

WESLEYAN SUSTAINABLE INVESTING POLICY

WESLEYAN
we are all about you



CONTENTS

Introduction	3
Scope	4
Objectives	4
Sustainable investing process	5
Direct Property	9
Appendix	11

1. INTRODUCTION

“ Meeting the needs of the present without compromising the ability of future generations to meet their needs. ”

Our Common Future, World Commission on Environment and Development

1.1 SUSTAINABLE INVESTING

At Wesleyan, we're trusted to look after the financial futures of our members and customers. But that doesn't just mean managing your money. We aim to ensure that the way it's invested delivers better outcomes for you, along with the environment, climate and communities we all live in.

So, it's our belief that, when assessing the sustainability of a company's operations, we should of course evaluate its performance, but also consider the following key areas: Environmental, Social and Governance (ESG), defined as:

- ▶ **Environmental factors** – those that have an impact on the environment. These include, but are not limited to: climate change, energy intensity, non-recyclable/biodegradable goods, water purity, carbon emissions, toxic waste, or those which have a negative impact on the natural population and biodiversity.
- ▶ **Social factors** – covers the company's relationships with its employees, consumers, communities and other corporates. These may include: health and safety records, impact on local communities, human rights breaches, working conditions, child/slave labour, commitments on representative workforces, supplier management/relations and product safety. They may also include: manufacturers of civilian firearms, unconventional weapons, adult materials and the facilitation of gambling.
- ▶ **Governance factors** – covers aspects relating to the sound stewardship of the company (in other words the safe and responsible planning of management and resources) and may include: tax strategy, executive remuneration, political donations and lobbying, board quality and structure, bribery and corruption, shareholder rights, accounting methods, independent audit, and tax transparency.

1.2 OUR PHILOSOPHY

Sustainability is an integral part of our strategy, doing the right thing for our members, employees and communities.

With this in mind, being a mutual provides us the advantage of investing with a long-term approach, without pressure from shareholders to pursue short-term gains. We exist for our members and customers, and look to provide positive returns who invest with us. Our long-term investment approach, categorised by our 'buy and hold' strategy, as defined in our Investment Beliefs Policy, is the overarching principle followed by the Asset Manager.

Sustainable investing can mean different things to different businesses. We take the approach of having this policy and applying it across our managed fund range. When we invest in companies, we will aim to improve the sustainability of our managed funds and will engage with and challenge investee businesses to become more sustainable where we believe we can make a positive difference.

1.3 OUR AIMS

To set out guidelines for how the Asset Owner expects an Asset Manager to manage our customers' funds, based on customer research.

ESG FACTORS



**SOCIAL
MATTERS**



**RESPECT FOR
HUMAN RIGHTS**



**ENVIRONMENTAL
MATTERS**



**ANTI-CORRUPTION
AND ANTI-BRIBERY**

2. SCOPE

This policy only covers sustainability considerations and how they are applied to the decision-making process, in relation to those investment assets managed by the Asset Manager and overseen by the Asset Owner, comprising those held within Wesleyan Assurance Society and Wesleyan Unit Trust Managers Ltd. This policy is not applicable to those funds that are wholly invested in funds managed by other third-party managers. Information on those funds can be found on their relevant fund factsheets.

3. OBJECTIVES

Being a mutual provides us the advantage of investing with a long-term approach, without pressure from shareholders to pursue short-term gains. This aligns with our sustainability commitment, because we're not just interested in how and where we invest your money, but in the way we serve our communities and our impact on the wider world too.

Aligning to Wesleyan Group's stance, 'the Asset Owner requires the Asset Manager to seek to invest in a sustainable and responsible manner by means of a clearly defined process', as explained in section 4 below. We believe the six core actions of the Principles for Responsible Investment (PRI) (Appendix 7.1), which are supported by the United Nations (UN), are key components of sustainable and responsible investing. Therefore, the Asset Owner requires our Asset Managers to align to, and be signatories of, the PRI. Our Asset Managers are also a signatory to Climate Action 100+. This is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.



4. SUSTAINABLE INVESTING PROCESS

At Wesleyan we do everything in our power to invest our customers' money wisely, to provide them with a brighter financial future.

4.1 PRINCIPLES

So, as both an Asset Owner and an Asset Manager, we have long considered various sustainability issues as part of the investment analysis we undertake into a company. Traditionally, ESG factor analysis, used to determine a company's overall sustainability, was dominated by corporate governance. However, as the environmental and social impact of firms' activities is gaining influence for Asset Owners, consumers, corporates, policymakers and regulators, the regard given to environmental and social factors is becoming increasingly relevant.

All companies face concerns regarding the sustainability of their operations. We recognise that we may have financial exposure to firms that could be considered to have specific negative sustainability issues, some of whom our customers may believe are incompatible with Wesleyan's corporate stance on sustainability.

Wesleyan, as an Asset Owner, has therefore adopted the following three principles, which we require our Asset Managers to adhere to for our Managed Funds:



Responsible screening

We review all existing and potential investee companies against a series of exclusionary filters to ensure we only invest in those we believe are operating in a way that reduces their impact on the environment and on society.

For example, we only invest in oil and gas companies that have identified a comprehensive set of publicly-stated actions they intend to take to achieve carbon net zero within targeted timeframes, and we do not invest in companies that produce civilian firearms or tobacco.



Positive contribution

For each of our funds, at least 10% of the companies we invest in will make a positive contribution to the world. Including, companies that:

- ▶ positively tackle climate change by reducing waste or creating green energy;
- ▶ improve well-being through medical innovation or access to educational services;
- ▶ help promote sustainable cities and communities through affordable housing, or promote social development and mobility;
- ▶ protect and restore forests, reduce land pollution, or manage water demand.



Active engagement

We work with other companies and like-minded investors to drive change within the companies we invest in, encouraging them to take steps that improve their sustainability and achieve better outcomes for the environment and for society.

Each principle has various rules associated with it, such as the type of businesses the team can invest in and exclusions they must adhere to (shown overleaf). The scrutiny of ESG factors helps highlight any specific opportunities or risks relating to the sustainability of a company or industry that may not be immediately apparent when looking solely at financial performance. As a result, we believe the analysis of a company's sustainability supports the Asset Manager in determining the long-term value of an investment.

SUSTAINABLE INVESTING PROCESS continued

Responsible screening

Area	We will exclude:
Tobacco	Companies that derive any turnover from the manufacture of tobacco products.
Alcohol	Companies that produce alcohol without a responsible drinking policy.
Weapons	Companies that are involved in the production of: cluster munitions, biological weapons, chemical weapons, non-detectable fragments, incendiary and blinding weapons, depleted uranium munitions, or landmines.
	Companies that derive more than 5% of revenue from the production of nuclear weapons.
	Companies that manufacture civilian firearms or derive more than 5% of revenue from the retail of civilian firearms.
Climate Change	Companies that extract and produce oil and gas but do not have comprehensive public plans to reduce the climate impact of their operations, nor a commitment to be carbon net zero by 2050.
	Companies that derive more than 5% of revenue from unconventional oil and gas production and extraction (including oil sands, oil shale, shale gas, coal seam gas and coal bed methane).
Social and harmful materials	Companies that derive more than 5% of revenue from the production or sale of adult entertainment.
	Companies that derive more than 5% of revenue from the provision of predatory lending activities (defined as high-interest sub-prime lending).
	Companies with more than 5% of revenue from gambling-related activities.
Environment	Utility companies producing electricity from coal-fired power stations, without a credible plan to reduce this to nil by 2030. We also exclude utility companies planning to construct any coal-fired power stations.
	Companies that invest speculatively in commodities that add to price inflation. This doesn't include companies using derivatives to help reduce risk exposures.
	Companies that produce paper products from unsustainable sourcing of timber linked to habitat destruction.
Animals	Companies from the pharmaceutical industry that don't adopt the three Rs in their animal testing: replace, refine, reduce.
	Companies that are involved in the production of animals, but do not have robust policies and systems in place to uphold good standards for breeding, rearing, transport, housing and slaughter.
Sanctions	Debt from governments that are subject to broad sanctions and fail to respect human rights (as published by the UN or UK Government).
Property	We will only buy new property with a D or higher energy efficiency rating, except where we have a clear and deliverable plan to improve an energy rating to at least a D. If existing properties cannot be improved to this level over time, we will sell the property.
	We will only permit new tenants to lease our commercial properties if they align to our responsible screen principles.



We consider our customers’ views and beliefs using a balanced approach when making exclusions. For example, we would not exclude investment in a supermarket on the basis that they offer gambling-related activities such as scratch cards and lottery tickets, as this is not their main business activity. If they were, however, going to derive significant revenue from these activities then this exclusion would apply.

Positive contribution

Themes	Detail
Climate change	Companies reducing pollution and energy waste through innovative products and services, as well as environmentally conscious assets.
	Companies investing in creation of the infrastructure or creation of green energy, or transitioning their business to green energy.
Health and well-being	Companies that invest in the advancement of medical health, including manufacture and provision of pharmaceuticals and medical innovation.
	Companies that enhance human well-being through better provision of healthcare, nutrition, hygiene and access to educational services.
Social equality	Companies that support sustainable cities and communities through affordable housing, mass transit and other investments that promote social development or mobility.
Environment	Companies whose core operation is to protect, restore and promote sustainably managed forests to halt biodiversity loss.
	Companies whose core operation is to reduce land pollution by recycling, waste reduction and waste management.
	Companies whose core operation is involved in water demand management, wastewater treatment and pollution control, as well as in water infrastructure companies.
	Food companies with a growing proportion of plant-based products and climate neutrality target.

Active engagement

Themes	Detailed engagement criteria
Climate and environment	We will lead engagement with high-carbon industries such as utilities, mining, and oil and gas, to support the transition to lower carbon emissions and environmental impact.
	We will lead engagement with companies to ensure they are minimising their water usage, maximising recycling and restoring biodiversity within their operations.
Equality and diversity	We will encourage and engage with companies to promote equality and inclusiveness, and in doing so, meet the following criteria: <ul style="list-style-type: none">▶ Promote all forms of diversity, and provide greater opportunities for women and minorities, at all levels of the organisation.▶ Adopt more transparent tax strategies.
Business conduct	We will engage with companies where any of the following failings have occurred, or where their policies or controls leave them open to any of the following: <ul style="list-style-type: none">▶ Failure to comply with local and national working conditions, or more stringent codes of conduct, to ensure compliance with local laws covering child labour, working conditions, and health and safety.▶ Failure to meet UN standards on human rights, labour, environment and anti-corruption (UN Global Compact).▶ Activities that clearly infringe or are complicit in infringing on international agreements (such as the International Bill of Human Rights).▶ Repeated and significant violations related to bribery and corruption.▶ A pattern of fundamental regulatory breaches, a track record of unfair or inappropriate practices towards customers, or where management has failed to take effective measures to respond to incidents of misconduct and/or unethical behaviour.

SUSTAINABLE INVESTING PROCESS continued

As an Asset Owner, we believe our long-term investment approach naturally gives rise to greater weight being placed on sustainability concerns. We therefore expect the Asset Manager to fully incorporate our principles in the management of our funds and provide confirmation of how they are adhering to the strategy.

The exclusions under principle 1 and the targets under principle 2 will be incorporated into the Statement of Investment Principles which must be adhered to by the Asset Manager. The Asset Owner will monitor adherence to the rules and limits set out in the Statement of Investment Principles.

The Asset Manager has the opportunity to raise any concerns regarding the application of the Sustainable Investing Policy, at the quarterly Investment Committee meeting.

4.2 STEWARDSHIP AND STAKEHOLDER ENGAGEMENT

This policy sets out Wesleyan's sustainable investing philosophy and incorporates the views of our customers. However, we also value the opinions of regulators, business partners and other stakeholders including Non-Governmental Organisations (NGO) and aim to remain in contact with our stakeholders. This exchange of ideas provides relevant input for our internal discussions and decisions on sustainable investing topics. We are also a signatory to the FRC Stewardship Code, which aims to enhance the quality of engagement between investors and companies to help improve long-term returns to shareholders and efficient exercise of governance responsibilities.

Our Annual General Meeting presents members with an opportunity to have their say on how we run our business, to vote and put questions to our Board of Directors.

Our Stewardship and Engagement Policy provides guidance regarding the types of proposals we would support or oppose.

PROGRESS SO FAR

RESPONSIBLE SCREENING

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



Of that **£40m**, **£15m** was sold from companies we believe weren't taking the threat of global warming seriously.



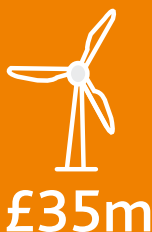
We **do not** have any exposure to companies that produce tobacco products.



POSITIVE CONTRIBUTION

We are **top fifteen** shareholders in three companies focused on enabling the transition to a low carbon future, for example, companies investing in solar farms.

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



We have nearly **£80m¹** invested in companies contributing to social equality, such as affordable housing.



We have over **£350m¹** invested in companies contributing to the advancement of medical health and the fight against diseases.

¹ All figures and data as of 31 December 2023

ACTIVE ENGAGEMENT

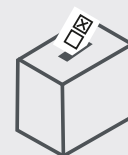
We are signatories of the Principles for Responsible Investment, Climate Action 100+, Access to Medicine Foundation, FAIRR, The Investor Forum and the FRC Stewardship Code.



In 2023, we met with the management of **366** companies to encourage better business practices.



We also voted at **472** company meetings in 2023, 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

5. DIRECT PROPERTY

Our direct property holdings will follow the same philosophy as set out in this document. We will raise awareness of this policy by communicating it to our property managers, who will be encouraged to work with us to deliver the desired outcomes.

This includes the following:

- ▶ Applying the same comprehensive list of exclusionary criteria listed under 'Responsible Screening' for new tenants of our properties. This does not affect existing tenants as they have a legal right to renew their lease. In these rare circumstances, we would attempt to dispose of the property.
- ▶ Only buying new property with a D (or higher) energy efficiency rating, except where we have a clear and deliverable plan to improve an energy rating to at least a D within five years of purchase. If an existing property cannot be improved to this level, we will sell the property.

5.1 KEY CONSIDERATIONS FOR DIRECT PROPERTY INVESTMENT

Through the ownership and management of commercial property, it is recognised that we have an impact on the environment and on a wide range of stakeholders. We aim to ensure our assets operate as sustainably as is practical, whilst maximising the financial return we achieve for our customers. We understand the increasing importance being placed on this area and we're adapting our investment approach accordingly. We incorporate ESG considerations into our property portfolio as described below.

5.2 ENVIRONMENTAL FACTORS

Wesleyan is committed to improving the environmental performance of its investment properties, and has a current energy performance certificate for every asset held.

Existing leases prevent improvement works being undertaken, but as the opportunities arise, we will improve the energy efficiency of our properties.

We will periodically review the property portfolio to identify opportunities to implement renewable energy generating equipment. We aim to minimise energy and water usage across our portfolio to help conserve supplies, and where viable, reduce air, water, noise and light pollution from our buildings. It is our intention to periodically review the flood risk of our portfolio to assess potential future exposure to flood risk, providing an early flag for remediation works or disposal activity.

5.3 SOCIAL FACTORS

The direct suppliers used to repair and maintain our property investments are paid at or above the current National Living Wage. We have a robust but fair process for the collection of rent and outgoings from our occupiers, and we are keen to work with them wherever possible to ensure the success of their businesses.

We maintain a risk register of properties constructed using combustible panels to accurately measure and manage associated risks. It is generally accepted that accommodating as wide a range of people with disabilities as possible should start with the employer. However, we review our assets annually to assess what changes could be made.

5.4 GOVERNANCE FACTORS

We will ensure our occupiers follow all required regulations and legislation. This will be achieved through legal agreement and routine inspection of our properties. In cases where a tenant fails to adhere to requirements, we will initially provide support to rectify the situation, but will look to divest if remedial action is not possible.



THE GRANGE, GRANGE PARK, BISHOPS CLEEVE, CHELTENHAM – PROPERTY INVESTMENT ASSET REPOSITIONING

Acquired at the height of the pandemic, this sleeping giant 1990s (Former Eagle Star) headquarters office building was purchased by Wesleyan with re-positioning in mind. The goal has been to create a modern multi-let working environment for up to 2,000 staff per day that inspires colleagues to be together, to promote wellbeing and optimise output.

With ESG firmly at the heart of our plans, Wesleyan's work to date includes:

- ▶ Formulation of a comprehensive master plan which includes repurposing existing space to support small and micro businesses and also adding new buildings that supplement the core office offering for larger corporate firms – essentially re-using rather than renewing.
- ▶ The gradual rejuvenation of the parkland setting, with over 100 protected trees, manicured to encourage workers to take time out, pursue leisure activities and exercise in the fresh air. Direct access has been re-established to Grangefield Park, providing an extra 11 acres of parkland offering opportunity for those seeking peace and quiet or with an interest in nature and wildlife.
- ▶ Commenced a thoughtful refurbishment of The Grange office building, creating a variety of working spaces and break out areas, including The Street; an airy tree lined boulevard with an abundance of natural light – a vital amenity space to be used for social, charity and private events.
- ▶ The energy performance of those offices that have now been refurbished have been improved from an E rating to an A rating (the highest rating).
- ▶ A re-modelled reception area that makes use of natural materials, setting the standard for the rest of The Grange building and the wider park.
- ▶ The consumption of only renewable electricity and solar panels introduced to the roof to feed on site renewable power back into the building's common areas. A marked reduction in the use of electricity since ownership. Refurbishing the building on a phased basis has led to steadily falling utility consumption, as old plant is re-configured, rationalised and replaced with modern efficient solutions and supplemented with renewable energy sources.
- ▶ A marked reduction in the use of natural gas and a plan to phase it out altogether in 2024.
- ▶ A cutting-edge heat-recovery fresh-air ventilation system in The Grange building now features, and ensures a comfortable working environment, supporting greater clarity of thought to those using the building.
- ▶ An abundance of free on-site parking, as well as secure cycle racks along with shower, changing and clothes-drying facilities, EV charging points and a dedicated on-site bus stop with regular services, are all intended to offer an inclusive solution by providing choice, at the same time attempting to reduce emissions and travel costs.

6. APPENDIX

6.1 PRINCIPLES FOR RESPONSIBLE INVESTMENT

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that Environmental, Social and Corporate Governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

Principle 1

We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4

We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5

We will work together to enhance our effectiveness in implementing the Principles.

Principle 6

We will each report on our activities and progress towards implementing the Principles.

The Principles for Responsible Investment were developed by an international group of institutional investors, reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we, as investors, publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries, as well as better align our investment activities with the broader interests of society. We encourage other investors to adopt these Principles.

6.2 DEFINITIONS

In this document we use financial words and phrases that not everyone will be familiar with. We've explained what these mean below.

- ▶ **Asset Owner** – owns the underlying assets and entrusts the management of those assets to an Asset Manager.
- ▶ **Asset Manager** – runs the funds/mandates on a day-to-day basis and is responsible for all underlying investment decisions within their remit as per the fund statement of investment principles.
- ▶ **Investment Committee** – is a sub-committee of the Board. The purpose of the committee is to provide independent oversight of the Group's investment performance, Group's investment strategy and Sustainable Investing Policy. They also provide advice to the Board on appropriateness and suitability of this policy.

- ▶ **Sustainability Committee** – considers and discuss the delivery of the Group's Sustainability Strategy, of which this policy is a pillar, and recommend to General Executive Committee (GEC) actions to deliver the strategy. They will provide input and challenge to the Asset Owner on the appropriateness of the policy.
- ▶ **Statement of Investment Principles** – a written statement that includes information about the investment strategy, including the allocation of assets, investment risk and how the risk is measured and managed.



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For more information visit [wesleyan.co.uk/ourcompanies](https://www.wesleyan.co.uk/ourcompanies)

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Wesleyan Unit Trust Managers Ltd.

Administration Centre: PO Box 9033, Chelmsford CM99 2WQ. Telephone: 0330 123 3813

Registered Office: Colmore Circus, Birmingham B4 6AR. Telephone: 0121 200 3003. Website: www.wesleyan.co.uk

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