WESLEYAN

Entity Level Climate Related Financial Disclosure

CONTENTS

CLIMATE RELATED FINANCIAL DISCLOSURES

This report has been produced in accordance with ESG2.2 of the FCA Handbook and also sets out disclosures in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). This TCFD entity report sets out how Wesleyan Assurance Society considers climate-related matters, including disclosure of the four pillars covering Governance, Strategy and Risk Management arrangements, as well as relevant climate-related Metrics and Targets.

Wesleyan's approach to the management of climate-related risks and opportunities is conducted at a Wesleyan Group level.

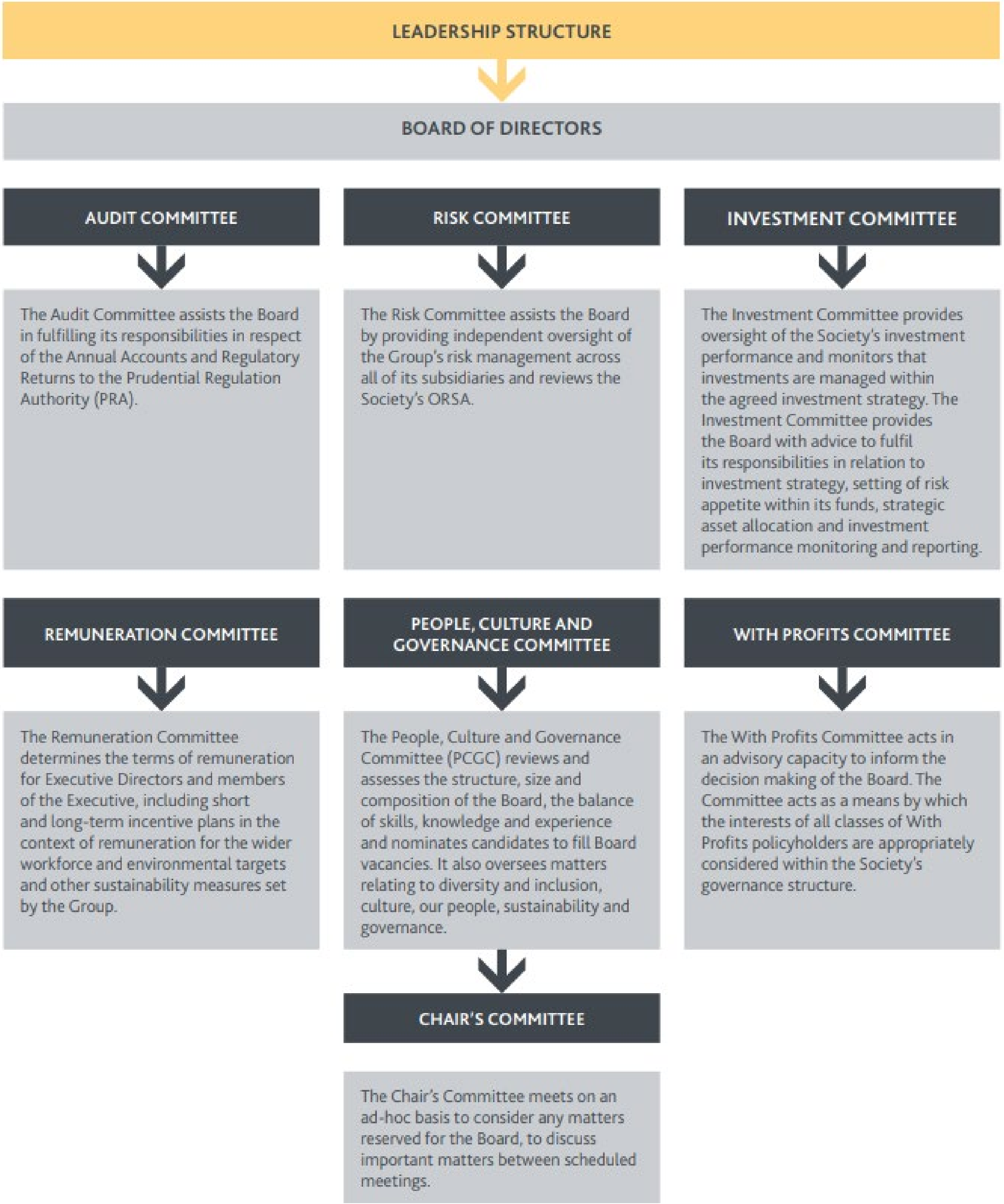
GOVERNANCE

We believe a well governed business, run in a sustainable way, delivers stronger, more resilient returns for our customers and members and better outcomes for society and the environment.

Wesleyan is led by the Board whose role is to promote its long-term sustainability, generating value for members and contributing to wider society. It is supported by a number of sub-committees. The Board is ultimately responsible for setting Wesleyan's sustainability strategy.

The Chief Risk Officer (CRO) is the allocated Senior Manager Function holder with operational responsibility for managing risks and opportunities arising from climate change. The CRO chairs monthly Sustainability Committee meetings (see below) and provides quarterly updates on sustainability related issues and progress to the Board. The CRO attends Board meetings and other relevant Board sub committee meetings, ensuring that sustainability is appropriately considered in senior level decision making.

The Board is supported by a number of sub committees the governance structure and responsibilities are set out below.



In addition to Society Board and Board sub committees, there are operational committees in place to ensure sustainability and climate related matters are considered across the business these are detailed below:

Sustainability Committee

The Sustainability Committee is the key delivery unit of sustainability within Wesleyan. Meeting monthly, the purpose of the committee is to ensure the risks and opportunities associated with climate change and sustainability are reflected within the overarching sustainability strategy, and that the strategy is embedded across the Society. The sustainability strategy comprises nine key principles and the committee ensures progress against these principles with set agenda items. This is consolidated within a sustainability action plan which is a recurring agenda item on a monthly basis. The Committee is chaired by the CRO, with the Chief of Staff as Co-Chair. Core members comprise a representative from across the business, with additional guest members being invited to attend for specific agenda items.

The Sustainability Committee also considers ongoing regulatory requirements in respect to sustainability and financial risks which arise from climate change, in addition to being responsible for identifying areas of development and ensuring the business adequately meets these requirements.

The agenda for the Committee is set by the Group Sustainability Manager and has a mixture of recurring items and other reports. During 2023, key climate-related activities discussed through the Committee have included:

- Monthly progress against targets and principles set out within the sustainability strategy
- Quarterly Sustainable Investment Reports
- Bimonthly review of operational carbon footprint
- Annual review of Sustainability Strategy
- Quarterly market context and regulatory review
- Review of new Carbon Offsetting Policy

Outputs from the Sustainability Committee are consolidated by the Group Sustainability Manager and feed into other committees such as Group Executive Committee; People Culture Governance Committee People, Culture, Governance Committee; Remuneration Committee and Risk Committee, with ultimate sign off and approval of material items being made by Board.

Stewardship Working Group

The Stewardship Working Group provides oversight on the production of the annual Stewardship Report. This report ensures compliance to the Financial Reporting Council (FRC) UK Stewardship Code. The content required for this report is heavily aligned to sustainability, and therefore many members of this working group also sit on Sustainability Committee. The final report is approved through Sustainability Committee, GEC and Board.

Workplace Champions Working Group

This working group was established in 2023 to give a voice to all departments within the organisation to ensure both office locations have the ability to undertake their roles in the most productive and sustainable manner. The working group feeds both into Sustainability Committee and Group Operating Environment Committee as the actions derived from this group often have an impact on both the internal and external environment. Sustainability is a recurring agenda item through the Workplace Champions Working Group and many positive actions to reduce waste and operational carbon footprint have been facilitated through this group.

2023 Climate related Governance activity

During 2023, we have undertaken the following activities that have been reviewed at Society Board:

- Group Sustainability Strategy reviewed and updated to reflect progress being made against targets.
- Presented the outcomes of customer research on attitudes towards Sustainable investments and reviewed and updated our Sustainable Investments Policy which was subsequently signed off at Board.
- Introduced a new Carbon Offsetting Policy, setting out a set of standards that will be applied across the group for purchasing carbon offsets.
- Presented the 2023 ORSA report and Climate Change Risk Assessment which included an assessment of our key risks related to climate change including a quantitative analysis of the potential impact of different climate change scenarios.
- Reviewed our Risk Management Framework (RMF) to specifically include sustainability and climate change risks as top-level (high priority) risks that will be explicitly reported on within regular risk reports
- Set climate related targets for 2023 and beyond for Group and Executive bonus schemes through Remuneration Committee based on operational carbon footprint reduction targets.
- Provided an update on forthcoming Sustainability related Regulatory change and our plans to implement and embed these changes.

STRATEGY - SUSTAINABILITY AT WESLEYAN

Wesleyan Assurance Society is committed to acting in a sustainable and responsible way in all our business operations and are committed to doing the right thing for our members, customers, colleagues and communities.

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

The strategy is designed to ensure we meet our internal sustainability goals, linking into the United Nations Sustainable Development Goals (SDGs) and UK Regulatory requirements.

Economic, Social and Governance (ESG)

Wesleyan utilises a 'ESG' framework to underpin our sustainability strategy, ESG refers to the following:

- E – Environmental - activity contributing to an environmental objective, such as reducing the rate of global temperature increase, limiting greenhouse gas (GHG) emissions, or reducing pollution.
- S – Social - contributing to a social objective such as tackling inequality or helping disadvantaged communities.
- G – Corporate Governance - following good governance practices, including sound management structures, maintaining positive employee relations, fair remuneration of colleagues and complying with all laws and regulations.

Figure 1 – Elements of ESG

Sustainability is well aligned with our business strategy; our aim to be ‘brilliant to do business with’ includes building a sustainable business that aims to ‘do the right thing’ for our customers, colleagues, communities, and the planet. We also consider sustainability to be well aligned to our ethos as a Mutual, with care at the heart of what we do, and a focus on doing the right thing in the long term.

How sustainability impacts our business model

Our Board approved Sustainability Strategy sets out how Wesleyan will act to be a sustainable business and manage the risks from climate change. It is underpinned by our ‘Sustainability Commitment’.

Wesleyan’s Sustainability Commitment

Wesleyan is committed to ‘doing the right thing’ for our customers, our colleagues, our communities, and the planet.

This overarching principle is our ‘statement of intent’ that sustainability will always be a high priority when making business decisions.

Key elements of our Sustainability Strategy and how this impacts our management of climate change risks and business plans are summarised in the table below:

Sustainability Principle	How does this impact our business strategy?
Customer Offering We will endeavour to understand and meet our customers’ sustainability preferences wherever possible. We will let our customers know how we invest their money in a way that contributes to making the world a better place.	We undertake regular customer research to understand our customers’ needs for sustainable products. The outcomes of this research, along with external scanning of current trends and product developments are considered when developing our Product and Proposition strategy. We ensure our advice process incorporates the sustainability preferences of our customers so that they are considered when making a recommendation.
Investments When we invest in companies, we will aim to improve the sustainability of our asset portfolios and we will engage with and challenge investee businesses to become more sustainable where we believe we can make a positive difference.	Considering customer research and market trends, we have set a Sustainable Investment Policy that is approved at Board and applies to all our directly invested customer funds. It sets out how we will make investment decisions by: ▶ Responsible screening ▶ Positive contribution ▶ Active engagement We have developed and expanded our Sustainable Investment team to support our internal asset manager. We have set specific metrics for monitoring the sustainability of our investments (including our direct property portfolios).
Suppliers We will only purchase services and equipment from companies that meet our sustainability standards.	Our sustainability principles are embedded into the Society’s procurement policies and are an intrinsic part of the Society’s Procurement Charter.
Infrastructure We will reduce our own carbon footprint as an organisation, aligning ourselves with targets set by the British Government, Birmingham City Council in their 2050 targets and develop a transition roadmap to meet the 2050 targets.	We have set targets for reducing our operational carbon footprint as set out in the next section. These targets form part of the Group and Executive bonus scheme. This principle influences our choice of infrastructure and the services we use; for example we now use renewable electricity in our office buildings. We have committed to being carbon neutral in our operations by end 2023 (including allowance for carbon offsetting). In meeting this target in 2023, we produced Carbon Offsetting Policy that has been approved by the Board. We have also committed to being carbon net zero by 2050 across our entire business (including investments). Whilst some work has been done in 2023 to map out our path to 2050, further work will be carried out on this in 2024 to

	establish a robust Transition Plan in line with the Transition Plan Taskforce guidance.
Colleagues We will encourage our colleagues to engage with the world's sustainability challenges.	By helping our people understand Wesleyan's Sustainability Strategy and how they can help achieve a more sustainable world (both personally and through implementing the Society's sustainability actions), colleagues should also feel more pride in Wesleyan as an employer and greater satisfaction working here. This supports the building of a positive culture and is consistent with our Mutual ethos. How we support our colleagues and how we act as a business supports the attraction and retention of employees. We have provided regular communications with our employees on sustainability, including training to develop colleague understanding. In 2024, we will develop this further, with further training and helping colleagues to better understand how they can improve the impact they have on the environment.

Stress and scenario testing

To provide a quantitative assessment of our exposure to climate change risks, Wesleyan have considered a range of company specific climate change scenarios over a 30-year period which are aligned to the Bank of England's Climate Biennial Exploratory Scenario (CBES). These cover: an early action scenario (orderly transition), a late action scenario (disorderly transition) and a no additional action scenario (hot house).

	Early Action (Orderly Transition)	Late Action (Disorderly Transition)	No Additional Action (Hot House)
	An orderly transition to a net-zero emission economy, taking into consideration of transition costs gradually over the scenario horizon.	Transition activities have been delayed and therefore transition costs have increased but impact the scenario later in the time horizon.	In this scenario the economic conditions are more severe as there have been no actions taken to progress to a net-zero emissions economy resulting in additional climate related policies being implemented.
Key Assumptions:			
Equity Markets	0 to_-2%	-18% to_-4%	0 to -18%
Credit Spreads	+40%	+50%	Up to 230%
Regulatory Costs	£2.5m	£5.8m	Rising from £2.5m to £25m pa
Transition Costs	£5m	£5m	Nil
Morbidity Rates	No change	20% increase	20% increase
Mortality Rates	No change	15% increase	15% increase

Results

The key results of the exercise were as follows:

- The Disorderly Transition scenario has the most detrimental long-term impact.
- The Society remains resilient to the potential capital shock over the 30-year period in all three scenarios.
- In all three scenarios, our customers could see a reduction in the value of their investments. Whilst this is comparable to previous market shocks, we will carry out further work to help

customers understand the potential impact of climate change on their investment portfolio. The modelling of climate change risk across the industry remains in its infancy and our calculations continue to be approximate. The market for data that estimates the potential impact of climate change on investment holdings is developing and we will be reviewing our modelling approach, including the availability of improved data during 2024.

- During 2024 we will further develop our path to being carbon net zero across the business (including our investment portfolio) setting clear interim targets.
- We will continue to monitor key metrics to ensure that we manage climate change risk within our investment portfolio. These include:
    - Carbon intensity of our investment portfolio.
    - Adherence to our Sustainable Investment Policy (and in particular, ensuring funds do not breach our exclusion policy).
    - ESG and Carbon Intensity ratings of our funds relative to external benchmarks.

RISK MANAGEMENT

Risks arising from climate change are managed in accordance with our Risk Management Framework (RMF). The RMF describes Wesleyan's approach to identify, assess, treat, monitor and report the risks it faces during its business activities

Sustainability and risks arising from climate change are treated as cross cutting risks which could impact a number of principal risks within the business, we therefore have defined them as transversal risk under the Society's RMF. This means that sustainability and climate change risks are reported on within our regular risk reporting at each meeting of the Group Executive Committee, Risk Committee and Society Board.

We believe engaging with companies is our most effective tool in delivering a positive impact on society, the environment, and our investment portfolios. Only by being involved in the discussion with existing and potential investee companies; raising awareness of ESG factors, including climate change; and encouraging appropriate disclosure on ESG issues, can we hope to encourage companies to make their operations more sustainable and help reduce the likelihood of negative ESG events.

As well as engaging with companies, we may also engage with governments, regulators, and non-governmental organisations in order to push for system wide-change, and to ensure our views as a market participant are considered.

We are members of Climate Action 100+ and the UN sponsored Principles for Responsible Investment, organisations where engagement is a key focus in reducing the impact of ESG related factors. We have also successfully met the high stewardship standards set by the UK Stewardship Code.

Further detail on this form of engagement is detailed within our Stewardship and Engagement Policy.

Risk Appetite Statement

Wesleyan Assurance Society risk appetite in respect to risks arising from climate change is reviewed by the Risk Committee and approved by the Board and is articulated below:

'We have a moderate appetite for financial risks associated with Sustainability and Climate Change. We have low appetite for material reputational damage due to Sustainability related issues.'

Our capital strength means that we are able to accept a moderate level of financial risk from climate change, however we have a low appetite for not being consistent with our commitment to act in a sustainable and responsible way and do the right thing for our members, customers, colleagues and communities.

Risk Identification

Climate related risks are identified using a number of processes that aim to identify climate related risks and opportunities from both a bottom-up and top-down basis. A summary of these processes is provided below:

- We carry out a bottom-up operational risk identification process to identify risks to the Society. These risks are recorded, assessed, and managed by all business areas and includes sustainability risks.
- Sustainability risks are discussed at Sustainability Committee, with representation from around the business.
- Our Emerging Risk process identifies new and emerging risks which includes climate change and wider environmental and societal issues.

- A top-down risk identification process is conducted at least annually through the Society's Own Risk and Solvency Assessment (ORSA) process, which includes Climate Change Scenario Testing.
- We carry out an annual Financial Risks from Climate Change assessment, which includes a strategic and forward assessment of climate related risks.
- Financial risks are assessed with the potential impact that climate change has on global financial markets, such as adverse movements in equities, corporate bonds, interest rates and property values.
- Investment risks are managed by our core principals which are detailed in our Sustainable Investing Policy which we apply across all funds. We expect our funds to outperform their comparator sector benchmark on ESG rating and carbon intensity. We manage our property portfolio with targets set on EPC (Energy Performance Certificate) ratings to be D or above (96% D or above as of November 2023).

Whilst we report on and manage climate related risks at Group level, it should be noted that subsidiary companies are included within the processes set out above to ensure that the key climate related risks for subsidiary companies are represented in Group reporting.

Risk Assessment

In assessing Climate Change risk, we categorise our key risks between those which are physical and transition and consider both Risks and Opportunities.

Physical risks

Physical risks from climate change arise from a number of factors and relate to specific weather events (such as heatwaves, floods, wildfires and storms) and longer-term shifts in the climate (such as extreme weather variability, sea level rise and rising temperatures). For example, increased frequency or severity of extreme weather events could impact General Insurance premiums or may cause damage to our properties, including those properties we invest in.

Transition risks

Transition risks arise from the process of adjustment towards a low-carbon economy. A range of factors influence this adjustment, including climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences, or evolving evidence, frameworks and legal interpretations. Some examples include:

- The risk of a loss of value on our direct property portfolio.
- The risk that climate change materially impacts the wider economy which may have a detrimental impact on the companies we invest in, leading to financial loss; or may impact our supply chain leading to operational disruption,
- There is a legal and reputation risk for firms if they do not meet regulatory requirements and / or do not meet the commitments they have made and the expectations of their customers, employees or regulators.

Our Investments Department aims to allocate capital in a sustainable and responsible manner whilst also providing superior risk-adjusted returns for our customers. This includes incorporating all financially material ESG factor exposures into their investment decisions. We assess these risks through our research, which includes a review of company reports, media, and independent research we receive from paid providers. Our Sustainable Investment Team also produces in-depth sustainability reports into companies and industries, providing an assessment of financially material sustainability related factors, such as, the transition to a low-carbon energy supply, production, and use.

Climate related Opportunities

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

Climate-related opportunities arise from the regular feedback we obtain from our customers on sustainability issues and horizon scanning of upcoming trends in the market. 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.

Summary of key climate change risks and opportunities

We have identified the following climate-related risks and opportunities which may have a material financial impact on the Society, considered over short (0-3 years), medium (3-10 years) and long (10+ years) term time horizons. The short term has been selected as 3 years as this aligns to our strategic planning period. The medium term of 10 years aligns to the period over which we carry out projections for our Own Risk and Solvency Assessment (ORSA). The long term of 10 years plus is then the period beyond our ORSA modelling.

CLIMATE CHANGE RISKS

TRANSITION RISKS	DESCRIPTION	TIMEFRAME	POTENTIAL IMPACT	MITIGATIONS
Strategic	There is a risk that adverse economic conditions lead to a disorderly transition to carbon net zero environment.	Long term	This could lead to worse socioeconomic conditions, leading to lower savings rates and a decrease in new business sales	Ensure sustainability and climate change issues and scenarios are embedded within regular risk reporting and strategic decision making.
Market (including Credit)	Market Risk due to the value of equities and bonds held by the Society falling, e.g. from the repricing of carbon intensive assets	Medium term	Lower policyholder returns and reduced capital strength	Agree a transition path to 2050, including interim targets where applicable. Stress and scenario testing of possible future climate change scenarios to ensure these remain within risk appetite. Monitor core metrics such as carbon intensity of funds and ESG rating of funds vs benchmark.
Reputational / Business	Failure to develop sustainable products / funds or to take action to become operationally sustainable	Short term	Reduced revenue and profitability Potential reputational damage	Maintaining close interactions with our trusted professions and their communities to understand their changing needs. This includes regular customer research and feedback from the Members Advisory Board.
Property	High costs of meeting minimum energy-efficient standards for property investments	Short term	Lower policyholder returns and reduced capital strength	Ongoing regular investment in our properties to improve energy efficiency. Energy efficiency standards included within the assessment process for new property purchases. Monitor core metrics covering energy efficiency of our property portfolio.
Regulatory	High costs to comply with climate-related regulatory requirements	Short term	Reduced profitability	Horizon scanning and gap analysis is carried out for all Regulatory change, appropriate resource to close gaps is discussed through Sustainability Committee
Operational	There is a risk that there is a high volume of regulatory change which requires additional resource or that we need to further change our ways of working, including systems, premises or choice of suppliers.	Medium term	Reduced profitability Operational disruption	Horizon scanning to understand requirements for regulatory change. Continue with our progress to reduce our carbon footprint, work closely with Sustainable suppliers and engage with our customers and colleagues. Business continuity plans in place and scenario testing of severe but plausible scenarios that could impact our operations.
PHYSICAL RISKS	**DESCRIPTION**	**TIMEFRAME**	**POTENTIAL IMPACT**	**MITIGATIONS**
Market	Economic crisis events due to food shortages, pollution, political disruption etc.	Long term	Reduced Profitability Lower policyholder returns and decreased capital strength	New income assumptions are assessed against external factors to ensure they remain relevant Scenario testing of the potential impact of climate change on financial markets
Insurance	Increased sickness or mortality risks due to climate effects	Long term	Reduced Profitability Lower policyholder returns and decreased capital strength	Mortality and morbidity assumptions are assessed against external factors to ensure they remain relevant
Property	Losses from physical damage (e.g. due to flooding) on direct property investments	Long term	Lower policyholder returns and decreased capital strength	Geographical analysis is conducted to ensure a flood risk assessment is conducted for the property portfolio
Operational	Failure of material outsourcers / strategic business partners due to climate impacts	Medium term	Reduced profitability Operational Disruption	Business continuity plans include supplier failure

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

Risk Management

The key mitigations we have applied for managing climate related risks are included within the table above.

The key actions to manage climate related risks are included within our Sustainability Action Plan. Progress against these actions is overseen by the Sustainability Committee and reported on a quarterly basis into People, Culture, Governance Committee and then Society Board.

A set of sustainability metrics is monitored monthly by the sustainability committee and Key Risk Indicators (KRI's) are monitored and reported into Society Board as part of regular risk reporting.

As we seek to embed Sustainability and related risks into the business, management of these risks and the associated actions are allocated to business owners. This process is overseen by the Group Sustainability Manager, reporting to the Head of Enterprise Risk Management. Where significant work is required to implement change in relation to the management of climate change risks, such as significant regulatory change. That work will be carried out under a project structure, with support from a Project Manager and Business Analyst as required. In 2024 a project has been set up to implement the FCA's climate disclosure requirements.

Where specialist resource is required, we will utilise external experts to provide support. An example of this was during 2023 when we used independent experts to support the setting of our Carbon Offsetting Policy.

During 2024, we anticipate that we will increase our resource on climate change risk management, particularly as we seek to implement regulatory change.

Our Investments Department aims to allocate capital in a sustainable and responsible manner whilst also providing superior risk-adjusted returns for our customers. We include financially material ESG factor exposures (including transition related factors) in the investment research we produce. This research may take the form of specific company reports or focus on broad industries. The Sustainable Investment Team also produces in-depth sustainability reports into companies and industries, which can be integrated into the investment decisions made by the Investments Department – helping us to better manage risks and improve returns for our customers.

METRICS AND TARGETS

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.

The table below shows the key measures used to evaluate the Greenhouse Gas (GHG) emissions of Wesleyan in scope[1] funds as of 31st December 2023.

CLIMATE METRIC	COVERAGE	2023 AMOUNT
Scope 1 and 2 emissions *(tCO_2e)*	65.5%	372,921
Scope 3 emissions *(tCO_2e)*	65.5%	4,595,806
Total carbon emissions *(tCO_2e)*	65.5%	4,968,728
Total carbon footprint *(in tCO_2e/GBPm invested)*	65.5%	866
Weighted Average Carbon Intensity (WACI) *(tCO_2e/GBPm Sales)*	67.1%	1,356

Source: Wesleyan / MSCI

Definition of climate metrics and how they should be interpreted:

METRIC	DESCRIPTION
tCO_2e	tCO_2e 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.
Total carbon emissions	Absolute GHG emissions that our funds are 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 in scope funds under management.
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 invested in the fund, allowing for like-for-like comparisons between different in scope funds under management.

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, cash, Government Bonds and direct property. 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

[1] For a list of in scope funds, please refer to Appendix A

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 FUNDS

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 in-scope funds would be as follows:

SCENARIO	CLIMATE VALUE-AT-RISK	DATA COVERAGE
Orderly Transition	-15.7%	65.4%
Disorderly Transition	-15.0%	65.4%
Hot House World	-9.2%	65.4%

Source: Wesleyan / MSCI

Definition of scenario metrics and how they should be interpreted:

METRIC	DESCRIPTION
Climate value-at-risk	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. 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.
Orderly Transition	This scenario assumes climate policies are introduced early and become gradually more stringent, reaching global net zero CO_2e emissions around 2050 and likely limiting global warming to below 1.5 degrees Celsius on pre-industrial averages.
Disorderly Transition	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. This data is being used to better understand our investment emissions and will help shape our 2050 Transition Plans (see below).

PARIS AGREEMENT TARGET	COMBINED RISE OF IN SCOPE FUNDS
1.5 - 2 °C	2.4 °C

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.

INVESTMENT STRATEGY – CARBON NET ZERO BY 2050

We are committed as a business to being carbon net zero by 2050 at the latest. The largest part of our carbon footprint is incurred indirectly through the companies we invest in and is not included in the operational carbon footprint figures and targets. We are currently in the process of considering interim targets for our scope 3 footprint as part of the Transition Plan to get to 2050.

In the interim, we manage and monitor our exposure to sustainability and climate change risk in our investment portfolio via the following:

- Our Sustainable Investment Policy sets out core principles that we apply across all our funds of: Responsible Screening, Positive Contribution and Active Engagement.
- We require our funds to operate above the comparator sector benchmark on ESG rating and Carbon Footprint rating on a 12-quarter rolling average. We are currently ahead of benchmark for both ratings across all our in-scope funds.
- In 2022, targets were set to reduce our property portfolio exposure to high and medium flood risk assets by 1/3 from 3% to less than 2% by value. In 2023, Wesleyan sold the only high flood risk rated asset, reducing the overall portfolio risk of our medium flood risk assets to 2.2%. We will continue to reduce our exposure to assets in medium risk areas and have amended asset purchasing processes to ensure no high-risk assets are taken on.

- Whilst we achieved the government target of all of our rental properties having an EPC of E or above, we have clear plans to improve our remaining E and below rated properties as part of imminent refurbishment projects taking place in 2024 and we are well underway to achieving the government's current targets of a C rating by 2028 and a B from 2030.

APPENDIX A – IN SCOPE FUNDS

Wesleyan With Profits Fund

Wesleyan Corporate Bond Fund (Life)

Wesleyan Corporate Bond Fund (Pension)

Wesleyan Ethical Shares Fund (Life)

Wesleyan Ethical Shares Fund (Pension)

Wesleyan European Shares Fund (Life)

Wesleyan European Shares Fund (Pension)

Wesleyan Asia (excluding Japan) Shares Fund (Life)

Wesleyan Asia (excluding Japan) Shares Fund (Pension)

Wesleyan Government Bond Fund (Life)

Wesleyan Government Bond Fund (Pension)

Wesleyan Japanese Shares Fund (Life)

Wesleyan Japanese Shares Fund (Pension)

Wesleyan North American Shares Fund (Life)

Wesleyan North American Shares Fund (Pension)

Wesleyan UK Shares Fund (Life)

Wesleyan UK Shares Fund (Pension)

Wesleyan Low Risk/Reward Fund (Life)

Wesleyan Low Risk/Reward Fund (Pension)

Wesleyan Moderate/High Risk Reward Fund (Life)

Wesleyan Moderate/High Risk Reward Fund (Pension)

Wesleyan Higher Risk/Reward Fund (Life)

Wesleyan Higher Risk/Reward Fund (Pension)

Wesleyan Life Managed Fund

Wesleyan Pension Managed Fund

CRO SIGNED COMPLIANCE STATEMENT

The disclosures set out in this report for Wesleyan Assurance Society comply with the requirements set out in 'ESG 2.2.7 TCFD entity report' and other relevant sections of the FCA ESG Sourcebook. This report should be read in conjunction with the relevant sections of the Wesleyan Assurance Society Report and Accounts 2023 as indicated throughout.

Jon Welsh

Chief Risk Officer

11 June 2024

FOR INFORMATION

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