

SUSTAINABILITY

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OUR SUSTAINABILITY STRATEGY

As a mutual we are committed to acting in a sustainable and responsible way in all our business operations in line with our commitment to doing the right thing for our members, customers, colleagues and communities.

2022 has seen progress in line with the overall expectations of the Society. There has been an increase in awareness of our priorities across the Group and a significant operational carbon reduction. These foundations enable a strong stance and clear direction going into 2023, with several key actions and deliverables detailed in this section of the report.

Our approach to sustainability continues to be governed by our recently updated Sustainability Strategy, which is approved by our Board of Directors.

With Environmental, Social and Governance (ESG) at its core, this strategy sets out our key sustainability principles, encompassing areas such as sustainability in our product offerings, our infrastructure, how we invest customers' funds, support and guidance for our colleagues and the good causes we support. The strategy drives vital behaviours and actions to ensure we meet our internal sustainability goals and links into the United Nations Sustainable Development Goals (SDGs).



ENVIRONMENTAL

Reducing our impact on global temperature increases, limiting Greenhouse Gas (GHG) emissions and therefore reducing our carbon footprint and pollution.



SOCIAL

Tackling inequality both in and outside of Wesleyan, as well as helping our communities.



GOVERNANCE

Following good governance practices and structures, including effective oversight from the Board to approve policies incorporating sustainability, and demonstrate compliance with all laws and regulations.

OUR SUSTAINABILITY FRAMEWORK

To support the delivery of our goals we have an internal framework designed to focus our employees' efforts in key areas most relevant to our business: Sustainable Investing, Business Impact and Community and Citizenship. More details about each of these areas can be found on the pages that follow.



SUSTAINABLE INVESTING

→ [READ MORE ON PAGE 26](#)



BUSINESS IMPACT

→ [READ MORE ON PAGE 28](#)



COMMUNITY AND CITIZENSHIP

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OUR SUSTAINABILITY STRATEGY (CONTINUED)

WHAT WE HAVE DONE SO FAR

Against the backdrop of economic uncertainty we achieved the following key sustainability 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) Sustainable Development Goals (SDGs) most pertinent to our operations.



Aligned our carbon reduction plan with the Association of British Insurers (ABI) climate change roadmap 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, with 118 orders placed in 2022.



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 2025 and 2030 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.



We will introduce 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.

CLIMATE-RELATED FINANCIAL DISCLOSURES

Climate change is a global challenge with local implications. All businesses must take responsibly for their role in making a difference and understand the implications for how they manage their activities.

In line with Government targets, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) with the purpose of improving industry disclosure of climate-related risks and opportunities. Wesleyan is working towards ensuring our climate-related reporting is aligned to the TCFD framework recommendations. We plan to be fully compliant by the end of 2023, in line with regulatory requirements.

The TCFD recommendations cover four thematic areas: Governance, Strategy, Risk Management and Metrics and Targets. Our approach to managing climate change in these areas is summarised in this Report.



SUSTAINABLE INVESTING

Policymakers and regulators are holding professional investors to greater levels of account as part of international targets to help limit global warming. This is a positive development for the investment industry as it will help pave the way for a more sustainable world.

At Wesleyan, we know customers are increasingly concerned by what their investments are doing as well as how they're performing. While growth is of course a key aim for us, it's not at any cost.

We re-launched our Sustainable Investing Policy in October 2021, based on customer research and feedback. Being a mutual provides us the advantage of investing with a long-term approach, without pressure from shareholders to pursue short-term gains, which aligns with our sustainability commitment.

We firmly believe that sustainable businesses will be more profitable in the long term as they are more likely to be managed effectively in an ever-changing world - this impacts how our funds perform and the level of investment returns we can generate for everyone who invests with us.

OUR SUSTAINABLE INVESTING PRINCIPLES

Sustainability is at the heart of what we do, but 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 Investments team have to follow these three principles:



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 people's 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 of these principles has various rules associated with it, such as the type of businesses we can invest in and exclusions we must adhere to. We are signatories of the Principles for Responsible Investment, which is supported by the United Nations and outlines formal guidance for professional investors to align to in order to invest responsibly and sustainably. We are also signatories of the UK Stewardship Code 2020 which requires those investing money on behalf of UK savers and pensioners to meet high stewardship standards.

We invest in several social initiatives and support bodies that are dedicated to improving lives around the world, including the Access to Medicine Foundation, which tackles illness in poorer countries and Farm Animal Investment Risk and Return (FAIRR), an investor network focusing on ESG risks in the global food sector.



“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



Our Sustainable Investment Team

STEWARDSHIP

An important part of our sustainable investing work involves meeting management teams at the companies we invest in to delve further into their strategies, risks and performance. We are unafraid of voicing any concerns we may have or challenging decisions where appropriate and we use our voting rights accordingly. These decisions can range from Executive remuneration to environmental concerns and from safety track records to Board diversity and independence.

We firmly believe that engaging with companies is the most effective way to encourage them to make the changes we believe are needed to create value for shareholders and improve their ESG performance.



STEWARDSHIP IN ACTION

Wesleyan invests in a global manufacturer of construction machinery and equipment. Our Sustainable Investment (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.

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.

PROGRESS SO FAR

POSITIVE IMPACT


We are a **top fifteen** shareholder in a UK company that invests directly in infrastructure supporting the energy transition.

We have invested over **£35m¹** into funds focused on sustainable energy production or infrastructure since the start of 2020.



£35m

We have nearly **£100m¹** invested in companies contributing to social equality.



We have over **£400m¹** invested in companies contributing to the advancement of medical health and the fight against diseases.

¹ All figures and data as of 30 June 2022.

DRIVING CHANGE

We are signatories of the Principles for Responsible Investment, Climate Action 100+, Access to Medicine Foundation, FAIRR and The Investor Forum.*



We have met with the management of nearly **200** companies to encourage better business practices.



In the past year, we also voted at nearly **500** company meetings, ensuring our voice as an investor was heard and encouraging sustainable behaviour.



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

REDUCING HARM

Prior to launching our Sustainable Investing Policy, we sold over **£40m** of investments that failed to meet our 'Reducing Harm' requirements.



£40m

Of that, **£15m** was sold from companies we believe weren't taking the threat of global warming seriously.



£15m

We **do not** have any exposure to companies that produce tobacco products.





BUSINESS IMPACT



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 bio-diversity 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

We are very conscious of the impact we have as a business on the wider world and include Business Impact as a core part of our Sustainability Strategy, aligning it to the United Nations Sustainable Development Goals most pertinent to us.

We seek to make a difference to our environment, our people and our communities. To follow are a selection of examples from across the Group demonstrating these goals.

ENVIRONMENTAL IMPACT

We have been managing the impact we have on the environment for many years and in 2021 crystalised our efforts by setting progressive targets to achieve carbon neutrality. We are committed to being operationally carbon neutral by the end of 2023 – and for the whole organisation, including our investments portfolio by 2050, at the latest.

We have taken steps to reduce our carbon footprint through a range of measures which you can see below and on the page opposite.

GREENER TRAVEL

Towards the end of 2021 we introduced a new salary sacrifice car scheme to support colleagues with a move to Electric (EV) or hybrid vehicles. Known as 'EVolve', our scheme went from strength to strength in 2022 as colleagues chose to reduce the impact of their personal and business miles in a tax efficient way. Based on the estimated annual mileage for those who have taken up the scheme so far, we predict around 2 million miles will now be undertaken on electric power rather than petrol or diesel over the duration of their leases.



WE PREDICT AROUND

2 MILLION MILES

WILL NOW BE UNDERTAKEN ON ELECTRIC POWER
RATHER THAN PETROL OR DIESEL OVER THE DURATION
OF THEIR LEASES.

We also enhanced our Cycle to Work scheme, increasing the value to £3,000 so colleagues have access to a new bike and/or equipment which they pay back through their salary in a tax efficient way. We also encourage colleagues to use public transport with additional discount schemes.

Another area where we have been able to reduce our environmental impact, while also offering greater flexibility to our customers, has been through increasing the number of online advice appointments, leading to a continued reduction in business travel. While it is important to meet our customers face-to-face, particularly when discussing key lifetime events, a level of flexibility to meet everyone's needs has continued to reap benefits.

PROTECTING OUR ENVIRONMENT

We are committed to reducing the impact our business has on the environment and monitor our activities through our Sustainability Committee and Group Operating Environment Committee. Activity already underway to meet our targets includes:

- ▶ In line with our digital first approach, we will continue to reduce use of paper and printing. We also reuse 80% of our printer toner cartridges with the remainder being recycled so none are sent to landfill or incineration.
- ▶ Ensuring sustainable practices in our offices by installing LED lighting and motion sensors to reduce lighting use and installation of instant boiling taps to reduce water usage. We replaced half of our Head Office boilers to improve their efficiency and we are also continuing to monitor environmental performance through monthly monitoring.
- ▶ Working with waste contractors to rationalise waste streams within the offices to ensure we meet our waste reduction and recycling targets.
- ▶ Our sustainability principles have been embedded into our updated procurement policies and new Procurement Charter. When choosing new suppliers, outsourcers and other business partners, we are capturing environmental performance data (including carbon footprint) on our supplier management system. We will continue to work with all suppliers as part of our long-term carbon strategy and will incorporate appropriate supplier metrics and targets more widely into our reporting in the future.
- ▶ We are proud signatories of the UK Business Group Alliance initiatives for Net Zero and for a green recovery from Covid in collaboration with the wider business community.
- ▶ To date we have donated £25,000 to fund the creation of four new sustainable woodlands across the UK, with the first being at Charlton School in Shropshire. In 2022 two further woodlands were created in Wales and Scotland, with the final one in Northern Ireland due in early 2023.

COMMUNITY IMPACT

Making a difference to our communities sits at the core of our charitable and volunteering work. An example of this is Villa Vision – a scheme delivering eye health care to children from deprived areas of Birmingham. Its programmes are designed to increase access to eye health education and care and to dispense glasses to children who need them.

£20,000 donated from the Wesleyan Foundation helped Villa Vision to evaluate the impact of its work to date which, over three years, has reached approximately 5,500 children across the West Midlands.

The research highlighted the importance of having eye health as part of the curriculum and the clear benefits of the project. Children in participating schools were shown to do better in reading efficiency tests than would otherwise be expected based on comparable schools and national averages. Teachers also reported that sight tests and provision of glasses had improved children's engagement in class and had helped them manage their anxieties.

The findings will be published in peer-reviewed journals, online and in newsletters to share knowledge gained.



SUPPORTING SUSTAINABLE ENERGY

In 2021, Wesleyan acquired South Staffordshire Green Park, a 43 acre site close to Wolverhampton dedicated to environmentally friendly businesses including a large solar farm.

Lightsource BP, a global leader in solar development projects, has the lease on the solar farm until March 2041, which aligns well with our sustainable investing approach of reducing harm, making a positive impact and driving change. There is potential for future expansion which would allow more renewable energy to be produced at the site.

Last year we began discussions with a sustainable energy provider to share renewable energy from our site across the M54 motorway to a neighbouring development with many industrial businesses.

“South Staffordshire Green Park not only aligns with our sustainable investing values but also ensures further diversification of our property portfolio. We are busy identifying other sustainable investment opportunities across the UK.”

JOE CURLETT
Head of Property

BUSINESS IMPACT CONTINUED

CULTURAL IMPACT

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 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.

In 2023 we will further embed our EDI strategy across all areas of our business and engender greater ownership and accountability at all levels.

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.

We also 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 (see page 13). To develop broader stakeholder relationships and share best practice to enhance the work we are already doing, we'll continue working with our regulators, industry partners and other related groups.



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.

EMPLOYEE NETWORKS

We encourage our colleagues to join at least one of our employee networks so we can work together to shape our culture and create change.



BEME: BLACK, ETHNIC MINORITY AND EVERYONE

Bringing us closer together by enhancing our cultural awareness of Black, Asian and minority ethnic (BAME) communities and supporting their development.



NEW: NETWORK FOR EMPLOYEE WELLBEING

Raising awareness and promoting understanding of both physical and mental health and breaking the stigma surrounding it.



GEN: GENDER

Promoting an inclusive working environment to create gender equality at all levels.



OMG! OPEN MINDS GROUP

Supporting LGBT+ colleagues and Allies so they can truly be themselves in the workplace.





COMMUNITY & CITIZENSHIP

As a mutual we have a strong ethos of care and strive to be a good corporate citizen. We aspire to make a difference for our members, our colleagues and for the communities we serve. To follow is just a snapshot of some of the support offered to our communities in 2022.

WESLEYAN FOUNDATION

The Foundation provides funding to charities, grassroots, volunteer and community-led projects that make a real difference with a focus on four key areas - health and wellbeing, education, innovation and social development. Since it was launched in 2017, the Foundation has donated over £5m and supported more than 500 different charities, positively impacting the lives of an estimated 100,000 people throughout the UK. It aims to support great causes that are important to our members and the communities in which they live and work.

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.

Many of these projects focused on improving health and wellbeing, including support for the Nottingham Multiple Sclerosis Therapy Centre and InterAct Stroke Support in Wales. There was funding for carers in the West Midlands, homelessness in Leeds and a social walking project in Bristol. We also supported a number of social mobility projects in Nottingham, Wales and Scotland helping people in areas of high levels of deprivation get back into work or education.

The Foundation helped communities to take on the challenge of the cost of living by funding community cooking, kitchens, and education programmes.

In October, we launched our 'Winter of Giving' Fund in recognition of the impact difficult economic conditions are having on the charitable sector. 48 charities received £2,200 each to help them with their vital work. You can read more on this project on page 33.

If you know of an organisation that would benefit from a grant from the Foundation please visit wesleyanfoundation.co.uk to find out how to apply.

You can read more about the work of the Foundation over the page.

VOLUNTEERING PROGRAMME

We actively encourage colleagues to take part in volunteering projects so they can make a real difference to causes and communities that are important to them. Everyone is offered two days paid volunteering leave each year, giving colleagues the chance to use their talents and develop new skills while making a real difference to other people's lives.

In 2022, colleagues registered a total of 2,292 volunteering hours working on a range of activities from supporting foodbanks, working in schools, providing strategic advice to charities, advising on cyber security and fundraising. You could also find them painting, gardening and knitting all in support of a good cause.

Volunteering days are often carried out in teams helping to build strong working relationships, further enhancing our culture of care.



BIRMINGHAM CITY MISSION'S TOYLINK PROJECT

Each year this charity delivers sacks of toys to families in need and relies on volunteers to carefully select and wrap gifts for children and load them into sacks ready for delivery. More than 70 Wesleyan colleagues took time out at Christmas to support the project offering around 220 volunteering hours to the charity. Wesleyan also donated £1,800 towards toys.

As one colleague said:

“It's often difficult to feel like you have made a difference over a short time frame but this was something really tangible that we could contribute to and I am delighted to have been involved in providing help to families who needed it at Christmas.”

WESLEYAN FOUNDATION: BRINGING OUR MUTUAL VALUES TO LIFE

In addition to helping community projects as shown on the previous page, the Foundation exists to support good causes that align with the work of our medical, dental and education professionals. To follow are some of the projects we supported in 2022.

INVESTING IN THE NEXT GENERATION OF DOCTORS

We were pleased to extend our partnership with Aston University over the year with a project addressing the ongoing shortage of doctors by increasing representation of students from lower socio-economic groups.

Supported by a £100,000 donation from the Foundation over the next three years, Aston University have launched the 'Wesleyan Pathway to Medicine and Pathway to Healthcare' programmes.

Designed to help young people from non-traditional backgrounds pursue careers in medicine and healthcare, the programmes will bring new talent to the sector and create a more diverse pipeline of medics and healthcare professionals.

Aston University offer support not readily available to these students earlier in their education to give them a better chance of studying healthcare disciplines at university. This includes work experience, guidance on how to make a successful university application and support to achieve the right academic qualifications.

Commenting on the partnership, Professor Aleks Subic, Vice-Chancellor and Chief Executive at Aston University, said: "Our Pathways programmes are an amazing asset, extending learning opportunities to students aged 16-18 across the West Midlands region and providing them with the skills and confidence to apply to university courses centred around medicine and healthcare professions.

“ This generous donation from the Wesleyan Foundation will make a profound difference to the lives of pupils across the region and will provide significant support to those entering the healthcare sector. Thank you Wesleyan Foundation for your generous support. ”



THE STORY OF SAVVY SAVINGS

We're committed to supporting the customers of tomorrow to understand the importance of personal finance today. That's why we were delighted to support the Little Chicks Life Lessons Education programme, a ground-breaking initiative focused on building confidence, self-belief and financial awareness in children.

Funding of almost £80,000 from the Wesleyan Foundation enabled the Little Chicks Life Lessons programme to be delivered to ten primary schools across the West Midlands. It provided 9,450 books and reached around 3,150 children.

Wesleyan also supported the publication and distribution of two new books, including one specifically created in partnership to introduce early awareness and increase children's understanding about the importance of forming healthy financial habits.

As part of the support, Wesleyan's specialist financial advisers delivered financial wellbeing workshops and webinars to every teacher within the funded schools.

Alison Delaney, founder of the programme said: "On behalf of all the children, teachers and schools that participated in the programme and benefitted from the funding provided by Wesleyan, I want to say a huge and heartfelt thank you. Your support will have a positive impact on the confidence, skills and prospects of the young children in our region and help them to develop their aspirations and dreams as they go through life."

Nadeem Bashir, Principal at Shirestone Academy, one of the participating schools added: "The Little Chicks Life Lessons programme has had a such a positive impact on our children and teachers, inspiring them to explore their dreams and aspirations in a creative and structured way, as well as developing their financial awareness at an early age.

“ We are thankful to Little Chicks Life Lessons and to Wesleyan for the dedicated resources provided to our school and the wider support for our teachers. ”



WINTER OF GIVING

The cost of living crisis is being acutely felt in the charity sector so to offer some much needed support we launched our Winter of Giving initiative in October 2022. Wesleyan members and colleagues were invited to nominate good causes that play a vital role addressing issues around health and wellbeing, education, equality and sustainability. 48 charities across the UK benefitted from the Wesleyan Winter of Giving Fund. Each organisation selected received £2,200 and this included support for healthcare, homelessness, women's aid, veterans and children's charities.

Whizz-Kidz, a charity aimed at reducing inequalities and building a more inclusive society for those who need mobility support was one of the recipients. The charity will use the funding to help young people to access the mobility equipment they need to live as independently as possible.

Sarah Pugh, Chief Executive at Whizz-Kidz said:

“ We know that this winter is particularly challenging for many and this is putting even more pressure on vital services. This funding from the Wesleyan Foundation will make a great difference to the young people we're supporting. ”

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. ”



MANAGING SUSTAINABILITY

GOVERNANCE

The **Wesleyan Board** has overall responsibility for our Sustainability Strategy. Operational responsibility for its implementation (including managing climate-related financial risks) has been allocated to the Chief Risk Officer, who also chairs the Society's Sustainability Committee.

Accountability for managing climate-related risks and opportunities is embedded into individual business areas and is facilitated by various Board and Executive level committees. For more information about how our Board Committees support our work to embed sustainability see pages 53 to 57.

The **Wesleyan Financial Services Board** is responsible for overseeing the provision of high-quality financial advice to our customers to help create brighter financial futures for the professions we all trust. This includes meeting our customers' views on their ESG preferences wherever possible.

The **With Profits Committee** and **Wesleyan Unit Trust Managers Limited Board** receive regular updates on how the Sustainable Investing Policy is being embedded.

Operational oversight of climate-related work is provided by the **Sustainability Committee**, a sub-Committee of the Group Executive Committee that provides governance and oversight for all sustainability activity, including climate related developments.

The Sustainability Committee meets monthly and receives regular reports on progress against sustainability objectives, as well as receiving updates on sustainability related risks and opportunities through regular and ad hoc reports.

Other climate-related activity completed during 2022 reported through the Sustainability Committee included:

- ▶ **Horizon scanning:** considering latest market developments for sustainability activity from our customers, competitors, regulators, and any legal developments. This information helps us to assess any reputational risks and prioritise our sustainability work.
- ▶ **Sustainability communications:** reviewing sustainability messages in customer brochures and other marketing materials, analysing customer and employee engagement feedback on sustainability views and contributing to external climate-related surveys and development of corporate communications on sustainability.
- ▶ **Customer feedback:** reviewing feedback from customer surveys and assessing whether our approach to sustainability is meeting our customers' needs.

- ▶ **Carbon Footprint:** reviewing third party reports on our carbon footprint and agreeing plans to manage / reduce / offset our carbon footprint.

The **Stewardship Working Group** meets quarterly to oversee engagement with companies that the Society's funds are invested in and to produce the annual Stewardship Code Report. Stewardship is one of our Sustainable Investing Principles ('Driving Change') and the committee provides regular updates to the Investment Committee and Sustainability Committee on its activities. Response to climate change is a key factor that we consider when monitoring investee companies, which influences how we decide to exercise our voting rights and whether we provide challenge to senior management of these firms.

The **Group Operating Environment Committee** is responsible for managing aspects of day-to-day business operations to meet the Society's business plan. This includes delivering various elements of the Board's climate strategy such as switching our energy supply to more renewable sources, moving towards becoming a paperless office, capturing data on our suppliers' carbon footprint and accessibility to more sustainable modes of transport.

The **Group Product Governance Committee** is responsible for overseeing product governance and making decisions to ensure that our products and funds meet the needs of our professional customers, including their ESG and climate-related preferences.

More granular ownership of specific sustainability risks and opportunities have been allocated to individuals at Executive and Senior Management level.

RISK MANAGEMENT

Climate change brings many risks and opportunities to our business and those we invest in.

Climate-related risks are commonly categorised as either transition risks – arising from the transition to a lower carbon economy, or physical risks – from the physical impact of climate change.

Climate-related opportunities arise from the regular feedback we obtain from our customers on sustainability issues; we know that having a sustainable business impact and offering sustainable products is extremely important to them. As a mutual, we naturally focus on the longer-term and our overall commitment to 'doing the right thing' for our customers, our employees and the community creates opportunities for us to make more sustainable decisions.



FLOOD RISK MITIGATION

As responsible investors in commercial property, Wesleyan aims to proactively mitigate against possible flood risk by putting due focus on factors like insurability, ongoing maintenance costs and likely impact on value. We therefore feel the management of flood risk falls within our governance strategy.

In 2022 we completed a flood risk assessment on our property portfolio – an important and progressive risk management step. Over 95% of our portfolio is located in low or very low risk areas. The small number of assets identified as medium or high risk have, to our knowledge, never flooded. We will however continue to reduce our exposure to assets in these areas.

We have identified the following climate-related risks and opportunities which may have a material financial impact on the Society, considered over short (0-5 years), medium (5-10 years) and long (10 years +) term time horizons:

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

Climate risk and opportunities are also embedded into our Integrated Risk Management Framework and through scenario testing. Rather than treating climate risk as a separate risk type, we manage this as part of other risk types within the Framework.

MANAGING SUSTAINABILITY CONTINUED

CLIMATE RELATED RISKS

Climate-related risks are currently identified and reassessed each year as part of the 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. Our climate risk appetite is defined over a ten-year time horizon, although the risk assessment itself considers much longer time periods (up to 60 years for physical risks).

These climate risk limits apply separately to Market, Insurance, Liquidity, Credit and Operational risks. For example, our Market risk limit for Climate Change is defined as: None of the market risks within the 10-year time horizon identified as part of the 'Financial Risks from Climate Change Assessment,' will fall into the red Likelihood / Impact zone on the heatmap. Our current assessment is that climate-related risks do not move the Society outside its risk appetite for any of the key risk types previously listed.

Our risk management policies incorporate climate-related and other sustainability risks where relevant. If required, specific climate-related policies have been put in place, such as the Sustainable Investing Policy. The various tools documented within our Integrated Risk Management Framework are also used to identify, assess and manage sustainability risks.

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. Whilst not exhaustive, examples of how we are meeting a number of the most pertinent regulations can be seen below:

- ▶ **PRA SS3/19: Enhancing the approach of banks and insurers to managing the financial risks from climate change:** Ensure a comprehensive set of requirements covering all aspects of managing climate-related financial risks - including Governance, Risk Management (identification, measurement, risk appetite, assessment, limits, monitoring, reporting, mitigation), Scenario Analysis and Public Disclosure.
- ▶ **FCA PS21/24: Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers:** TCFD compliant reporting is required at both entity and individual fund level to be published before 30 June 2024.
- ▶ **FCA PS19/13: Improving shareholder engagement and increasing transparency around stewardship:** Publication of our Shareholder Engagement policy (including ESG matters) on our website, which applies to all funds under management of Wesleyan Assurance Society, including the Wesleyan Staff Pension Scheme (WSPS) and Wesleyan Unit Trust Managers (WUTM). Additional disclosures required from insurers on their fund management arrangements under the Shareholder Rights Directive II (SRD II) are published within the Society's annual Solvency and Financial Condition Report (SFCR).
- ▶ **FCA PS19/30 Independent Governance Committees: Extension of remit:** The Governance Advisory Arrangement (GAA) annual 'Value for Money' assessments of the Wesleyan Staff Group Personal Pension Scheme and the Wesleyan Workplace Personal Pension Plans are now required to incorporate our ESG factors, Non-Financial Matters and Stewardship activity.

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)	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+	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 as signatory members
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
ISO 14001 Environmental Management Systems Standard	Working in the spirit of this standard helps us build an effective environmental management system (EMS) to improve the environmental performance of our business operations
UN Sustainable Development Goals	We target our sustainability activity towards meeting the United Nations sustainable development goals (SDGs) most appropriate to Wesleyan – see Community and Citizenship section of the report

METRICS AND TARGETS

As part of our overall sustainability commitment, we ensure appropriate metrics and targets are in place to identify, assess, monitor, manage and report our performance against our Sustainability Strategy. Measuring our impact on the environment is an important part of this assessment and helps us meet our aim of being a sustainable business.

KEY METRICS

The table below shows a summary of the sustainability metrics we are currently recording:

SUSTAINABLE INVESTING	2022	2021	2020
Carbon intensity of Society assets (tCO ₂ e / £100k invested)	7.1	7.4	10.4
Number of funds with carbon intensity better than benchmark	9/10	9/10	9/10
Number of funds with ESG rating better than benchmark	10/10	10/10	10/10
% of property investments in terms of value with A or B EPC rating	34.3%	24.8%	Not available
% of property investments in terms of value with D or higher EPC rating	94.4%	86.9%	Not available
BUSINESS IMPACT			
Market based ¹ Scope 1 Carbon Footprint (Location based) ²	458tCO ₂ e (458tCO ₂ e)	739tCO ₂ e	558tCO ₂ e
Market based Scope 2 Carbon Footprint (Location based)	5tCO ₂ e (436tCO ₂ e)	584tCO ₂ e	1,051tCO ₂ e
Market based Scope 3 Carbon Footprint ³ (Location based)	539tCO ₂ e (544tCO ₂ e)	471tCO ₂ e	368tCO ₂ e
Market based Total Carbon Footprint (Location based)	1,002tCO ₂ e (1,443tCO ₂ e)	1,794tCO ₂ e	1,977tCO ₂ e
Market based Carbon Footprint per employee ⁴ (Location based)	0.7tCO ₂ e (1.0tCO ₂ e)	1.2tCO ₂ e	1.3tCO ₂ e
Waste Generated	35.8 Tonnes	28.4 Tonnes	Not available
% waste to landfill ⁵	3.3%	1.8%	Not applicable
Paper usage	1,065,625 sheets	947,790 sheets	1,065,126 sheets
Water usage	3,352m ³	4,462m ³	2,573m ³
Electricity usage	2,212,660 kWh	2,749,983 kWh	2,891,054 kWh
Gas usage	2,643,458 kWh	3,495,188 kWh	3,156,707 kWh
Total energy usage ⁶	4,856,118 kWh	6,245,171 kWh	6,048,761 kWh
% Electricity from renewable sources	100%	35%	9%
COMMUNITY AND CITIZENSHIP			
Amount of money donated via Wesleyan Foundation	£1,006,000	£960,000	£854,000
Other charitable donations	£88,000	£85,000	£17,000
Number of volunteering days	327	105	67

Notes:

Scope 1 represents our direct emissions such as use of natural gas and company car travel. Scope 2 represents indirect energy emissions, predominantly our use of purchased electricity - see below definitions of market and location-based carbon. Scope 3 represents all other indirect emissions such as homeworking, waste and water usage.

Our Carbon footprint calculations include some approximations. Key areas of uncertainty include:

- ▶ There is material uncertainty relating to the estimate of the carbon footprint generated by homeworking. The carbon footprint relating to homeworking assumes the information received from employees who responded to our homeworking survey is representative of our total workforce. Surveys take place at six monthly intervals and are supported by questions from a third party consultancy to ensure appropriate questions are asked.
- ▶ Due to the sale of Wesleyan Bank on 28 February 2022, there was a reduction of scope as two of our smaller sites were removed from the portfolio. As such there were fewer buildings included in reporting from March onwards and there was a reduction in staff members. In addition homeworking has increased, meaning we have reduced our office space since the start of 2020. Both of these factors have reduced our electricity and gas usage.
- ▶ There continues to be methodology changes from the original 2020 baseline year. In particular, homeworking now includes all homeworking. In 2020 this included only those employees formally recognised as homeworkers.
- ▶ Overall, we would expect our actual carbon footprint to be within +/- 14% of the figures quoted. The total market-based carbon footprint for 2022 is broken down as approximately 0% (2021: 35%) from electricity usage as we now only utilise electricity from guaranteed renewable sources, 49% (2020: 40%) from gas usage, 29% (2020: 20%) from homeworking, with other items derived from travel and transport making up the remaining 22% (2020: 17%)
- ▶ Key items currently excluded from our carbon footprint calculations include: employee commuting; indirect carbon footprint from suppliers; emissions derived from the companies we invest in; and, carbon produced by tenants in our investment properties (including tenants in our head office). The carbon footprint of the companies we invest in is significantly higher than Wesleyan's own operational carbon footprint; we have made a commitment to be carbon zero including our investment portfolio by the end of 2050.

*Figures listed above have been rounded to the nearest whole number.

¹ Market based carbon is defined as 'emissions derived from electricity that companies have purposefully chosen based on their source'. In this instance Wesleyan have chosen to only procure electricity from certified renewable sources.

² Location based carbon is defined as 'emissions derived from the National Grid and therefore reflects the average emissions intensity of grids on which energy consumption occurs.'

³ Due to availability, only certain items are currently included within scope 3: Employee travel, Homeworking, Waste and Water. Excluded from scope 3 are the carbon footprint from our suppliers, staff commuting to fixed office locations and the companies we invest in.

⁴ Based on average employee numbers across the year from 01/01/2022 to 31/12/2022.

⁵ Waste to landfill figures are quoted from the recycling rate of the whole waste facility used as the waste contractor is unable to separate Wesleyan only waste from the total volume processed each calendar month.

⁶ kWh consumption taken from utilities bills issued by utilities providers which are cross referenced by third party consultant to be built into overall footprint calculation.

MANAGING SUSTAINABILITY CONTINUED

KEY TARGETS

1. We will be operationally carbon neutral by the end of 2023. We have already taken positive steps towards achieving this by changing our suppliers to renewable energy, replacing half of the boilers within Head Office to be more efficient and through the introduction of our electric vehicle scheme. Once the carbon reduction hierarchy has been applied, we may need to utilise offsetting to help achieve this objective for all carbon which cannot be mitigated. Any offsetting undertaken will also be subject to full scrutiny to ensure it meets the requirements of our overarching strategies.
2. We expect all our funds to have a carbon intensity and ESG rating better than benchmark. At year end 2022, we had one fund whose carbon intensity was worse than benchmark; action has been taken to bring the fund back above benchmark within 60 working days.
3. Work with our employees to better understand the carbon impact associated with homeworking and introduce training modules to detail how employees can be more efficient both in the office and at home.
4. To drive change through our investment property portfolio, 100% of Wesleyan property will have an EPC rating of D or higher in accordance with the Governmental 2020 target.

We will be carbon net zero across the organisation, including our investment portfolio, by the end of 2050. This may include offsetting. This aligns to the UK target to be net zero by 2050. The steps taken to support the reduction to our operational carbon footprint will support this. We will carry out further work in 2023 to develop a Carbon Strategy and robust roadmap to 2050.

OPERATIONAL CARBON FOOTPRINT REDUCTION

In 2020 we set the target to reduce our carbon footprint per employee (before offsetting) by over 50% by year end 2022. For these purposes we measure our carbon footprint using market-based measures.

On a like for like basis, we achieved this target, however the carbon footprint shown in the table on the previous page for year end 2022 is higher as we have now widened the scope of what we have included within our carbon footprint calculation. In particular, we now include all homeworking within our operational carbon footprint calculation, this includes hybrid working.

