

SHAREHOLDER ENGAGEMENT POLICY

WESLEYAN
we are all about you

1. Introduction

The effective stewardship of investments and engagement with investee companies is an essential part of asset management and helps ensure Wesleyan:

- acts in the best interests of members and customers;
- creates value; and
- implements its investment strategy.

2. Scope

Where Wesleyan is referred to in the policy, this applies to all funds under management of Wesleyan Assurance Society (including the Wesleyan Staff Pension Scheme, WSPS) and its subsidiary company, WUTM. All Asset Managers appointed by Wesleyan covering the above funds are within scope.

3. Objectives

The objectives of this policy are for Wesleyan as the Asset Owner to confirm the process our Asset Managers follow to provide effective shareholder engagement, on behalf of Wesleyan, to members and customers.

4. Integrating Shareholder Engagement

Wesleyan's approach to investing is summarised as:

- following a 'buy and hold' strategy in favour of 'long-term' value over 'short-term' gains
- favouring equities which, we believe, over the long term will outperform other asset classes
- diversifying portfolios to reduce risk and, wherever possible, protect funds from market upheaval
- reinvesting dividends to encourage further growth on any initial gains

The main elements of how this investment strategy is consistent with the profile and duration of liabilities and how this contributes to the medium and long-term performance of assets are included in the Solvency and Financial Condition Report (SFCR), a copy of which is available on our website.

Wesleyan has also produced and implemented a Prudent Person Policy (PPP), which confirms the duty of care Wesleyan has when making investment decisions. This policy requires Asset Managers (internal or external) to invest in assets where the risks can be properly identified, measured, monitored, managed, controlled and reported, and also takes into account the assessment of its overall solvency needs. Wesleyan is responsible for setting the investment mandates for Asset Managers to follow that adhere to the principles of the PPP.

In addition, environmental, social and governance (ESG) matters have become more prominent in the investment decision making process, and a key element of Wesleyan's investment strategy has been the implementation of our Sustainable Investing Policy, supported by ongoing ESG monitoring and assessment. The Sustainable Investing Policy is available on our website.

To integrate shareholder engagement into our investment strategy, Wesleyan adopts one or more of the following steps:

4.1 Monitoring of Investee Companies

We recognise the importance of ongoing, effective monitoring at each key decision-making stage of the investment lifecycle. The factors considered include (but are not restricted to) matters relating to strategy, financial and non-financial considerations, risk, past performance, capital structure and ESG considerations.

The key mechanisms used by Wesleyan's Investments Department in their monitoring and decision making are:

- widely available public information such as Regulatory News Announcements, press reports and Annual Report and Accounts;
- an external proxy voting service that provides detailed company analysis and recommendations to institutional investors on votes to be cast at investee company meetings; and
- research information purchased from research providers and investment banks that support Wesleyan's Investments Department in analysis of certain investments. Research on investment opportunities is conducted centrally and is fund agnostic.

Concerns with any investee company are recorded on electronic files and discussed at the weekly Investment Administrative or Investment Research Meetings, attended by the Fund Managers, the Investments Research Manager, the Sustainable Investments Lead and Analysts, at which an appropriate course of action is agreed.

4.2 Dialogue with Investee Companies

An essential part of implementing the investment strategy is to engage in purposeful dialogue with investee companies, and our Investments Department may utilise the following mechanisms:

- Meetings with senior management and often representative personnel from actual and potential investment companies. Meetings are held either in person, by conference call or through web-enabled calls;
- If a concern is identified with investee companies then these may be highlighted by discussion at the weekly internal Investment Administrative or Investment Research Meeting; and,
- The provision of open and clear feedback, provided directly to the investee company or through their corporate advisors or in co-operation with other shareholders or collaborative organisations (see below).

4.3 Exercising Rights as a Shareholder

Exercising Wesleyan's rights as a shareholder is a vital component of stewardship and allows us to vote on matters brought to an investee company's Annual and Extraordinary General Meetings.

Wesleyan's Investments Department has developed its own Stewardship and Engagement Policy which provides detail on the approach taken to monitor corporate governance matters and exercise voting rights (further detail is attached in Appendix A).

Wesleyan normally votes for shares on its own account and summary stats and any significant issues are reported to Wesleyan's Executive or Investment Committee through the normal reporting process. Where Wesleyan is exercising voting rights in the case of assets on behalf of the Staff Pension Scheme, voting activity is also reported to the Trustee Directors at Trustee meetings.

4.4 Co-operation with other Shareholders

Wesleyan reserves the right to collaborate with other shareholders on particular matters of concern, if this is deemed appropriate. Ongoing relationships are maintained with several collaborative organisations, which helps to facilitate collaboration.

Wesleyan is also prepared to act directly in collaboration with other investors if it is considered that there is a common interest in highlighting significant areas of concern – whether this is on matters of strategy, performance, ESG or remuneration. This is particularly the case if it is felt that management are acting in their own personal interests and not for the wider shareholder group.

Occasionally Wesleyan may be contacted by action groups or other institutional shareholders if they have identified areas of particular concern relating to an investee company. In such instances, Wesleyan is prepared to listen to the third-party point of view but will make the final decision on any further action.

4.5 Communication with Stakeholders of Investee Companies

In addition to the regular research undertaken on investee companies, there may be occasions when this research will be expanded to direct engagement with key stakeholders. This would occur where a particular concern is identified, further information is needed on a specific aspect of an investee company's operations, or to confirm aspects of the company's business model that necessitates direct engagement. Examples of such direct engagement include key suppliers or customers on which an investee company is particularly reliant or has particular influence.

In addition, other data sources are used if they are particularly relevant to a specific company and could include:

- reviewing Trade Union websites and blogs for posts on companies with strong union representation, to identify any employee related issues; and
- reviewing recruitment websites to identify any workforce related issues for companies particularly reliant on specialist staff.

5. Management of Conflicts of Interest

Wesleyan's overall objective is to act in the best interests of our customers. It is inherent within asset management that conflicts of interest may arise between firms and their customers, between different types of customers and between individual funds within Wesleyan's range. Wesleyan has policies in place to ensure these conflicts are identified in a timely manner and managed effectively. The key policies which state how Wesleyan and its employees should manage actual and potential conflicts, as part of the shareholder engagement process, and the key areas of coverage, are summarised below:

Conflicts of Interest and Anti-Bribery Policy

As part of the shareholder engagement process, there is the potential for Wesleyan's Investments Department to be offered gifts and hospitality by potential and existing investee companies. This gives rise to a risk that investment decisions are influenced or perceived to be influenced by the acceptance of such offers. The policy provides principles for staff to identify, disclose, manage, monitor and review actual and potential conflicts of interest. Within Wesleyan's Investments Department, there is a standing agenda item at weekly meetings for staff to disclose any potential conflicts they have identified, including within their engagement with investee companies.

Gifts and Hospitality Policy

Wesleyan has minimal appetite to either the offering or accepting of gifts and hospitality that do not enable or lead to offering an enhanced quality of service to customers. The policy ensures that the obligations leading from the Bribery Act 2010 are met, and to ensure transparency is maintained regarding offers of gifts and hospitality. The policy defines the processes for the approval, acceptance / declining, recording and monitoring of offers of gifts and hospitality.

Personal Account Dealing Policy

Individuals working for Wesleyan may on occasion wish to buy or sell securities and/or derivatives for their own personal account. There is no intention to prohibit such dealings; however, it is recognised that certain members of staff may have access to privileged information obtained through shareholder engagement, or in some circumstances they may have access to such information from which they should not personally profit, and which would give rise to a conflict of interest and impair their duty to act in the best interests of our customers.

The policy seeks to ensure that any personal dealing activities do not conflict with Wesleyan's duties to act in the best interests of our customers and describes how personal account dealing should be approved, documented, reviewed and monitored.

In addition, a Speak Out Policy is in place which defines the process staff can use to raise concerns on undisclosed conflicts of interest. All policies are reviewed and updated on an annual basis or as appropriate. Monitoring of compliance with the above policies is undertaken by the business and oversight provided by Wesleyan's Risk Team, who produce a report for Wesleyan's Investment Committee detailing the oversight of potential or actual conflicts of interest.

6. Disclosures of Compliance with the Policy

Compliance with this policy will be monitored on a regular basis and is subject to oversight by Wesleyan's Risk Team, Investment Committee and Board. Wesleyan's Investments Department records its voting history, and a list of all votes made at Annual and Extraordinary General Meetings will be made available on our website on a quarterly basis and an annual summary is also provided and includes a profile of how votes have been cast at these meetings, including votes cast against management recommendations.

APPENDIX A – Stewardship and Engagement Policy (extract)

Shareholder voting

Voting decisions are sanctioned by the Sustainable Investment Lead, who has been delegated authority by the investment manager acting on behalf of the policyholders or unit holders. The investment manager holds ultimate authority for placing votes, so may choose to overrule the Sustainable Investment Lead for the funds they manage where they believe it would be in their customer's best interests. The decisions are made based on the evidence provided by the company, Investment Team Analysts, and our voting research provider. Third-party views are also considered.

Wesleyan's Investment Department uses the services of an online specialist shareholder services provider, who also provides third-party proxy research services that includes voting recommendations for most companies held by Wesleyan.

Whilst the corporate action research undertaken by our third-party research provider is considered, Wesleyan's Investment Department will review proposals and make its own final decision in terms of individual voting instructions (on Wesleyan's behalf) where any of the following conditions apply:

1. A material position, as defined by owning greater than 0.50 percent of the company's issued share capital across all Wesleyan funds.
2. The meeting proposals are considered to be unacceptably breaching corporate best practice or contain controversial content.
3. The company operates in a controversial sector, currently covering the Aerospace and Defence, Oil and Gas and Mining sectors.

Where the proxy vote does not meet the criteria defined above, we may rely on the research provided to us by the third-party research provider and vote in line with their recommendations.

Shareholding Voting Exceptions

Registered shares

Where Wesleyan has registered shares that are not handled directly by a mainstream custodian, the specialist shareholder services provider may not provide full voting services. Wesleyan may instead receive meeting materials and voting cards directly from the Issuer to vote directly.

Where this is the case, Wesleyan will review the administrative obligation and the potential benefit to our customers to determine whether to complete the additional documentation.

Share blocking

In certain countries, shareholder voting requires 'share blocking', where shareholders that wish to vote in meetings are required to deposit their shares shortly before the date of the meeting (typically one week) with a designated depository. During this period, the deposited shares cannot be sold until the meeting has taken place and the shares have been returned to the shareholders' custodian.

It is unusual for Wesleyan to conclude that the benefits exceed the costs in most of these cases, and thus would elect to abstain from voting.

If share blocking applies, our specialist shareholder services provider has not been authorised to vote and will provide a "DO NOT VOTE" instruction across the entire ballot. This can then be manually overridden where we deem it necessary.

Referred Items

Certain corporate events and voting decisions are deemed to be particularly commercially or strategically important. In these instances, the specialist shareholder services provider will often provide a “Referred Item” in lieu of any recommendation.

By default, if no vote instruction is received from Wesleyan prior to the proxy service provider’s voting deadline, the specialist shareholder services provider is instructed to vote these “Referred Items” as “ABSTAIN”.

Shareholder proposals

In isolation, Wesleyan does not necessarily deem shareholder proposals to be sufficiently unconventional, or noteworthy to manually review. Therefore, in these cases, the recommendation of our specialist services provider may be relied upon.