

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Wesleyan Staff Pension Scheme

Scheme Year End – 31 December 2022

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INTRODUCTION

The purpose of the Engagement Policy Implementation Statement ("EPIS") is for Wesleyan Staff Pension Trustees Limited (the "Trustee") to explain what has been done during the year ending 31 December 2022 to achieve certain policies and objectives set out in the Statement of Investment Principles ("SIP"). It includes:

- ▶ How the Trustee's policies in the SIP regarding asset stewardship (including both voting and engagement activity) in relation to the Scheme's investments have been followed during the year; and
- ▶ How the Trustee has exercised its voting rights or how these rights have been exercised on the Trustee's behalf, including the use of any proxy voting advisory services, and the "most significant" votes cast over the reporting year.

HOW VOTING AND ENGAGEMENT POLICIES HAVE BEEN FOLLOWED

The Scheme is invested in a segregated mandate in which the voting rights have been delegated to Wesleyan Assurance Society ("the investment manager"). This is subject to the Trustee's stewardship policy as set out in the SIP. The latest SIP can be found at

www.wesleyan.co.uk/-/media/pdf/wesleyan-staff-pension-scheme.pdf

The Trustee has reviewed the stewardship activity of the investment manager carried out over the Scheme year and in its view the investment manager was able to disclose sufficient evidence of voting and engagement activity. More information on the stewardship activity carried out by the investment manager can be found in the following sections of this report.

Over the reporting year, the Trustee monitored the performance of the Scheme's investments quarterly and received updates on important issues such as stewardship from the investment manager on a regular basis.

During the year, the Trustee consulted with the investment manager on its Sustainable Investment Policy. The Trustee is supportive of this Sustainable Investment Policy and its core objectives.

Each year, the Trustee reviews the voting and engagement policy of the investment manager to ensure it aligns with the Trustee's own policy for the Scheme.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which environment, social and governance (ESG) issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

ENGAGEMENT ACTION PLAN

Based on the work completed for this EPIS, the Trustee has agreed to take the following steps over the next Scheme year:

- ▶ The Trustee will continue to engage with the investment manager to ensure that it is engaging on the Trustee's behalf in line with the policies set out in the SIP. This will include engagements on investments where voting rights are not applicable. Over the year, the Trustee notes that the investment manager engaged on its behalf where there was the opportunity to do so and appreciates that, given the investment mandates held by the Scheme, there are few significant opportunities to engage.
- ▶ In instances where engagement activity is limited, the Trustee will request more information from the investment manager and encourage improvements in reporting.
- ▶ The Trustee and the investment manager will meet on a bi-annual basis to gain a better understanding of the investment manager's voting and engagement practices, and how these will help the Trustee fulfil its Responsible Investment policies.

INVESTMENT MANAGER'S VOTING ACTIVITY

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that the investment manager practices in relation to the Scheme's assets is an important factor in deciding whether the investment remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. The Trustee expects the investment manager to responsibly exercise its voting rights.

Voting statistics

The table below shows the voting statistics for the Scheme's assets with voting rights for the year from 1 January 2022 to 31 December 2022.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Wesleyan Staff Pension Scheme	386	100.0%	0.5%	1.0%

Source: Wesleyan Assurance Society

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations. The Scheme's investment manager uses Institutional Shareholder Services (ISS) for voting guidance, information and recommendations, but has an internal team to examine each vote to decide whether or not to follow ISS. Where appropriate the internal team engages with companies directly.

Significant voting examples

To illustrate the voting activity being carried out on the Trustee's behalf, the Trustee asked the investment manager to provide a selection of what it considers to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environment issues.

Source: UN PRI

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without support.

Source: UN PRI

INVESTMENT MANAGER'S ENGAGEMENT ACTIVITY

The Trustee is responsible for the investment of the Scheme's assets, including (where relevant) fixed-interest gilts, index-linked gilts, equities, and direct property. Noting this, the Trustee delegates the day-to-day management of the assets and a number of further duties – including engagement – to the investment manager.

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement includes identifying relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision making.

The table below shows the engagement activity carried out by the Scheme's investment manager. The investment manager has provided information for 2022.

Firm	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm Level	
Wesleyan Assurance Society	1	1	Strategy

Source: Wesleyan Assurance Society

The investment manager has focused its engagement strategy on companies where it has a voting right and relevant concern. Commonly these concerns include improving board diversity and remuneration procedures. This year the investment manager engaged once with one underlying investee company. This was due to the low number of equity holdings in the portfolio.

DATA LIMITATIONS

The investment manager provided all requested information.

The report does not include commentary on the Scheme's gilts or cash because of the limited materiality of these asset classes. This report also does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

CONCLUSION

Based on the activity undertaken during the year, the Trustee believes that the policies set out in the SIP have been implemented effectively.

In the Trustee's view, the Scheme's investment manager was able to disclose good evidence of voting and engagement activity, that the activities completed by the investment manager align with the Trustee's stewardship priorities and that the Trustee's voting policy has been implemented effectively in practice. The Trustee will continue to engage with the investment manager to ensure voting, engagement and associated stewardship obligations are met, alongside ensuring the Responsible Investment beliefs of the Trustee are aligned with the manager.

APPENDIX – SIGNIFICANT VOTING EXAMPLES

The table below includes significant vote examples provided by the Scheme’s investment manager. A significant vote is considered to be one in which the manager deems significant via their discretion. The investment manager used different criteria to determine what it considers a significant vote, some of which are outlined in the examples below:

Vote 1	Company name	Lxi REIT
	Date of vote	June 2022
	Approximate size of fund’s/mandate’s holding as at the date of the vote (as % of portfolio)	0.3%
	Summary of the resolution	Vote on merger
	How they voted	Abstained
	Where they voted against management, did they communicate their intent to the company ahead of the vote?	Yes
	Rationale for the voting decision	The manager did not fully believe that the merger was in their best interests but could see the rationale for it
	Outcome of the vote	For
	Implications of the outcome e.g., were there any lessons learned and what likely future steps will they take in response to the outcome?	No
	On which criteria have they assessed this vote to be “most significant”?	It was the biggest holding in which they voted against management
Vote 2	Company name	Triple Point Housing
	Date of vote	May 2022
	Approximate size of fund’s/mandate’s holding as at the date of the vote (as % of portfolio)	0.1%
	Summary of the resolution	Director election
	How they voted	Against management
	Where they voted against management, did they communicate their intent to the company ahead of the vote?	No
	Rationale for the voting decision	There was a lack of diversity on the board
	Outcome of the vote	For
	Implications of the outcome e.g., were there any lessons learned and what likely future steps will they take in response to the outcome?	No
	On which criteria have they assessed this vote to be “most significant”?	It was a vote against management

Source: Wesleyan Assurance Society

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