

WESLEYAN

we are all about you

STEWARDSHIP AND ENGAGEMENT POLICY

POLICY PURPOSE AND SCOPE

The purpose of this policy is to outline Wesleyan's in-house Investments Team's approach to stewardship in relation to the assets it manages.

The policy applies to all Wesleyan Assurance Society, Wesleyan Unit Trust Managers and Wesleyan Staff Pension Scheme funds managed by the Investments Team. It is not designed to consider the corporate governance of Wesleyan funds, e.g. Fund Manager remuneration, conflicts of interest, reporting requirements or safekeeping obligations. These are addressed in separate policies available on our website.

OUR COMMITMENT



We are proud signatories of the internationally-recognised UN sponsored Principles for Responsible Investment and Climate Action 100+, an organisation focused on ensuring the world's largest 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 environmental, social and governance (ESG) issues.

The United Nations Principles for Responsible Investment

“ The use of influence by institutional investors to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns and clients' and beneficiaries' interests depend. ”

(UN PRI) defines stewardship as:

Put simply, it's the role of investors like Wesleyan to play a key part in encouraging companies to operate in a sustainable way and to ensure their decisions are enhancing the long-term value of the company.

STEWARDSHIP

As long-term investors, stewardship is an integral aspect of our investment management process, and at Wesleyan, stewardship goes beyond just ensuring our management's interests are aligned to that of our customers. It also considers the environmental and social impact of the investments we hold.

We believe that through effective stewardship of our customers' money, we 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 achieve this by actively engaging with companies, collaborating with like-minded investors, and reinforcing our views through voting at company meetings. Through this open dialogue, we 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).

The below diagram shows how we bring stewardship to life.



At Wesleyan, the entire Investments Team is responsible for our stewardship and engagement activities. To provide increased oversight and specialist insight, the department includes an SI Team, which specialises in assessing the sustainability of investee companies. The specialist knowledge of the SI Team means they take a lead when we engage with companies on any sustainability or corporate governance concerns we may have, or when escalating our concerns through voting.

ENGAGEMENT AND INTERVENTION

As active stewards of our customers' investments, we engage in dialogue with current and potential investee companies on a frequent basis. Typically, discussions are held with a company's investor relations teams, executive and non-executive directors, or company specialists. These meetings provide us with the opportunity to increase our depth of knowledge of a company's operations, update or develop our understanding of their strategy, discuss material ESG risks or opportunities, and ask probing questions.

As a mutual, we put our members and customers at the heart of all our decisions, striving for sustainable outcomes in all that we do, and we feel that the companies we invest in should also share our values. As a result, when engaging with companies, we place particular focus on the following themes.

- ▶ Climate change
- ▶ Equality and diversity
- ▶ Business conduct

Where appropriate, we may also contact companies to discuss our voting intentions, or to highlight specific concerns we may have.

As part of the voting process, we will contact a company where we feel it would be beneficial to communicate why we intend to vote contrary to management's guidance. This engagement serves to inform management of possible improvements they can make, which may result in our 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.

Our Investments Team 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, our 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 we need to take further action, such as voting against the reappointment of directors. We 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.

Initial engagement with a company may not always achieve the desired results. In such circumstances, we will consider escalating our stewardship activities. This could include:

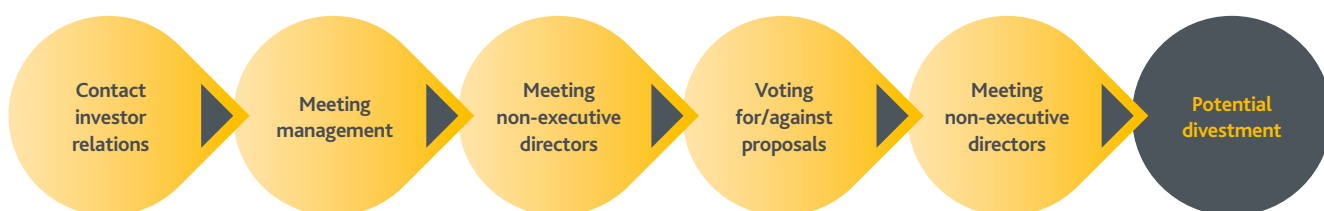
- ▶ seeking additional meetings with the company
- ▶ contacting the non-executive directors, or company advisors, to seek further explanations
- ▶ joining a collective engagement vehicle of other investors who share similar goals with us to combine efforts and achieve the same goal, and
- ▶ voting against management.

Ultimately, if this escalation fails to invoke meaningful change in a reasonable timeframe, divestment will be considered.

OUR ENGAGEMENT PROCESS

To make the best use of resources, we focus on engaging with the companies that we believe would benefit the most from our input. The level of engagement we undertake also depends on our relative level of investment in the company and the severity of any issues identified. For the companies we have a significant holding in, or where there is a major issue requiring resolution, we are likely to follow the diagram outlined below.

We will collaborate with like-minded investors where we believe this increases the likelihood of securing a positive outcome for our customers. When collaborating with other investors, we still make independent decisions and we retain the ability to leave the collaboration at any point.



CORPORATE VOTING

We believe voting to be a vital component of our stewardship responsibilities, and we look to exercise our rights as investors at all opportunities. Our in-depth analysis, company engagement, and experience in these matters influences how we vote. Voting helps us to exert influence on company management and shape investee company outcomes. Most voting opportunities relate to our shareholding in companies. However, the general principles described below apply to all our investments.

GENERAL PRINCIPLES

To complement our in-house fund management and research process, we also use expert research provided by a specialist shareholder services provider. This helps us 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, our voting decisions are based on our own analysis of the factors involved. Once we have made a decision, we cast our votes electronically via a proxy.

We endeavour to manually review and provide our own decisions on as many proposals and meetings as possible. However, in some instances we believe it is a better use of resources to delegate our voting decisions to our specialist shareholder services provider. Delegating some decisions allows us to focus more on those votes where we believe we have the greatest influence and can therefore generate the greatest positive impact for our customers, ourselves, and the world we live in.

We manually review all meetings where any of the following applies.

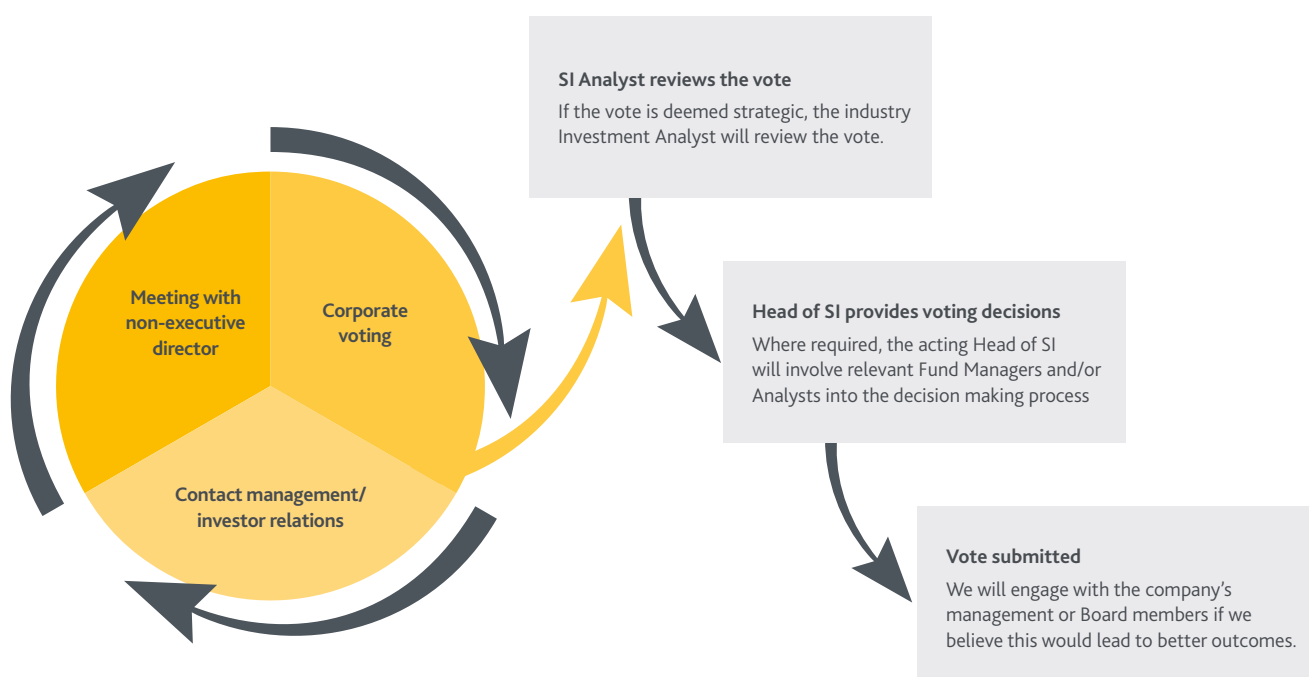
- ▶ We hold a material position in the company, defined as being more than 0.50% of the company's issued share capital.
- ▶ The meeting proposals are considered to be unacceptably breaching best practice or contain controversial content.
- ▶ The company operates in a controversial sector, currently covering the aerospace & defence, oil & gas, and mining sectors.

When voting, we are aware that companies in different markets and sectors can operate under significantly different conditions. Due to this, we consider the presence of mitigating and exacerbating factors in our decision making. We 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 use 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.

VOTING PROCEDURE

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.



Our Analysts use a number of resources to decide on the best course of action for each proposal on the meeting agenda. These resources include, but are not limited to, the voting research report, the rationale laid out by a company's management, specialist research sites, media coverage, and in-house company research.

Having reviewed the proposals in detail, the Analyst then provides a recommendation to the Investments Team's Head of SI, or in their absence, the Head of Investments or relevant Fund Manager. The Investments Team's Head of SI will review the proposals in detail, along with the recommendations and rationale provided by the Analyst, and will provide a final voting decision. In the case of strategically relevant proposals, and where they believe it is in their customers' best interests, a Fund Manager may overrule the decision for the fund(s) they manage.

The Investments Team's Head of SI will bring in the expertise of relevant Fund Managers and/or relevant industry Investment Analyst where they feel their added knowledge and judgement would be beneficial in reviewing a meeting or proposal. Fund Manager or Investment Analyst inclusion typically occurs for strategic issues where their expertise would be helpful in reaching a decision, or where the decision could materially affect the performance of the company.

In cases where the meeting is not selected for manual review, votes will be placed in line with the guidance provided by our specialist shareholder services provider.

HOW WE VOTE

Our Investments Team votes 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 understanding 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.

NON-PROXY DECISIONS

These decisions rarely take the form of a conventional vote and are considered separately. The administration and record of non-proxy decisions are managed by our Investment Accounts function, while the decisions are made by the relevant Fund Manager(s) on an ad-hoc basis.

Under normal circumstances, the appropriate sector Analyst and the SI Team collaborate on these decisions. The sector Analyst is heavily involved in the decision-making process for any commercial decisions made, as there is often a strong overlap between any proposals and the current investment case. Our Fund Managers will often agree on voting decisions; however, differences may occur as they must always act in the best interests of the customers invested in their respective funds.

PROVISIONS, REPORTING

The Investments Team retains a digital record of all voting decisions submitted through our proxy voting service provider. A full record and breakdown of this voting activity is available here:

www.wesleyan.co.uk/savings-andinvestments/fund-prices

More information is available on the links below.

- ▶ Wesleyan UK Stewardship Code: **www.wesleyan.co.uk/-/media/pdf/uk-stewardship-code.pdf**
- ▶ ISS Sustainability Policy: **www.issgovernance.com/policygateway/voting-policies/**

APPENDIX A: SHAREHOLDER VOTING EXCEPTIONS

Registered shares

Where we have registered shares that are not handled directly by a mainstream custodian, our specialist shareholder services provider may not provide full voting services. We may, instead, receive meeting materials and voting cards from the Issuer to vote directly.

Where this is the case, Wesleyan will review the administrative obligation and the potential benefit to our customers to determine whether to complete the additional documentation.

Share blocking

In certain countries, shareholder voting requires ‘share blocking’, where shareholders that wish to vote in meetings are required to deposit their shares shortly before the date of the meeting (typically one week) with a designated depository. During this period, the deposited shares cannot be sold until the meeting has taken place and the shares have been returned to the shareholders’ custodians.

It is unusual for us to conclude that the benefits exceed the costs in most of these cases, and thus would elect to abstain from voting.

If share blocking applies, our specialist shareholder services provider has not been authorised to vote and will provide a “DO NOT VOTE” instruction across the entire ballot. This can then be manually overridden where we deem it necessary.

Referred items

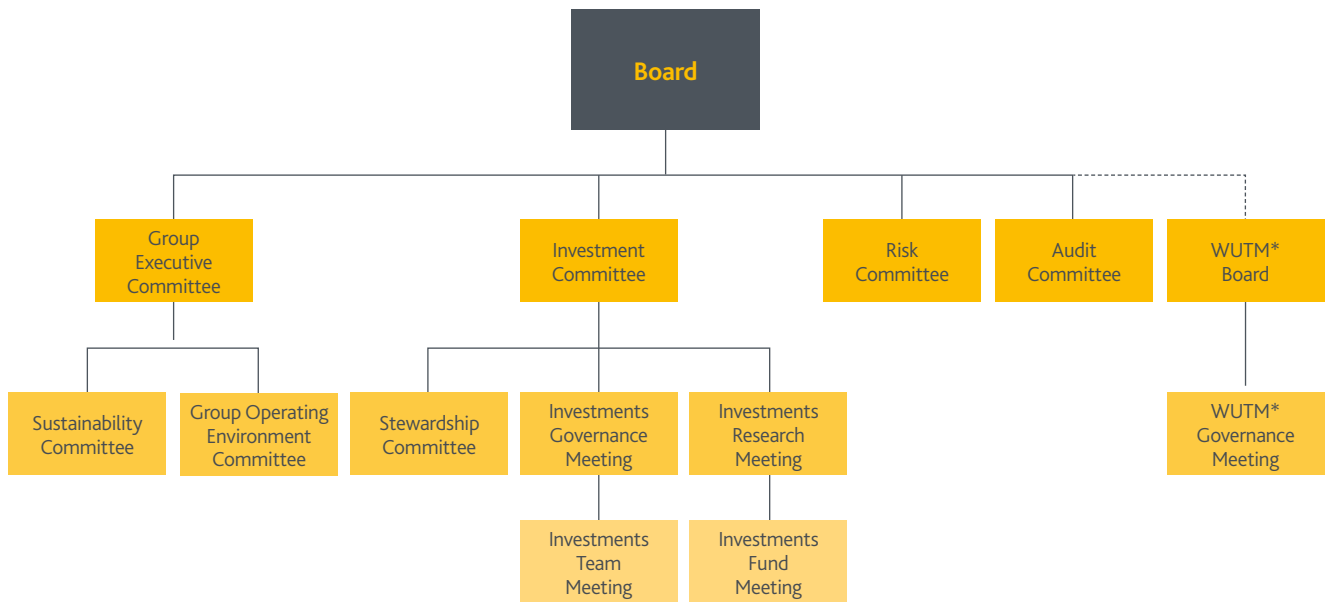
Certain corporate events and voting decisions are deemed to be particularly commercially or strategically important. In these instances, our specialist shareholder services provider will often provide a “Referred Item” in lieu of any recommendation.

By default, if no vote instruction is received from Wesleyan prior to the proxy service provider’s voting deadline, our specialist shareholder services provider is instructed to vote these “Referred Items” as ABSTAIN.

Shareholder proposals

In isolation, Wesleyan does not necessarily deem shareholder proposals to be sufficiently unconventional, or noteworthy to manually review. Therefore, in these cases, the recommendation of our specialist shareholder services provider may be relied upon.

APPENDIX B: WESLEYAN’S STEWARDSHIP OVERSIGHT



* Wesleyan Unit Trust Managers Ltd

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