as such actual future conditions may differ substantially from these projections.

Whilst climate scenarios and models are still in their infancy, they are currently the most suitable to assess the impact of climate related change on this portfolio across long-term horizons. Based on these models and scenarios, the estimated impact on the value of this portfolio would be as follows:

Scenario	Climate value-at-risk	Data Coverage
Orderly Transition	0.0%	1.0%
Disorderly Transition	0.0%	1.0%
Hot House World	0.0%	1.0%

source: Wesleyan / MSCI

Under orderly and disorderly transition scenarios, there is a material negative impact on the value of the assets in the fund,

Under hot house world scenarios, there is a material negative impact on the value of the assets in the fund,

Definition of scenario metrics and how they should be interpreted:

Metric	Description
Climate value-at-risk	<p>This is the estimated impact of the given climate scenario on the value of assets in the fund assuming no changes are made to the fund. A negative number denotes that under the scenario, there will be a devaluation for the fund's underlying assets and hence you would see the value of your investments fall.</p> <p>Scenario model outputs are expressed as a range of outcomes, reflecting the inherent uncertainty of the underlying assumptions. We have provided the average model output of that range of results.</p>
Orderly transition scenarios	This scenario assumes climate policies are introduced early and become gradually more stringent, reaching global net zero CO ₂ emissions around 2050 and likely limiting global warming to below 2 degrees Celsius on pre-industrial averages.
Disorderly transition scenarios	This scenario assumes climate policies are delayed or divergent, requiring sharper emissions reductions achieved at a higher cost and with increased physical risks in order to limit temperature rise to below 2 degrees Celsius on pre-industrial averages.
Hot House world	This scenario assumes only currently implemented policies are preserved, current commitments are not met, and emissions continue to rise, failing to limit temperature rise, causing high physical risks and severe social and economic disruption.

Implied temperature rise

Implied temperature rise estimates the current contribution to global temperature increase from a fund's current greenhouse gas emissions trajectory. It is a simplified tool to assess alignment of business strategies with climate goals like the Paris Agreement target. The model used to generate this metric mainly accounts for Scope 1 and 2 emissions. It does not incorporate emissions occurring outside direct operations (Scope 3) and any avoided emissions that could have a positive environmental impact (Scope 4). These exclusions can lead to an over- or underestimation of a fund's implied temperature rise.

The climate model results are presented for year 2030 which permit us to better monitor medium-term alignment of funds ahead of the 2050 target. The results suggest that the fund's current underlying issuers' emissions projection are close to being aligned with the Paris Agreement.

The Paris Agreement resulted from the Paris Climate Conference (COP 21) in December 2015 and brought together all COP member nations in an agreement to undertake ambitious efforts to tackle climate change and limit the rise of global temperatures (from pre-industrial levels) to below 2°C, and ideally below 1.5°C. It is important to note that there is no widely accepted industry standard that characterises whether a fund is closely aligned or materially misaligned to the Paris agreement target.

Paris Agreement Target	Fund
1.5-2°C	1.5°C

source: Wesleyan / MSCI

For information

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All data as at 31 December 2023