

UK Stewardship Code

The Society aims to act in the best interests of customers by engaging with the companies that it invests in where appropriate and by exercising voting rights with care and in accordance with the investment objectives of the fund. Not only is this good market practice, it goes hand in hand with ensuring the responsible investment of our customers' funds. Wesleyan's approach to The UK Stewardship Code (first published July 2010 and revised in September 2012) sets out our compliance with this Code as shown below.

Principle 1

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Guidance	Society's Approach
<p>Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on those matters as well as on issues that are the immediate subject of votes at general meetings.</p> <p>The policy should disclose how the institutional investor applies stewardship with the aim of enhancing and protecting the value for the ultimate beneficiary or client.</p> <p>The statement should reflect the institutional investor's activities within the investment chain, as well as the responsibilities that arise from those activities. In particular, the stewardship responsibilities of those whose primary activities are related to asset ownership may be different from those whose primary activities are related to asset management or other investment-related services.</p> <p>Where activities are outsourced, the statement should explain how this is compatible with the proper exercise of the institutional investor's stewardship responsibilities and what steps the investor has taken to ensure that they are carried out in a manner consistent with the approach to stewardship set out in the statement.</p> <p>The disclosure should describe arrangements for integrating stewardship within the wider investment process.</p>	<p>The Society's approach is set out in detail under Principles 2 to 7 below. The overall approach to the Stewardship Code is to strike a balance between the benefits obtained and the costs involved which are ultimately borne by the customers of the Society.</p> <p>The Society manages a number of investment funds including long term insurance funds, unit trusts managed by Wesleyan Unit Trust Managers Limited and funds held by the Wesleyan Staff Pension Scheme. The same approach to stewardship responsibilities is normally adopted for all funds.</p>

Principle 2

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

Guidance	Society's Approach
<p>An institutional investor's duty is to act in the interests of its clients and/or beneficiaries.</p> <p>Conflicts of interest will inevitably arise from time to time, which may include when voting on matters affecting a parent company or client.</p> <p>Institutional investors should put in place, maintain and publicly disclose a policy for identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of their client or beneficiary first. The policy should also address how matters are handled when the interests of clients or beneficiaries diverge from each other.</p>	<p>Given that the Society is a mutual organisation and the nature of its customer base it is less likely that conflicts of interest will arise compared to many other organisations.</p> <p>Notwithstanding this, the Society maintains detailed policies for dealing with and recording potential conflicts of interest and these are discussed at the Society's Risk Committee. The issues covered include (but are not restricted to):</p> <ul style="list-style-type: none">• Personal Account Dealing for Investment Staff and Senior Employees• Gifts and Hospitality• Allocation of bargains between different Society funds• Dealing with Pricing errors

Principle 3

Institutional investors should monitor their investee companies.

Guidance	Society's Approach
<p>Effective monitoring is an essential component of stewardship. It should take place regularly and be checked periodically for effectiveness.</p> <p>When monitoring companies, institutional investors should seek to:</p> <ul style="list-style-type: none">• keep abreast of the company's performance;• keep abreast of developments, both internal and external to the company, that drive the company's value and risks;• satisfy themselves that the company's leadership is effective;• satisfy themselves that the company's board and committees adhere to the spirit of the UK Corporate Governance Code, including through meetings with the chairman and other board members;• consider the quality of the company's reporting; and• attend the General Meetings of companies in which they have a major holding, where appropriate and practicable. <p>Institutional investors should consider carefully explanations given for departure from the UK Corporate Governance Code and make reasoned judgements in each case. They should give a timely explanation to the company, in writing where appropriate, and be prepared to enter a dialogue if they do not accept the company's position.</p> <p>Institutional investors should endeavour to identify at an early stage issues that may result in a significant loss in investment value. If they have concerns they should seek to ensure that the appropriate members of the investee company's board or management are made aware.</p> <p>Institutional investors may or may not wish to be made insiders. An institutional investor who may be willing to become an insider should indicate in its stewardship statement the willingness to do so, and the mechanism by which this could be done.</p> <p>Institutional investors will expect investee companies and their advisers to ensure that information that could affect their ability to deal in the shares of the company concerned is not conveyed to them without their prior agreement.</p>	<p>Investee companies are monitored through regular meetings with senior management and senior investor relations personnel as well as through widely available information such as Regulatory News announcements, press reports and broker comment. Contact with management can be through group or one-to-one meetings, as well as conference calls or web-enabled meetings. Any stewardship concerns will be recorded on the Society's electronic company files.</p> <p>Extensive use is also made of the support provided by the Association of British Insurers (ABI) voting service and in particular any issues highlighted would be investigated further by the investment team including contact with company management if appropriate.</p> <p>The Society expects that any information divulged by investee companies will not inhibit trading in the shares of that company unless we are expressly made an 'Insider'. We are prepared to be made insiders to sensitive information provided this information is only made to certain named individuals. We have internal processes to record if such events take place which includes making sure that information is only known to the key individuals who have discretionary authority to deal for the Society.</p>

Principle 4

Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

Guidance	Society's Approach
<p>Institutional investors should set out the circumstances in which they will actively intervene and regularly assess the outcomes of doing so. Intervention should be considered regardless of whether an active or passive investment policy is followed. In addition, being underweight is not, of itself, a reason for not intervening. Instances when institutional investors may want to intervene include, but are not limited to, when they have concerns about the company's strategy, performance, governance, remuneration or approach to risks, including those that may arise from social and environmental matters.</p> <p>Initial discussions should take place on a confidential basis. However, if companies do not respond constructively when institutional investors intervene, then institutional investors should consider whether to escalate their action, for example, by:</p> <ul style="list-style-type: none">• holding additional meetings with management specifically to discuss concerns;• expressing concerns through the company's advisers;• meeting with the chairman or other board members;• intervening jointly with other institutions on particular issues;• making a public statement in advance of General Meetings;• submitting resolutions and speaking at General Meetings; and• requisitioning a General Meeting, in some cases proposing to change board membership.	<p>We will become aware of any issues of concern either from direct contact with the company management or via the ABI through their Institutional Voting Information Service which provides background to issues and forms a good base from which to carry out further investigations. We may use the ABI as a method of making any concerns known to other investors in the same company.</p> <p>Any issues of concern would normally be raised at regular internal Investment Governance meetings where the Society's stance and method of raising with the company (if applicable) would be agreed.</p> <p>Following group or one-to-one meetings with the company open and clear feedback is provided directly or through corporate advisors.. Any serious concerns would be escalated as a matter of urgency.</p> <p>Our preferred approach is to tackle issues directly with the company or via bodies such as the ABI rather than making public statements. We are prepared to enter dialogue with Action Groups if we feel it is appropriate to do so.</p>

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate.

Guidance	Society's Approach
<p>At times collaboration with other investors may be the most effective manner in which to engage.</p> <p>Collective engagement may be most appropriate at times of significant corporate or wider economic stress, or when the risks posed threaten to destroy significant value.</p> <p>Institutional investors should disclose their policy on collective engagement, which should indicate their readiness to work with other investors through formal and informal groups when this is necessary to achieve their objectives and ensure companies are aware of concerns. The disclosure should also indicate the kinds of circumstances in which the institutional investor would consider participating in collective engagement.</p>	<p>Collaboration normally takes place via the ABI. Contact is maintained with senior personnel on the ABI investment team and issues will be raised or engagement with other companies as appropriate.</p> <p>Society representatives have been part of the ABI's special committees where it has been appropriate to do so.</p> <p>The Society is also prepared to act in collaboration with other investors if it is considered that there is a common interest in highlighting significant areas of concern. 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.</p>

Principle 6

Institutional investors should have a clear policy on voting and disclosure of voting activity.

Guidance	Society's Approach
<p>Institutional investors should seek to vote all shares held. They should not automatically support the board.</p> <p>If they have been unable to reach a satisfactory outcome through active dialogue then they should register an abstention or vote against the resolution. In both instances, it is good practice to inform the company in advance of their intention and the reasons why.</p> <p>Institutional investors should disclose publicly voting records.</p> <p>Institutional investors should disclose the use made, if any, of proxy voting or other voting advisory services. They should describe the scope of such services, identify the providers and disclose the extent to which they follow, rely upon or use recommendations made by such services.</p> <p>Institutional investors should disclose their approach to stock lending and recalling lent stock.</p>	<p>The mechanism for voting shares held by the Society is via the 'proxymedge' internet-based system.</p> <p>The Society makes use of the work undertaken by the ABI voting service but will make its own final decision in terms of individual voting instructions. No voting decisions are outsourced nor should it be assumed that we will automatically support the Board recommendation. When voting the Society would normally vote for all shares held across all of its funds.</p> <p>The Society will normally vote in the following specific circumstances:</p> <ul style="list-style-type: none">• Where the issues being voted upon are deemed sufficiently contentious• Where we are specifically requested to do so by the company (but note this does not automatically mean that we vote in line with the Board recommendation)• For our larger holdings as represented by our percentage shareholding <p>Voting records are available free of charge on request.</p> <p>The Society is not currently involved in stock lending and has no immediate plans to do so.</p>

Principle 7

Institutional investors should report periodically on their stewardship and voting activities.

Guidance	Society's Approach
<p>Institutional investors should maintain a clear record of their stewardship activities.</p> <p>Asset managers should regularly account to their clients or beneficiaries as to how they have discharged their responsibilities. Such reports will be likely to comprise qualitative as well as quantitative information. The particular information reported and the format used should be a matter for agreement between agents and their principals.</p> <p>Asset owners should report at least annually to those to whom they are accountable on their stewardship policy and its execution.</p> <p>Transparency is an important feature of effective stewardship. Institutional investors should not, however, be expected to make disclosures that might be counterproductive. Confidentiality in specific situations may well be crucial to achieving a positive outcome.</p> <p>Asset managers that sign up to this Code should obtain an independent audit opinion on their engagement and voting processes having regard to an international standard or a UK framework such as AAF 01/06. The existence of such assurance certification should be publicly disclosed. If requested, clients should be provided access to such assurance reports.</p>	<p>The Society is normally voting for shares on its own account and any significant issues are reported to the Society's Executive Committee or Board through the normal quarterly reporting process.</p> <p>Where the Society is exercising voting rights in the case of pension assets on behalf of Wesleyan Staff Pension Scheme a report of the voting activity undertaken is included in all investment reports provided to Trustee meetings.</p>