

# SUSTAINABILITY

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# SUSTAINABILITY STRATEGY

As a mutual we are committed to acting in a sustainable and responsible way in all our business operations and to doing the right thing for our members, customers, colleagues and communities.

Environmental, Social and Governance (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 product offering.

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

Whilst there are 17 goals listed within the UN framework, our business activities align most with the SDGs of good health and wellbeing, quality education, gender equality, reduced inequalities and climate action. We believe in credibility before visibility and have therefore made delivery against these areas some of our critical success factors. More evidence of what we have done to support and deliver against these goals can be seen on pages 26 to 45.



As a responsible business, we utilise the ESG framework to underpin our Sustainability strategy.

<p><b>ENVIRONMENTAL</b></p>	<p>Activity contributing to an environmental objective, such as reducing the rate of global temperature increase, limiting greenhouse gas (GHG) emissions, or reducing pollution.</p>
<p><b>SOCIAL</b></p>	<p>Contributing to a social objective such as tackling inequality or helping disadvantaged communities.</p>
<p><b>GOVERNANCE</b></p>	<p>Following good governance practices, including sound management structures, maintaining positive employee relations, fair remuneration of colleagues and complying with all laws and regulations.</p>

## OUR SUSTAINABILITY FRAMEWORK

To support the delivery of our goals we have an internal framework designed to focus our employees' efforts in key areas most relevant to our business: Sustainable Investing, Business Impact and Community and Citizenship. More details about each of these areas can be found on the pages that follow.

<p><b>SUSTAINABLE INVESTING</b></p> <p>→ Read more on page 28</p>	<p><b>BUSINESS IMPACT</b></p> <p>→ Read more on page 30</p>	<p><b>COMMUNITY AND CITIZENSHIP</b></p> <p>→ Read more on page 32</p>
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# SUSTAINABILITY STRATEGY CONTINUED

## WHAT WE HAVE DONE SO FAR

Following a busy year of implementing our sustainability strategy, we have achieved the following key milestones:



We met our commitment to be operationally carbon neutral by the end of 2023, reducing our footprint by more than 50% on a like-for-like basis from our baseline year (2019) and offsetting the residual emissions.



We surveyed our customers to ensure our Sustainable Investing Policy still reflected their views and took this into consideration when updating the policy to ensure we continue to rigorously challenge the companies we invest in.



We kept colleagues up to date with progress against our targets through a series of internal communications and company webinars.



We evolved the Wesleyan Foundation to further align to the aims of the UN SDGs. In addition to supporting grass roots charities and our professions, we launched grants for projects supporting climate action, equality and education.



We worked closely with our Employee Network Groups to develop a more collaborative and inclusive approach to recruitment and professional development. We also collaborated with other key partners such as the Association of British Insurers (ABI).



We introduced 'Lived Experience Advisory Panels' to listen to the views of our communities, ensuring the work of the Wesleyan Foundation supports them in the right way.



We continued working to achieve our aim to reach Disability Confident Leader (Level 3) status by 2024. By raising awareness and understanding of disabilities and long-term health conditions, we will better support the needs of both current and future colleagues.



We continued to diversify our property portfolio by expanding into new markets, upgrading EPC ratings of existing properties and ensuring properties are not situated in high-risk flood areas.



## WHAT'S NEXT

We have a clear plan on how we will progress our sustainability strategy in 2024, embedding our sustainability principles further across the business. To follow are examples of work we plan to progress:



Finalise interim targets as part of the transition plan to becoming net carbon zero across our business and investments by 2050.



Acquire two new property investments where we can make a significant impact on the local environment.



Improve the EPC (Energy Performance Certificate) ratings to 'D', or above, for all property within our property portfolio by 2030 at the latest.



Review recommendations from our regulators on a new framework on Diversity and Inclusion (D&I) in the financial services sector and amend our strategy accordingly.



Continue to strengthen our community work with further collaboration through our Lived Experience Advisory Panels and an enhanced Community Grants programme for community groups across England, Scotland, Wales and Northern Ireland.



Publish enhanced climate disclosures of individual investment funds in line with new regulations.



Create bespoke carbon footprints of subsidiary companies, such as PPG, to track carbon reduction in a more granular fashion.



Continue to reduce our operational carbon footprint so fewer offsets are needed in 2024 to maintain our operational carbon neutral status.



# INVESTING WITH SUSTAINABILITY IN MIND

Policymakers and regulators are holding professional investors to greater levels of account as part of international targets to help limit global warming. This is a positive development for the investment industry as it will help pave the way for a more sustainable world.

At Wesleyan, we know customers are increasingly concerned by what their investments are doing as well as how they're performing. While growth is of course a key aim for us, it's not at any cost.

We re-launched our Sustainable Investing Policy in October 2021, based on customer research and feedback. Being a mutual provides us the advantage of investing with a long-term approach, without pressure from shareholders to pursue short-term gains, which aligns with our sustainability commitment.

## OUR SUSTAINABLE INVESTING PRINCIPLES

Sustainability is a key factor in what we do, but sustainable investing can mean different things to different people. Our approach applies to all our directly-managed customer funds, not just a small selection of them. This means that our Investments team have to follow these three principles when they invest your money:



### REDUCING HARM

Our members and customers can rest assured that we will invest their money in businesses committed to reducing the negative impact they may have on people, communities and the environment.



### POSITIVE IMPACT

We believe investments have the power to do good in the world, which is why we invest in companies that are actively involved in improving the environment, our society and people's lives.



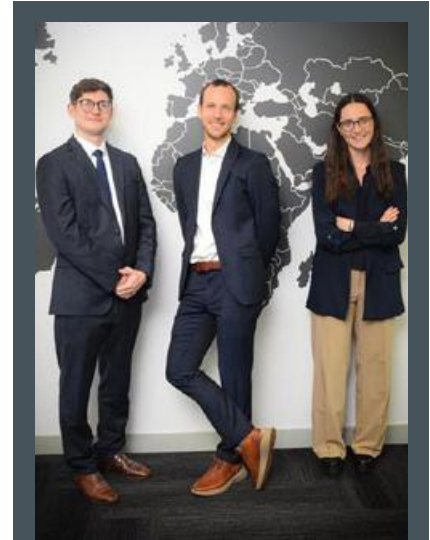
### DRIVING CHANGE

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

Each of these principles has various rules associated with it, such as the type of businesses we won't invest in. We are signatories of the Principles for Responsible Investment, which is supported by the United Nations and outlines formal guidance for professional investors to align to in order to invest responsibly. We are also signatories of the UK Stewardship Code 2020 which requires those investing money on behalf of UK savers and pensioners to meet high stewardship standards.

We firmly believe that sustainable businesses will be more profitable in the long term as they are more likely to be managed effectively in an ever-changing world - this impacts how our funds perform and the level of investment returns we can generate for everyone who invests with us.

We invest in several social initiatives and support bodies that are dedicated to improving lives around the world, including: the Access to Medicine Foundation, which tackles illness in poorer countries; and Farm Animal Investment Risk and Return (FAIRR), an investor network focusing on ESG risks in the global food sector.



“As responsible investors, we make it our priority to ensure that the impact our investments have on people and the planet is in line with our Sustainable Investing Policy. We are committed to investing our customers' money wisely by providing them with brighter financial futures whilst also considering the impact the companies we invest in may have on the world.”

LUCAS HOWARTH  
Sustainable Investment Lead

## STEWARDSHIP

An important part of our sustainable investing work involves meeting management teams at the companies we invest in to delve further into their strategies, risks and performance. We are unafraid of voicing any concerns we may have or challenging decisions where appropriate and we use our voting rights accordingly. These decisions can range from Executive remuneration to environmental concerns and from safety track records to Board diversity and independence.

We firmly believe that engaging with companies is the most effective way to encourage them to make the changes we believe are needed to create value for shareholders and improve their ESG performance.

### STEWARDSHIP IN ACTION

We have been a significant shareholder in a specialist UK bank for a number of years. We felt the targets applied for their Executive team were not sufficiently stretching and that pay and performance were not aligned. Because of this, we have voted against their remuneration report on a number of occasions and voiced our concerns to their Board members.

In July 2022, we met with the RCC (Remuneration Committee Chair) to discuss their approach to Executive remuneration (which is set out in the company's Remuneration Policy) and what changes were set to be made to the policy - which we were able to vote on for the first time in three years at their 2023 Annual General Meeting (AGM).

We felt the new policy better aligned executive pay with shareholder outcomes - an area that had been of previous concern for us. Consequently, we decided to support the company's new approach to remunerating their directors - something that we hadn't felt able to do in previous years.

Lucas Howarth, Sustainable Investment Lead comments:

**"At the company's 2023 AGM, we were happy to vote in favour of the new Remuneration Policy. We feel our engagement over the past three years, and the productive discussions with the RCC, significantly contributed to this outcome."**

## PROGRESS SO FAR

### REDUCING HARM

Prior to launching our Sustainable Investing Policy, we sold over **£40m** of investments that failed to meet our 'Reducing Harm' 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 IMPACT

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 **£35m<sup>1</sup>** into funds focused on sustainable energy production or infrastructure since the start of 2020.



We have nearly **£80m<sup>1</sup>** invested in companies contributing to social equality, such as affordable housing.



We have over **£350m<sup>1</sup>** invested in companies contributing to the advancement of medical health and the fight against diseases.

<sup>1</sup> All figures and data as of 31 December 2023

### DRIVING CHANGE

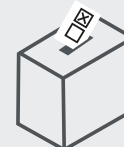
We are signatories of the Principles for Responsible Investment, Climate Action 100+, Access to Medicine Foundation, FAIRR and The Investor Forum.\*



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](http://www.wesleyan.co.uk/sustainable-investing)

# BUSINESS IMPACT

Business Impact is a core part of our Sustainability Strategy. In 2023, in line with the UN SDGs relating to climate change, we took further action to reduce our impact on the environment.

## ENVIRONMENTAL IMPACT

We have been managing the impact we have on the environment for many years. We committed to being operationally carbon neutral (after offsetting) by the end of 2023 and carbon net-zero for the whole organisation, including our investments portfolio by 2050 at the latest. Since 2019, we have reduced our carbon footprint by more than 50% on a like-for-like basis since our baseline year and offset all residual operational carbon emissions that could not be avoided to achieve our operational carbon neutral target. (see sustainability metrics and targets section on page 42 for more information)

The steps taken to reduce our operational carbon footprint can be seen on these pages.

## GREENER TRAVEL

Our salary sacrifice car scheme is designed to support colleagues reduce the impact of their personal and business miles in a

tax efficient way with a move to electric or hybrid vehicles. Known as 'EVolve', the scheme continues to grow in popularity with 91 Ultra-Low Emission Vehicles (ULEV) supplied since launch, and a further ten on order for early 2024. In 2023 alone, more than 145,000 work miles (17% of all business miles) were driven by our colleagues on electric power rather than petrol or diesel.

We also enhanced our Cycle to Work scheme, increasing the value to £3,000 so colleagues have access to a new bike and/or equipment which they pay back through their salary in a tax efficient way. We also encourage colleagues to use public transport with additional discount schemes.

## PROTECTING OUR ENVIRONMENT

We are committed to reducing the impact our business has on the environment and monitor our activities through our Sustainability Committee and Group Operating Environment Committees (GOEC). Examples of activity undertaken last year include:

- ▶ Launch of the Workplace Champions initiative which gives colleagues a platform to share ideas and feedback

to improve our working environment. There is a dedicated agenda item for sustainability updates which are fed back into the Sustainability Committee each month.

- ▶ In line with our digital first approach, we continue to reduce use of paper and printing, with a 39% paper reduction seen in 2023 compared to the previous year. We also reuse 80% of our printer toner cartridges with the remainder being recycled so none are sent to landfill or incineration.
- ▶ We are working to ensure sustainable practices in our offices with the continued installation of LED lighting and motion sensors to reduce lighting use. We also completed the replacement of our Head Office boilers with six old boilers replaced by two energy efficient ones with an increased output to improve efficiency. We continue to monitor environmental performance each month.
- ▶ Provided additional recycling bins across Head Office to ensure we meet our waste reduction and recycling targets.

## TRANSFORMING OUR ENVIRONMENT

Wesleyan's Property Team aims to manage a sustainable, diverse, high-performing commercial property portfolio to benefit our members and customers.

2023 was the first year of a five-year partnership between Devon Wildlife Trust and Wesleyan to transform a redundant piece of land within one of our office development sites at Ludwell Valley Park in Exeter. The work done so far is already delivering a new outdoor space for the local community and office workers to enjoy - providing positive environmental benefits to wildlife, residents, and occupiers alike.

In February 2023, members of the Wesleyan Property Team joined forces with volunteers from the Trust to plant approximately 200 new trees at the site. It was a rewarding day, with the new woodland already delivering an increase to the bio-diversity of the whole reserve. The newly planted section known as 'Pynes Copse' links to an adjacent existing nature reserve increasing the space available for the public to enjoy. The team is set to return to the site in the spring of 2024 to plant more trees.

Peter Millyard, Property Asset Manager at Wesleyan comments:

“ We are excited to be returning to Exeter to see how the wildlife, local community, and the office occupiers are benefitting from the area at Pynes Copse. It's great to be able to continue to support such a worthwhile cause and bring a forgotten piece of land back to life in all its forms. ”





- ▶ Our sustainability principles have been embedded into our updated procurement policies and Procurement Charter. When choosing new suppliers, outsourcers and other business partners, we are capturing environmental performance data (including carbon footprint) on our supplier management system. We will continue to work with suppliers as part of our long-term carbon strategy and incorporate appropriate supplier metrics and targets more widely into our reporting in the future.
- ▶ We are proud signatories of the UK Business Group Alliance initiatives for net zero and for a green recovery from Covid, in collaboration with the wider business community.
- ▶ In line with our commitment to the climate action SDG, we aligned our World Environment Day campaign 'the Wesleyan Big Clean' to the international theme of 'beat plastic pollution'.
- ▶ We switched our electricity suppliers within our offices to being from 100% renewable sources which significantly reduced our carbon footprint.
- ▶ Reduced our occupied office space, which led to reductions in carbon footprint, and sublet unoccupied areas.

## SUPPORTING SUSTAINABLE ENERGY

In October 2023, Wesleyan's Property Team completed the ground lease purchase of a bespoke electric vehicle charging hub in Norwich. The facility is owned and operated by GRIDSERVE.

The multi-million-pound site houses 36 super-fast charging bays, boasts an impressive EPC rating of A+ and benefits from green walls (for air purification). On site renewables include a rainwater harvesting system, solar panels, and a battery storage facility.

Wesleyan is excited to work in partnership with GRIDSERVE on this project, whose credentials align perfectly with our own Sustainable Investing Policy. Notably, GRIDSERVE are committed to only purchasing electricity produced from renewable sources, and where there is a shortfall from their own sustainable power generation facilities, GRIDSERVE has a clear purpose to deliver sustainable power and transport, from sun-to-wheel.

Tom Holland, Property Asset Manager at Wesleyan comments:

**"The pioneering ESG-focused transaction was the 'first of its kind' in the market, and represented an opportunity to 'lead change' by investing in an asset which provides the necessary infrastructure to push forward the electrification of motor vehicles in the UK."**



## REDUCING PAPER USAGE AND INCREASING OUR EFFICIENCY

Increasing digital communication in 2023 has helped to reduce the environmental impact of our operations. With email increasingly becoming customers' preferred way of hearing from us, we standardised and digitised the fee review process within the Practice Plan Group. This has enabled us to send annual notifications electronically to more than 80,000 Practice Plan and DPAS patients, radically reducing print and post costs, while increasing efficiency through the speed of email.

**“This improvement represents a huge step in transforming our experience for customers and simplifying processes for colleagues – and provided valuable learnings for future digitalisation projects.”**

KERRIE HIBBERT, Head of PPG Operations





# COMMUNITY & CITIZENSHIP

As a mutual, making a difference to the communities in which we live and serve is hugely important to us. From the Wesleyan Foundation through to our employee volunteering programme, we aspire to offer support where it matters. You can read the highlights of the impact we had in 2023 on these pages.

## WESLEYAN FOUNDATION

Wesleyan Foundation has donated almost £5.9m since it was launched in 2017, supporting over 600 different charities and positively impacting the lives of an estimated 550,000 people throughout the UK. The focus is on supporting great causes that are important to our members and their communities.

In 2023 we introduced three new grants to strengthen our focus on the United Nations SDG goals we align to (see page 34) and to extend our reach into more communities across the UK. The new grants support projects dedicated to Climate Action, Equality, and Wellbeing - specifically for doctors, dentists and teachers. You can read more overleaf.

Our community grants programme focuses on grassroots projects and is administered by the Heart of England Community Foundation. In 2023 we donated £325,000 to 40 charities across the UK through this programme, providing invaluable support in the face of continued financial pressures in the charity sector.

Projects included providing essential equipment for children with heart defects in Birmingham, mental health support for a Scottish charity dealing with trauma, help with employability in Wales and funding for an LGBTQ+ support group in Northern Ireland.

If you know of an organisation that would benefit from a Foundation grant please visit [wesleyanfoundation.co.uk](http://wesleyanfoundation.co.uk) to find out more.

“As a charity, it has been an honour to work with a mutual who demonstrate their commitment to corporate social responsibility in such a tangible way.”

**TINA COSTELLO**  
Chief Executive, Heart of England Community Foundation

## VOLUNTEERING PROGRAMME

We want colleagues to use their time, passion and skills to make a difference to causes and communities that are important to them. That's why we offer two days paid volunteering leave each year.

Volunteering days are often carried out in teams helping to build strong working relationships, further enhancing our culture of care.

In 2023 the time spent volunteering more than doubled with colleagues across the Group spending around 760 days working in food banks, care homes and hospices, as well as providing vital support as school governors, mentors and charity trustees.

Over 130 colleagues got involved with the Wesleyan Big Clean litter picking campaign collecting over 1 tonne of rubbish and covering 214 miles.



## LIVED EXPERIENCE ADVISORY PANELS

We continually look for ways to improve our community and citizenship programme and in 2023 introduced the concept of Lived Experience Advisory Panels (LEAP). These panels allow us to talk to people with direct experience of using public/charity services so we can understand from them the challenges they face. This gives us a greater understanding of what's important to service users, helping us provide more targeted and proactive support.

In 2023, LEAP consultations were carried out with three groups, including adults with learning disabilities, survivors of domestic abuse and young people who live in areas with high levels of deprivation. General issues raised included the need for more support to find meaningful employment, better access to health and housing services and the stress arising from the ongoing cost-of-living crisis.

Action plans have been drawn up following the consultations and we are working hard to deliver these. LEAP meetings are continuing into 2024.

## MAGIC BREAKFAST



The Wesleyan Foundation reached the fantastic milestone of funding over half a million breakfasts for hungry schoolchildren through the charity Magic Breakfast, thanks to support from our wonderful members. Following last year's AGM we donated a further £53,000 to the charity bringing the total amount since 2019 to £145,500.

Magic Breakfast provides healthy breakfasts to children and young people in the UK who arrive at school too hungry to learn, as well as expert support to their schools.

Ali Roberts, Head of Corporate Partnerships at Magic Breakfast, said:

“When a child is hungry, they cannot learn and this can impact their education and life chances. We are incredibly grateful to Wesleyan Foundation for their generous donation that is enabling us to provide free, nutritious breakfasts to pupils across the UK, giving them the chance to reach their full potential.”

## ENVISION

Over recent years colleagues have worked as business mentors supporting young people as part of a social mobility programme known as Envision. Working in schools, the aim is to support students to deliver a project of their choice and help them develop key skills that will be invaluable as they begin to look for work.

This year we worked with students to tackle issues within their school such as gang crime and student wellbeing. As a result a new wellbeing room was installed in the school supported by funding from the Wesleyan Foundation.



## FUNDRAISING

Wesleyan colleagues are proactive fundraisers and in 2023 raised over £50,000 with activities including:

- ▶ The Wesleyan Sports Tour: 130 colleagues walked 18 miles on one of the hottest days of the year in aid of motor neurone disease.
- ▶ One million steps for mutuality involved colleagues walking to support Doctors in Distress.
- ▶ A 24-hour static bike ride to support the recovery effort following floods in India.
- ▶ A sponsored sleep out in aid of the Turkey/Syrian earthquake survivors.

Did you know Wesleyan offers match funding of up to £100 to support our customers' fundraising efforts? To apply email [Foundation@wesleyan.co.uk](mailto:Foundation@wesleyan.co.uk)



We were delighted to win in the Corporate Social Responsibility category at the Dental Industry Awards in November, as well as being recently recognised for Excellence in Contribution to the Community at the Greater Birmingham Chamber of Commerce Awards.

# WESLEYAN FOUNDATION – A GRANT FOR EVERY GOAL

Wesleyan Foundation was launched in 2017 to provide funding to charities, grassroots, volunteer and community-led organisations that make a difference. Through our grants programme we support projects that are important to our members and the communities in which they live and work.

We were pleased with the response to the launch of three new grants in 2023 and over the following pages we share news of some of the successful recipients.

## CLIMATE ACTION GRANT

The Climate Action Grant supports charities that work to protect and improve the environment and help combat the effects of climate change. Three projects benefitted from a £74,000 donation and will help to create and protect woodlands, enhance flood protection, and reduce carbon.



### BORDERS FOREST TRUST:

A conservation charity working to restore native woodland habitats across Southern Scotland, an area with one of the lowest percentages of native woodland in the UK. Wesleyan's donation will support the charity's flagship project 'Reviving the Wild Heart of Southern Scotland', planting more than 52,000 trees and plants covering 3,250 hectares in the Talla-Hartfell Wild Land Area.

“This level of generosity from the Wesleyan Foundation enables our valuable work to continue and grow. Between us we have a chance to make a positive lasting difference to the natural world in this area.”

**CHARLES DUNDAS**

CEO Borders Forest Trust.

## EQUALITY GRANT

This grant drives equality for disadvantaged groups with £70,000 donated to eight charities ranging from supporting young people with special educational needs through to a project focused on supporting women who are made homeless as a result of abuse.

### EDGBASTON FOUNDATION

The charity arm of Warwickshire County Cricket Club and the Edgbaston Stadium received £9,300 funding from the Wesleyan Foundation to support a project mentoring 50 young South Asian girls from the ages of 11 to 16 years.

Numerous studies have shown that post Covid young women, especially those from South Asian communities, are struggling with social interaction, anxiety and a lack of aspiration.

The mentoring programme provides leadership training to build confidence and communication skills, guidance on further education opportunities and focus on improved mental health through access to physical exercise.

“It's been fantastic to see the positive difference the programme is making to these young women as they grow in confidence week-by-week.”

**JESS WARD**

Women & Girls' Manager, Edgbaston

## WELLBEING GRANT

The Wellbeing Grant is specifically designed to support doctors, dentists and teachers. It formalises work we have done in recent years to support our professional customers when going through challenging times.

We donated £94,000 to four charities - Doctors in Distress, Education Support, the British Dental Association's (BDA) Benevolent Fund and Confidential, a telephone helpline service for dental professionals.

**Doctors in Distress** has delivered wellbeing programmes for both doctors and dentists, including creative writing therapy programmes and specialist support for International Medical Graduates.

**Create. Reflect. Support. Restore.**

Restorative Creativity Support Programme for Doctors

A 4 week interactive creativity programme exclusively for doctors

Tuesdays starting 23rd May

12:30-1:30PM

Free

Zoom

Doctors in Distress



**Education Support** is providing a Wellbeing Action programme for teachers from ethnic minority communities and the **BDA Benevolent Fund** received a donation to support those in the profession struggling with their mental health and financial wellbeing.



We continue to support the future of the medical and dental professions through our partnerships with regional universities.

## QUALITY EDUCATION GRANT

The 'Wesleyan Pathway to Medicine and Pathway to Healthcare' programmes are offered by Aston University and supported by a three year grant from the Foundation. They aim to help young people from non-traditional backgrounds pursue careers in medicine and healthcare.

The programmes focus on students from schools in areas with high levels of deprivation and low income households. These young people may be the first in their family to go to university and are given the skills and confidence to apply for courses centred around medicine and healthcare professions.

Over 100 students are currently going through the Pathway programmes receiving regular mentoring, revision support and help with university applications.



A summer school held in 2023 gave students a taste of university life as they spent a week on campus, attending lectures and living in a hall of residence. For some this was the first time they had stayed away from home. Feedback was positive with one student commenting:

“ It has helped me so much in deciding what I want to do; every lecture we went to and the challenges we did were so insightful. ”

## PATHWAYS TO BIRMINGHAM DENTISTRY PROGRAMME



We have enhanced our partnership with the University of Birmingham donating £65,000 to fund a mentoring programme for 16-18 year olds, encouraging access to the dental profession from under-represented groups.

We also continue to provide scholarships for 15 dental students from disadvantaged backgrounds during their first three years of study.

Hadiya Mohammad, First year Dental Student, said:

“ I don't think that I would be at Birmingham studying Dentistry if it weren't for the Pathways to Birmingham scheme. It provided so much support from being able to write a personal statement to interview preparation, I couldn't imagine getting into such a competitive course without the scheme. ”

It's great to see what a difference the Pathway programmes are making; we wish all of the students the best of luck and look forward to updating you on their progress.

## WESLEYAN WINTER OF GIVING

For a second consecutive year, we've given an extra financial boost to charities that work tirelessly to better our communities, as nominated by Wesleyan members and colleagues.

£100,000 has been shared among 50 charities and community groups through the Wesleyan Winter of Giving Fund. Each organisation received £2,000 to help with their essential work in communities across the UK.

It was great to see so many members getting involved with over half of the nominations coming from them. Many of the causes nominated were for local community groups, hospices and foodbanks.

One organisation that will get a boost from the Winter of Giving fund is KidsAid, a charity aimed at providing long-term therapeutic support for children and young people who have experienced trauma. The charity, which receives no official funding, will use the grant to provide access to free therapy to help children process bereavement and family loss.



## STEPH CURRY

Corporate Partnerships & Marketing Manager for KidsAid said:

“ This funding will make a significant difference to the children we support. Having experienced early-life trauma, accessible long-term provision is exceptionally rare. Receiving this level of therapeutic intervention will prove life-changing for the young people we work with. ”

# NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

Businesses are required to comply with the Non-Financial and Sustainability reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. This requires us to demonstrate our position in a number of key areas.

➔ More information on [Environmental matters](#) can be found on page 30

➔ More information on [Employees, Respect for Human Rights and Anti-Corruption and Anti-Bribery Matters](#) can be found on page 46

➔ More information on [Social matters](#) can be found on page 46

## CLIMATE-RELATED FINANCIAL DISCLOSURES 2023

This section presents Wesleyan's Climate Change disclosures which are also required under the UK Mandatory Climate Change Disclosures (UK MCD). UK MCD has eight disclosure requirements that fall under four pillars: Governance, Risk Management, Strategy and Metrics/Targets. These areas and our compliance with them are covered in detail over the following pages.

We report at Group level and do not provide separate climate change disclosures for our subsidiary companies as:

- ▶ Subsidiary companies operate below the regulatory thresholds that require additional reports;
- ▶ Subsidiary companies align to the same reporting end date as the Group; and,
- ▶ Activities from subsidiary companies and the key climate-related issues they face are not materially different from that of the Group.

### GOVERNANCE

Our aim is to embed an understanding of sustainability, including climate change risks and opportunities across the business, such that employees consider sustainability in their day-to-day work and decision making. This includes the identification of risks and opportunities relating to climate change.

The Society Board is ultimately responsible for setting Wesleyan's Sustainability Strategy. The Chief Risk Officer (CRO) is the allocated Senior Manager Function (SMF) holder and has ultimate operational responsibility for managing climate change risks and opportunities. The CRO attends Board meetings and other relevant Board sub-committee meetings, ensuring that sustainability is appropriately considered in senior level decision making.

The Governance section on page 66 highlights the responsibilities for each committee in respect to sustainability and how this escalates to the Board. In summary, material issues relating to sustainability will be reported into Group Executive Committee (GEC) and then into People, Culture & Governance Committee (PCGC) and Society Board. Board sub-committees will review relevant areas of climate change risk. This higher level governance structure is supported by working groups and management level committees as follows.

### 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 to track the sustainability action plan on a monthly basis. The Committee is chaired by the CRO, with the Chief of Staff as Co-Chair. The core membership is comprised of representatives from across the Group, with additional guest members attending for specific agenda items.

The Sustainability Committee considers ongoing regulatory requirements in respect to sustainability and financial risks which arise from climate change. The Committee is responsible for identifying areas of development and ensuring the business adequately meet 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 included:

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

- ▶ Review of Risk Assessment of Financial Risks from Climate Change

Outputs from the Sustainability Committee are consolidated by the Group Sustainability Manager and feed into other committees such as GEC, PCGC 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 the 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 the office locations have the ability to deliver the work required of them. The working group feeds both into Sustainability Committee and Group Operating Environment Committee (GOEC) as the actions derived from this group often have an impact on both the internal and external environment. Sustainability is a recurring agenda item and many positive actions to reduce waste and operational carbon footprint have been facilitated through this group.

### SUBSIDIARIES

Our Sustainability Strategy applies to all Group companies. Whilst we govern and report on climate change risks and opportunities at Group level, each subsidiary company is represented at Sustainability Committee and considers specific actions that apply to their business. As an example, specific issues impacting

our subsidiary companies during 2023 include:

- ▶ Practice Plan Group (PPG): have embedded the principles of sustainability into their business events. In 2023, their main annual event incorporated a sustainability theme which included working with the venue to remove all single use plastic bottles from the event. In addition to this, materials used for the event were responsibly sourced, local suppliers were used wherever possible and the carbon footprint associated with transportation for the event was calculated and offset. In 2024, given that PPG have a separate office location to the wider Group, they will have their own carbon footprint targets which will feed into the wider Group metric.
- ▶ Wesleyan Financial Services (WFS): During 2023, WFS reviewed and strengthened the process for gathering customer preferences for sustainability in making investment decisions, ensuring that product recommendations consider customers' sustainability needs.
- ▶ Wesleyan Unit Trust Managers: Our Sustainable Investing Policy applies to all Wesleyan directly managed funds, including our unit trust range.

## 2023 CLIMATE-RELATED GOVERNANCE ACTIVITY

Sustainability updates are discussed at the PCGC on a quarterly basis, with key issues then escalated to Society Board. Sustainability risks are reported on at each Board meeting within the CRO report. During 2023, we have undertaken the following activities that have been reviewed at Society Board:

- ▶ Group Sustainability Strategy reviewed and updated to reflect progress against targets.
- ▶ Presented the outcomes of customer research on attitudes towards sustainable investments and reviewed our Sustainable Investing Policy.
- ▶ 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 to specifically include sustainability and climate change risks as a top level risk that will be explicitly reported on within regular risk reports.
- ▶ Set climate-related targets for 2023 and beyond for Group and Executive bonus schemes.
- ▶ Provided an update on forthcoming sustainability related regulatory change and our plans to implement and embed these changes.

## RISK MANAGEMENT

Risks 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. Wesleyan Assurance Society and all subsidiaries are within scope of the RMF, and all subsidiaries have the responsibility to manage their risks effectively.

Sustainability and financial risks arising from climate change are a 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 GEC, Risk Committee and Society Board.

## RISK APPETITE STATEMENT

Wesleyan Assurance Society's risk appetite in respect to climate risk 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 being inconsistent 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 risks and opportunities from both a bottom-up and top-down basis. A summary of these processes is provided here:

- ▶ 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 include 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 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-looking assessment of climate-related risks.

## RISK ASSESSMENT

In assessing climate change risk, we categorise our key risks between physical and transition and consider both risks and opportunities.

## PHYSICAL

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, which could impact their market value.



# NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT CONTINUED

► 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.

## 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. We know that acting in the right way, including having a sustainable business impact and offering sustainable products, is important to them. As a mutual, we naturally

focus on the longer-term and our overall commitment to 'doing the right thing' for our customers, our colleagues 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 to align with the time periods used for stress and scenario testing. The short term has been selected as three years as this aligns with our strategic planning period. The medium term of ten

years aligns to the period over which we carry out projections for our ORSA. The long term of ten years plus is then the period beyond our ORSA modelling.

We have identified climate change risks and opportunities at Group level. These apply to all our subsidiary companies, whilst noting that:

- The risk of reductions to asset and property values are most relevant to Wesleyan Assurance Society and Wesleyan Unit Trust Managers.
- Risks relating to providing suitable financial advice on sustainability related issues is predominantly with Wesleyan Financial Services.

## CLIMATE CHANGE RISKS

TRANSITION RISKS	DESCRIPTION	TIMEFRAME	POTENTIAL IMPACT	MITIGATIONS
<b>Strategic</b>	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.
<b>Market (inc Credit)</b>	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 across our fund range and reduced capital strength.	<p>Agree a transition path to 2050, including interim targets where applicable.</p> <p>Stress and scenario testing of possible future climate change scenarios to ensure these remain within risk appetite.</p> <p>Monitor core metrics such as carbon intensity of funds and carbon rating of funds against benchmark.</p>
<b>Reputational/ Business</b>	Failure to develop sustainable products / funds or to take action to become operationally sustainable.	Short term	Reduced profitability and potential reputational damage across the Group.	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.
<b>Property</b>	High costs of meeting minimum energy-efficient standards for property investments.	Short term	Lower policyholder returns across our fund range and reduced capital strength.	<p>Ongoing regular investment in our properties to improve energy efficiency.</p> <p>Energy efficiency standards included within the assessment process for new property purchases.</p> <p>Monitor core metrics covering energy efficiency of our property portfolio.</p>

TRANSITION RISKS	DESCRIPTION	TIMEFRAME	POTENTIAL IMPACT	MITIGATIONS
<b>Regulatory</b>	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.
<b>Operational</b>	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.
<b>Market</b>	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.
<b>Insurance</b>	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.
<b>Property</b>	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.  Metrics are in place to monitor the percentage of our property portfolio in high flood risk areas.
<b>Operational</b>	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
<b>Customer Offering/ Brand</b>	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.
<b>Resilience</b>	Flexible working, reduced travel and lower costs from being a climate-resilient business.	Short term	Increased profitability and reduced harm to the environment.
<b>Market</b>	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.

# NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT CONTINUED

## 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 PCCG and then Society Board.

A set of sustainability metrics is monitored monthly by the Sustainability Committee and KRIs 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, then 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. See more on page 45.

## STRATEGY

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 an ability to focus on doing the right thing in the long term.

“Wesleyan is committed to 'Doing the right thing' for our customers, our colleagues, our communities and the planet.”

## 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.

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 and on the following page:

SUSTAINABILITY PRINCIPLE	HOW DOES THIS IMPACT OUR BUSINESS STRATEGY?
<b>CUSTOMER OFFERING</b> 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.
<b>SUSTAINABLE INVESTMENTS</b> When we invest in companies, we will aim to improve the sustainability of our asset portfolios. 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 Investing Policy that is approved at Board and applies to all our directly invested customer funds. It sets out how we will make investment decisions that: <ul style="list-style-type: none"> <li>▶ Reduce Harm;</li> <li>▶ Make a Positive Impact;</li> <li>▶ Drive Change.</li> </ul> We have developed and expanded our Socially Responsible Investment team to support our internal asset managers. We have set specific metrics for monitoring the sustainability of our investments (including our direct property portfolios), as summarised in the next section.
<b>SUSTAINABLE SUPPLIERS</b> We will only purchase services and equipment from companies that meet our sustainability standards.	Our sustainable principles are embedded into the Society's procurement policies and are an intrinsic part of the Society's Procurement Charter.
<b>SUSTAINABLE INFRASTRUCTURE</b> We will reduce our own carbon footprint as an organisation, aligning ourselves with targets set by the Government 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 committed to being carbon neutral in our operations by end 2023 (including allowance for carbon offsetting). In meeting this target in 2023, we produced a Carbon Offsetting Policy that has been approved by the Board and purchased credible offsets to meet this target. More can be seen on page 37. 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.



<b>SUSTAINABILITY FOR COLLEAGUES</b> We will encourage our colleagues to engage with the world's sustainability challenges.	<p>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.</p> <p>How we support our colleagues and how we act as a business helps to attract and retain employees.</p> <p>We have engaged in regular communications to our employees on sustainability, including training to develop colleague understanding.</p> <p>In 2024, we will develop this further, with more training to help colleagues better understand how they can improve the impact they have on the environment.</p>
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### BUSINESS MODEL RESILIENCE

The primary climate change risks identified in the table set out earlier in this section of the report, along with the mitigations being taken, are assessed and reviewed by the Risk Committee and Society Board at least annually as part of our assessment of climate change risks. The risks and metrics are then regularly monitored as part of regular CRO reporting.

#### MARKET RISK

Given our current (and expected future) capital strength, we believe climate change represents a low level of risk to our financial

strength. However, we recognise that this is subject to us taking effective action to reduce the carbon exposure of our portfolio in the future with a view to achieving a net-zero investment portfolio by 2050.

#### CONDUCT RISK

We believe that there is currently a moderate level of conduct and operational risk relating to climate change, given the high level of regulatory change in this area and the business changes required to implement this. There is additional conduct risk as we need to ensure that our actions are consistent with our sustainability

commitments. After mitigations, such as planning our change, and the oversight and metrics that we use to monitor adherence to our sustainability commitments, we believe our residual risk exposure in this area is low.

#### INSURANCE RISK

We have assessed that the insurance risk for us relating to climate change is low. There is some risk due to the impact that climate change may have on sickness and mortality rates, but these have been assessed as low risk.

### STRESS AND SCENARIO TESTING

To provide a quantitative assessment of our exposure to climate change risks, Wesleyan have considered a range of climate change scenarios over a 30-year period which are aligned to the Bank of England's Climate Biennial Exploratory Scenario (CBES):

	EARLY ACTION (ORDERLY TRANSITION)	LATE ACTION	NO ADDITIONAL ACTION (DISORDERLY TRANSITION)
	An orderly transition to a carbon neutral economy, taking into consideration the costs associated over the scenario.	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 has been no action taken to progress to a net zero emissions economy resulting in additional climate-related policies being implemented.
<b>Key Assumptions:</b>			
Equity Markets	-2% (years 1-10)	-2% (years 11-20)	-4% (years 21-30)
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. This work will be aligned to FCA requirements that take effect from 2024 to provide climate-related disclosures to customers. The

# NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT CONTINUED

modelling of climate change risk across the industry remains in its infancy and our calculations continue to be approximate. The market 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 investment portfolio.
- ▶ Adherence to our Sustainable Investing Policy (and in particular, ensuring funds do not breach our exclusion policy).
- ▶ ESG and carbon intensity ratings of funds relative to external benchmarks.

## 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 to meet our aim of being a sustainable business. There are three primary areas of focus in order to ensure we meet our overall sustainability risk strategy and remain within risk appetite. The table below shows more detail about how we manage our commitment.

## KEY METRICS

The table below shows a summary of the sustainability metrics collected since 2020 and our progress to date:

SUSTAINABLE INVESTING	2023	2022	2021	2020
Carbon intensity of Society assets (tCO <sub>2</sub> e / £100k invested)	6.0	7.1	7.4	10.4
Number of funds with carbon intensity better than benchmark	9/10	9/10	9/10	9/10
Number of funds with ESG rating better than benchmark	10/10	10/10	10/10	10/10
% of property investments in terms of value with A or B EPC rating	49.0%	34.3%	24.8%	N/A
% of property investments in terms of value with D or higher EPC rating	97.0%	94.4%	86.9%	N/A
% of property investments in high flood risk areas	0%	1%	N/A	N/A
% of property investments in medium risk areas	2%	2%	N/A	N/A
% of property investments in low flood risk areas	6%	7%	N/A	N/A
% of property investments in very low flood risk areas	92%	90%	N/A	N/A
BUSINESS IMPACT	2023	2022	2021	2020
Market-based Scope 1 Carbon Footprint (tCO <sub>2</sub> e)	270	458	739	558
(Location-based)	(270)	(458)		
Market-based Scope 2 Carbon Footprint (tCO <sub>2</sub> e)	0	5	584	1,051
(Location-based)	(238)	(436)		
Market-based Scope 3 Operational Carbon Footprint (tCO <sub>2</sub> e)	676	539	471	368
(Location-based)	(697)	(544)		
Market-based Total Operational Carbon Footprint (tCO <sub>2</sub> e)	947	1,002	1,794	1,977
(Location-based)	(1,205)	(1,443)		
Market-based Carbon Footprint per employee (tCO <sub>2</sub> e)	0.7	0.7	1.2	1.3
(Location-based)	(0.9)	(1.0)		
Carbon Offset purchased	(947)	-	-	-
Market-based Total Operational Carbon Footprint after Offsetting	0	N/A	N/A	N/A
Waste Generated (Tonnes)	28.0	35.8	28.4	N/A
% waste to landfill	0%	3.3%	1.8%	N/A
Paper usage (sheets)	1,204,526	1,974,282	947,790	1,065,126
Water usage (m <sup>3</sup> )	3,329	3,352	4,462	2,573
Electricity usage (kWh)	1,149,825	2,212,660	2,749,983	2,891,054
Gas usage (kWh)	1,389,667	2,643,458	3,495,188	3,156,707
Total energy usage (kWh)	2,539,492	4,856,118	6,245,171	6,048,761
% Electricity from renewable sources	100%	100%	35%	9%
COMMUNITY AND CITIZENSHIP				
Amount of money donated via Wesleyan Foundation	£874,876	£1,006,000	£960,000	£854,000
Other charitable donations	£86,767	£88,000	£85,000	£17,000
Number of volunteering days	758	327	105	67

**NOTES:**

Scope 1 represents our direct emissions from use of natural gas and company car travel. Scope 2 represents indirect energy emissions, predominantly our use of purchased electricity (see below definitions of market and location-based carbon). Scope 3 represents indirect emissions that we have selected to be part of our operational carbon footprint, such as homeworking, waste and water usage.

Our carbon footprint calculations include some assumptions based on data availability and industry best practice guidance. Key assumptions include:

- ▶ Scope 1 footprint: assumes that company car mileage claims are accurate and claimed in a timely manner to be incorporated into the overall scope 1 footprint. Site gas kWh consumption is taken from utilities bills issued by utilities providers to be used in the overall footprint calculation. Due to Wesleyan renting various floors within Head Office, gas consumption is estimated on floor area pro-rata basis as submeters within the building are not available. In doing so, gas consumption by tenants is removed from the operational footprint as this is classified as scope 3 carbon.
- ▶ Scope 2 footprint: comprises the electricity usage kWh consumption taken from utilities bills issued by utilities providers. Due to Wesleyan renting various floors within Head Office, electricity consumption is estimated on floor area pro-rata basis as submeters within the building are not available. In doing so, electricity consumption by tenants is removed from the operational footprint as this is classified as scope 3 carbon.
- ▶ Scope 3 footprint classified as: employee travel, homeworking, waste and water. Key items currently excluded from our carbon footprint calculations include: employee commuting; indirect carbon footprint from suppliers; emissions derived from the companies we invest in; and carbon produced by tenants and vacant space within our investment properties (including tenants in our Head Office). The carbon footprint of the companies we invest in is significantly higher than Wesleyan's own operational carbon footprint.
- ▶ Market-based operational carbon footprint: Market-based carbon is defined as 'emissions derived from electricity that companies have purposefully chosen based on their source'. In this instance, Wesleyan have chosen to only procure electricity from certified renewable sources which are certified from 100% REGO sources (Renewable Energy Guarantees of Origin). Therefore the carbon footprint associated with office electricity is essentially zero when included within the operational footprint.
- ▶ For transparency, we also monitor location-based carbon footprint, which is defined as 'emissions derived from the National Grid and therefore reflects the average emissions intensity of grids on which energy consumption occurs'. This however is not the figure we base our targets on.
- ▶ Employee numbers: these are based on an average number of employees employed per calendar month. These figures are then averaged across the calendar year to determine the average number of employees across the year. This figure is utilised to establish the overall carbon footprint per employee figure.
- ▶ The figures for 2022 and 2023 include a methodology change from the original 2020 baseline year. In particular, homeworking now includes all homeworking. In 2020, this included only those employees formally recognised as homeworkers.
- ▶ There is material uncertainty relating to the estimate of the carbon footprint generated by homeworking. The carbon footprint relating to homeworking assumes the information received from employees who responded to our homeworking survey is representative of our total workforce. Surveys take place on an annual basis and are supported by questions from a third-party consultancy to ensure appropriate questions are asked. In 2023, the response rate to the survey increased from 24% (2022) to 38% (2023). The breakdown of responses was also aligned to the divisional split across the Group, which meant the data was much more representative of the workforce as a whole.
- ▶ Percentage of Property Investments in flood areas are based on the capital value of all investments combined rather than the quantity of assets owned within the portfolio. In 2022, this figure only encapsulates properties in England within the portfolio whereas the 2023 figure encapsulates the whole of the UK. Portfolio exposure to flood risk assets by value is as at 31 December of the corresponding year.
- ▶ Renewable energy tariffs at home: a new question to the survey in 2023 asked whether individuals used renewable energy tariffs at home. 35% of responses stated they did. Despite this being a very progressive finding, we have not used this to reduce our carbon footprint this year; we will seek to build the data to use this in 2024.
- ▶ There has been a methodology change to the way we pro rata operational footprint associated with unoccupied office space. In previous years, footprint associated with the whole office was included in the metrics, whereas 2023 was excluded as unoccupied space falls within scope 3 and therefore is not deemed to be operational.
- ▶ Due to the sale of Wesleyan Bank on 28 February 2022, there was a reduction of scope as two of our smaller sites were removed from the portfolio. As such there were fewer buildings included in reporting from March onwards and there was a reduction in staff members.
- ▶ Emissions from company car users: based on the assumption that all mileage claimed by company car users is accurate and that they are claimed in a timely manner.
- ▶ Emissions from grey fleet: the grey fleet encapsulates all staff who either have a car allowance for work use or those who have a private vehicle but claim mileage on an ad hoc basis. Assumptions here include that mileage claimed is accurate and claimed in a timely manner, but also that the vehicle size and fuel types are accurate. Should individuals change their vehicle, there may be a discrepancy within the data, so we are reliant on them updating records accordingly.
- ▶ Flights: all data derived from flights is taken from a third-party provider on a monthly basis. All of this data is compiled into a report detailing flights, destinations and class of travel.
- ▶ Hotels: whilst carbon footprint associated with hotels can vary depending on type and location, a government-based conversion factor of 15.8kg CO<sub>2</sub>e is applied for each night an employee stays in a hotel.
- ▶ Waste to landfill: in previous years, this figure was quoted from the recycling rate of the whole waste facility as the waste contractor was unable to separate Wesleyan only waste from the total volume processed each calendar month. This process was altered when reporting for 2023 however by working with the waste contractor to focus specifically on waste produced by Wesleyan.
- ▶ Methodology for recording paper usage has changed in 2023 to encapsulate all printers, which was not the case in 2022. The process is now centralised and the 2022 figure has been back dated.
- ▶ The total market-based carbon footprint for 2023 was broken down as approximately 0% from electricity usage as we now only utilise electricity from guaranteed renewable sources, 27% from gas usage, 33% from homeworking, with other items derived from travel and transport making up the remaining 40%.
- ▶ The 2023 reporting has seen a methodology change in regards to electricity and gas usage. In previous years the usage of the whole Head Office building has been reported, whereas in 2023 we are only reporting the usage from Wesleyan-occupied areas as tenanted and vacant area usage fall within scope 3 emissions as stated above.
- ▶ Overall, we would expect our actual carbon footprint to be within +/- tolerance based on the reports produced by Carbon Footprint Ltd. Due to the proportion of footprint associated with homeworking, the 2023 tolerance has been stated as 19% +/- of the figures quoted.

Figures listed in the table have been rounded to the nearest whole number. Metrics relating to paper usage and waste are derived from purely office based activities due to the lack of data available from our Specialist Financial Advisers.

**DATA LIMITATIONS**

The climate metrics, targets and other forward-looking statements set out in this section should be treated with special caution. There are high levels of uncertainty and judgement required in relation to the evolution and impact of climate change and the calculation of our carbon footprint. There are significant variations across the financial services industry in terms of the data sets used and the method and scope of operational carbon footprint calculations.



# NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT CONTINUED

## OPERATIONAL CARBON FOOTPRINT REDUCTION

In 2020, we set the target to reduce our carbon footprint per employee (before offsetting) by over 50% by year end 2022 and to be operationally net carbon neutral by year end 2023.

Our key metrics for measuring this progress are:

- ▶ Operational Carbon Footprint per employee
- ▶ Operational Carbon Footprint after allowance for carbon offsetting

The first of these ensures we continue to be proactive in reducing our carbon footprint. The second metric monitors our commitment to being carbon neutral in our operations with effect from 2023.

On a like-for-like basis, we have achieved both of these targets, with our operational footprint decreasing by more than 50% and procuring good quality verified carbon credits to offset unavoidable carbon.

In 2022, we widened the scope of what we have included within our 'Operational Carbon Footprint' calculation. In particular, we now include all homeworking including hybrid working.

The driving factors behind these reductions are procuring energy from renewable energy sources and continuing to diversify our car fleet to include more EV and Hybrid vehicles. Carbon literacy within the organisation is also continually improving due to both internal workshops and regular communications.

For the last two years, the Carbon Footprint per Employee metric has been a feature of both the internal colleague and Executive bonus schemes (for more information refer to page 73).

## KEY TARGETS FOR 2024:

- ▶ We will continue to be operationally net carbon neutral throughout 2024 and onwards. We met our target of being operationally net carbon neutral by year end 2023 by applying the carbon reduction hierarchy and reducing our carbon footprint by more than 50% on a like-for-like basis from our baseline year of 2019 and offsetting the residual footprint that we could not mitigate.
- ▶ We will continue to seek to decarbonise our operations to at least maintain the 50% reduction to our Operational Carbon Footprint.

## INVESTMENT STRATEGY - CARBON NET-ZERO BY 2050

We are committed as a business to meeting the governmental target of 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 manage and monitor our exposure to sustainability and climate change risk in our investment portfolio via the following:

- ▶ Our Sustainable Investing Policy sets out core principles that we apply across all our funds of: Reducing Harm, Positive Impact and Driving Change.
- ▶ We require our in-scope funds' ESG rating and Carbon Footprint to beat their comparator benchmarks, on a 12-quarter rolling average basis. We are currently ahead of benchmark for both ratings across all our in-scope funds, except for UK Growth's carbon footprint. Whilst UK Growth's carbon footprint is behind on its 12-quarter rolling average, its single-quarter performance has been better than that of its benchmark for the last four quarters.
- ▶ Carbon intensity is the weighted average carbon emissions across the companies that we invest in, typically expressed as tCO<sub>2</sub>e per £100k invested.

- ▶ We monitor the Carbon intensity of our investments. The current carbon intensity of our assets (as of Q4 2023) is 6.0 tonnes CO<sub>2</sub>e. This is a reduction of 27% since our baseline year of 2019. We have not yet set interim targets for our path to 2050 but a transition plan will be created during 2024.
- ▶ In 2022, targets were set to reduce the portfolio exposure to high and medium flood risk assets by a third from 3% to less than 2% by value. In 2023, Wesleyan sold the only high flood risk-rated asset, reducing our overall portfolio risk of medium flood risk assets to 2.2%. We will continue to reduce our exposure to assets in a medium risk area and have amended asset purchasing processes to ensure no high risk assets are taken on. Whilst we achieved the government target of all our rental properties having an EPC of E or above, we have targeted 100% of our Property portfolio to have an EPC rating of D or above across all of our property holdings. We are currently at 97% (as at 8 November 2023), with the remaining 3% being sat at rating E which is still compliant with current regulations. We have clear plans to improve our remaining E and below rated properties as part of imminent refurbishment projects taking place in 2024.

## COMMUNITY AND CITIZENSHIP

Whilst we haven't set specific targets for our Community and Citizenship activity in 2023, we have been tracking the amount of money donated through the Foundation, number of volunteering days taken by Wesleyan employees and other charitable donations through our sustainability metrics process since 2020. Internally, we have sought to increase volunteering and to maintain the good causes we support via the Wesleyan Foundation. More information regarding the successes of Community and Citizenship in 2023 can be seen on page 32.

## CARBON OFFSETTING

To achieve the Wesleyan target of being operationally net carbon neutral by year end 2023, we had to purchase carbon offsets to mitigate the unavoidable carbon. Whilst we have met a significant milestone in doing this, there is still a lot more work to do. We will continue to be carbon neutral in our operations going forward and therefore will continue to decarbonise to remove the emissions across our operations and to only use offsetting for the emissions we are unable to reduce and remove.

With this in mind, we have created a Carbon Policy and Offsetting strategy which has guided the purchase and retirement of carbon reduction credits from the voluntary carbon market.

We feel it is important to be transparent regarding the carbon offsets we are purchasing. One of the key considerations within the policy was to obtain an appropriate balance between projects

which remove carbon dioxide from the atmosphere and those that aim to avoid carbon usage in the future. A portfolio approach was taken to the offsets, which favours carbon removal, targets more of the SDGs which align with our Sustainability Strategy and Trusted Professions and focuses on high quality credits available.

## SNAPSHOT OF CARBON REMOVAL PROJECTS

The portfolio of carbon offsets is split between four different projects of varying geographies which all offer a variety of benefits and have been scrutinised to align to our overarching carbon offsetting strategy. An example of one of the projects is the Indus Blue project in Pakistan. This project comes from the Verified Carbon Standard and was chosen as this initiative has cross cutting themes of promoting climate change mitigation and adaption, maintaining biodiversity and

creating improved livelihood, wellbeing and employment of forest dependent communities living in the region. This area of mangrove forests is the largest area of arid climate mangroves in the world, and therefore holds great ecological significance.

Whilst not including the activity as part of our carbon offsetting, the Wesleyan Foundation has supported various tree planting charities in 2023 through the Climate Action grant, more information can be found on page 34. These projects will support the creation of native woodlands which will provide additional natural habitats in various locations, and when trees reach maturity, aid carbon sequestration which is the process of removing and storing carbon dioxide from the air and so helping to address climate change.

## INDUS DELTA BLUE CARBON REFORESTATION AND REVEGETATION

To reduce emissions more companies will need to explore carbon offsetting to support their sustainability strategy. In 2023, Wesleyan purchased a portfolio of carbon credits to support our ambition to be net carbon neutral by the end of 2023.

The largest proportion of these were from the Indus Delta Blue Carbon Project, an initiative to promote climate change mitigation and adaptation, maintain biodiversity and create improved livelihoods, wellbeing and employment for communities in the Sindh Indus Delta Region in south-eastern Pakistan comprising of 350,000 hectares.

More than 42,000 people live within the Project Zone, with the majority living in poverty without access to proper housing, basic education and health and hygiene facilities. Indus Blue is helping to redress some of these issues and provide longer term support including restoring the marine habitat to revive the local fishing industry.

You can read more about our carbon offsetting policy above.



# NON-FINANCIAL INFORMATION

This table seeks to demonstrate the Group's position in key areas relating to Employees, Respect for Human Rights and Anti-Corruption and Anti-Bribery Matters.

## EMPLOYEES

### POLICIES, GUIDANCE AND STATEMENTS

- ▶ Employee Conduct Policy
- ▶ Employee Assistance Programme
- ▶ Career Break Policy
- ▶ Talent and Development Policy
- ▶ Family Leave Policy
- ▶ Flexible Working Policy
- ▶ Health & Safety Policy
- ▶ Inclusion & Diversity Policy
- ▶ Workplace Adjustments Policy

### INITIATIVES

- ▶ Partnership Council, an enhanced employee consultative body, reports to the People, Culture & Governance Committee (PCGC)/Board. It has a named Non-Executive Director representative and has a say on key issues impacting colleagues;
- ▶ Revised our pay approach to link increases to individual performance, rewarding colleagues for their unique contributions to the delivery of our strategy and contribution to our culture;
- ▶ Supported colleague development through the use of the apprenticeship levy;
- ▶ Embedded our Smart Working guidance to enable employees to work when and where it is most effective for themselves, their customers and the business;
- ▶ Employee Engagement – Employee Opinion Survey undertaken on a bi-annual basis as a minimum;
- ▶ Annual employee census to encourage disclosure and ensure accuracy of our Equality, Diversity and Inclusion (ED&I) data;
- ▶ Employee Networks continue to help shape our culture and drive change;
- ▶ Recruitment Charter to hold our partners to account when it comes to ED&I, ensuring more representative recruitment;
- ▶ Be Well at Wesleyan – internal wellbeing strategy to actively support the mental health and wellbeing of employees;
- ▶ Wellspace – our new employee wellbeing hub with resources and supportive guidance.

## ANTI-CORRUPTION AND ANTI-BRIBERY

### POLICIES, GUIDANCE AND STATEMENTS

- ▶ Speak Out Policy
- ▶ Gifts and Hospitality Policy
- ▶ Grievance Policy
- ▶ Financial Crime Policy
- ▶ Fit & Proper Policy
- ▶ Conflicts of Interest and Anti-Bribery Policy

### INITIATIVES

- ▶ All colleagues undertake annual training to recognise and combat corruption, bribery and financial crime, and receive regular updates to promote the Speak Out Policy;
- ▶ All colleagues undertake training to ensure awareness of Conduct Rules in Financial Services; and,
- ▶ All colleagues declare and record gifts or hospitality offers of any value monthly.

To protect against increasingly sophisticated cyber security threats, we have upskilled our people to recognise and respond appropriately to the potential threats:

- ▶ Annual Cyber Training
- ▶ Quarterly phishing simulations and follow-up training
- ▶ Privileged user/high risk user training

## RESPECT FOR HUMAN RIGHTS

### POLICIES, GUIDANCE AND STATEMENTS

- ▶ Volunteering Guidance
- ▶ Anti-Bullying and Harassment Policy
- ▶ Inclusion & Diversity Policy
- ▶ Slavery & Human Trafficking Statement
- ▶ Domestic Violence Policy
- ▶ Vulnerable Customer Policy



