

# ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Wesleyan Staff Pension Scheme

**WESLEYAN**

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## INTRODUCTION

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On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations, amongst other things, require that the Trustee produces an annual Engagement Policy Implementation Statement ("EPIS") which outlines the following:

- ▶ Explains how and the extent to which the Trustee has followed its engagement policy, which is outlined in the Statement of Investment Principles ("SIP").
- ▶ Describes the voting behaviour by, or on behalf of the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the Scheme year and states any use of the services of a proxy voter during that year.

This document sets out the details as outlined above. The EPIS has been prepared by the Trustee and covers the Scheme year 1 January 2021 to 31 December 2021.

## SUMMARY OF SCHEME STEWARDSHIP POLICY

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The Stewardship Policy which was in place for the year to 31 December 2021 is summarised below. The Policy was updated in September 2020 and can be found in the Scheme's SIP, which is available on the following website [www.wesleyan.co.uk/-/media/pdf/wesleyan-staff-pension-scheme.pdf](http://www.wesleyan.co.uk/-/media/pdf/wesleyan-staff-pension-scheme.pdf)

*The Trustee is responsible for the investment of the Scheme's assets but delegates a number of duties to the investment manager, Wesleyan Assurance Society ("the Society"). Such duties include monitoring of corporate governance in relation to the Scheme's assets, including the stewardship of investments held and taking into account the Institutional Shareholders' Committee Statement of Principles on the Responsibilities of Institutional Shareholders and Agents. The Trustee periodically reviews the corporate governance of its investment manager and monitors voting activity as appropriate.*

*The Trustee established a decision-making structure whereby the Trustee sets structures and processes for carrying out its role, selects and monitors the planned asset allocation strategy, monitors actual returns versus the Scheme's investment objective and selects and reviews direct investments.*

Additionally, the Society produces a Shareholder Engagement Policy ("SEP"), which provides a framework to promote effective governance, transparency and stewardship. The SEP provides detail on the monitoring of and dialogue with investee companies, exercising shareholder rights (including voting) and integration of investment beliefs. The Trustee is satisfied with the content of the SEP and is pleased that the investment manager is taking a proactive approach to documenting its engagement with stakeholders.

## SCHEME STEWARDSHIP ACTIVITY OVER THE YEAR

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### Training

Over the year, the Trustee Directors have attended regular training sessions in order to update and improve their skill, knowledge and understanding to allow them to effectively carry out their role, as outlined in the SIP. In particular the Trustee Directors had training in November 2021 on the Society's approach to ESG issues.

### Updating the Stewardship Policy

The Trustee has been proactive in ensuring that the Scheme appropriately maintained and updated the Stewardship Policy in the SIP.

In line with regulatory requirements to expand the SIP for policies such as costs transparency and incentivising managers, the Trustee reviewed and expanded the Stewardship policy in September 2020. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Scheme's investment manager, other considerations relating to voting and, if necessary, consider additional methods by which the investment manager could comply with the Trustee's Stewardship Policy.

This has been made available on the Wesleyan website (link above) where it can be accessed by the public.

### Ongoing monitoring

Investment monitoring takes place on a quarterly basis, with monitoring reports being produced and provided to the Trustee by its investment managers. The reports enable the Trustee to monitor the Scheme's investment strategy and review Scheme investment returns versus the investment objective. Recent voting actions are discussed at each Trustee meeting, with Trustee meetings taking place at least twice a year. Periodically, the investment report also includes a detailed update on investment governance.

## VOTING AND ENGAGEMENT ACTIVITY – WESLEYAN ASSURANCE SOCIETY

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The Trustee invests the Scheme's asset portfolio with the Society as its investment manager. The Society invests the Scheme's assets in line with an overall strategy determined by the Trustee after consultation with the Society as the principal employer. The benchmark allocation is 20% in fixed-interest bonds and 80% in index-linked bonds, but the Society can invest a small proportion of the Scheme's assets in equities, property and quoted infrastructure.

The Society has developed its own Corporate Governance and Voting Policy, which provides detail on the approach taken to monitoring corporate governance matters and exercising voting rights.

The Society utilises the research output provided by the Institutional Shareholder Services (ISS) Corporate Actions Research Service, which incorporates ESG analysis, but endeavours to make its own final decision in terms of individual voting instructions where appropriate. A summary of voting actions taken on behalf of the Trustee during 2021 is detailed below.

- ▶ On two occasions, the Society voted contrary to ISS recommendations. On both occasions we abstained on resolutions contrary to ISS' vote in favour recommendation. The first related to a change in a company's Long-Term Incentive plan, which the Society did not feel had been adequately explained. The second concerned accepting the remuneration report of a different company where a Non-Executive Director was entitled to receive a bonus linked to the growth in the net asset value, which the Society felt could compromise the independence of a Non-Executive Director in certain circumstances.
- ▶ The Society abstained on one resolution, in line with ISS recommendations. This abstention related to a Board Chair sitting on the Audit Committee, which the company acknowledged did not comply with the UK Code, but felt his significant level of experience warranted inclusion.
- ▶ For all other resolutions, the Society voted in line with management.

The Society, as investment manager, is continuing to incorporate ESG considerations into its investment process.

## IN SUMMARY

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Based on the activity over the year by the Trustee and its investment manager, the Trustee is of the opinion that the Stewardship Policy as detailed in the SIP has been sufficiently implemented in practice. The Trustee notes the stewardship activity disclosed by the Society during the year.

The Trustee expects the Society to provide regular updates and disclosures going forwards in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for schemes through considered voting and engagement.

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