



PERFORMANCE REVIEW

2020

WESLEYAN
we are all about you

CREATING BRIGHTER FINANCIAL FUTURES FOR THE PROFESSIONS WE ALL TRUST

Wesleyan Assurance Society has been helping people secure their financial futures for 180 years. Established during the Industrial Revolution, our original purpose was to help Birmingham's factory workers save so that they had money for sickness and funeral expenses.

Over the years we've stood strong in an ever changing and often challenging world. We have survived two world wars, global depressions and the financial crisis of 2008 that saw the collapse or bailout of some of the biggest names in financial services. In 2020 we showed our resilience once more as we faced into the challenges arising from the Covid-19 pandemic.

We have remained a financially strong business over the years and this has allowed us to take a long-term view. We don't let short-term events derail our plans; instead, we stay focused on what will deliver the best outcomes for our members and customers in the future. Today we specialise in creating brighter financial futures for the professions we all trust.

This includes doctors, dentists and teachers. We aspire to build lifelong relationships with our customers, providing a range of personal and commercial financial services from across the Wesleyan Group.

Our mutual status is as important to us today as it was to our founders. As a mutual, we don't have shareholders to satisfy so we can work to benefit those who invest in our business - our customers and members. That is why we say "we are all about you".

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See more information online at
www.wesleyan.co.uk

2020 HIGHLIGHTS

2020 was a mixed year for Wesleyan. As the effects of Covid-19 took hold we saw an inevitable downturn in business, recording an operating loss of £15.8m. However we made significant progress with our strategic plans to secure the long-term success and sustainability of Wesleyan including investing £28m in our technology and infrastructure to benefit members and customers.

Despite significant falls in UK equity markets as a result of the pandemic we retained our capital strength and were pleased to remain in a position to distribute surplus capital to our members, paying our highest ever Mutual Bonus of almost £30m.

➔ Read more in [Our operational performance](#) on pages 12 to 14



-£15.8M¹

Group Operating Profit/Loss
(2019: -£8.1m (restated))



£7.9BN²

total assets actively managed or administered by or on behalf of the Group
(2019: £8.0bn)



£29.7M

to boost the investment returns of our With Profits open fund investors through our Mutual Bonus payout
(2019: £28.0m)



£565M

Group Fund for Future Appropriations which represents our financial strength
(2019: £598m)



£28M

invested in building a stronger, more sustainable business to benefit members and customers
(2019: £24.3m)



£3M

awarded by the Wesleyan Foundation since its launch in 2017 supporting our customers and communities across the UK



96%

of personal income protection claims paid compared to an industry average of 87%³
(2019: 97%)



+59

industry leading Net Promoter Score, showing how likely customers are to recommend an organisation
(2019: +47)



8.0

Employee engagement score increased by 0.2 from 2019 indicating how satisfied colleagues are to be working at Wesleyan
(2019: 7.8 out of 10)

1. The definition of Operating Profit has been revised at full year 2020 to exclude the impact of long-term actuarial experience assumptions. The revised definition reflects the profits generated from the core business. It is aligned to the way management measures performance of the business and is therefore consistent with staff incentive schemes. The 2019 KPI has been restated on this basis for comparison.
2. The total assets actively managed or administered by, or on behalf of, the Group.
3. Association of British Insurers 2019 (figures published in 2020)

WESLEYAN AT A GLANCE

WE ARE ALL ABOUT YOU

Wesleyan is dedicated to some of the most trusted professions in society and is committed to securing the financial futures of our customers – so they can focus on the vital work they do.



DOCTORS

We have a long-standing heritage of providing financial advice for medical professionals, including GPs and Hospital Doctors. We were selected by the Royal College of General Practitioners (RCGP) to be their exclusive financial advice provider. Whether you're a student, a partner or a consultant, we can help with many areas of specialist planning, such as your NHS Pension Scheme.



DENTISTS

We have a strong reputation for our expertise in the dental sector, whether your needs are personal or practice-related. Practice Plan, DPAS and Medenta are part of the Wesleyan Group and are market leaders in providing dental membership plans and business support.



TEACHERS

Designed to cater for the financial needs of the teaching profession, our expertise and experience, gained from working in conjunction with the NASUWT and other unions, enables us to assist you with everything from the Teachers' Pension Scheme to retirement planning and investing.



LAWYERS

We will no longer have a dedicated team of Financial Advisors supporting the legal profession, but have refocused our finite resources where demand is greater. We will continue to support existing legal customers both now and in the future.



THE MUTUAL DIFFERENCE

We don't have shareholders. As a mutual we work only to benefit those who invest in our business - customers and members.



SHARED BENEFIT OF FINANCIAL STRENGTH

IN 2020, WE SHARED THE BENEFIT OF OUR FINANCIAL STRENGTH WITH OUR MEMBERS

£29.7M

To boost the investment returns of our With Profits open fund investors through our Mutual Bonus payouts.

£2.1M

Financial contribution to provide member discounts on selected insurance products.



HEARD YOUR VOICE

IN 2020, WE HEARD THE VOICE OF OUR MEMBERS AND SUPPORTED FUTURE MEMBERS

AGM

Every year members get to have a say on how we run our business by voting on key matters in our Annual General Meeting and putting questions to our Board of Directors.

COVID-19

We've listened to our customers about the challenges they've faced due to the pandemic and have put steps in place to support their mental and financial wellbeing.

THE NEXT STEP

We've supported young people coming into the professions we serve by running financial education initiatives to support the transition from qualification into working life.



WELLBEING

IN 2020, WE CARED FOR THE WELLBEING OF OUR MEMBERS AND OUR COMMUNITIES

WESLEYAN WELLBEING

We provided access to the Wesleyan Wellbeing hub, an online service designed to support customers with resources and tips, plus a Mental Health and Wellbeing Triage service, giving bespoke mental health and wellbeing guidance for members when needed.

WESLEYAN FOUNDATION

We committed £1m to good causes, including those supporting the wellbeing of key workers on the frontline of the coronavirus crisis and local groups providing services such as emergency food and medicine parcels.



Q&A

WITH CHAIR, NATHAN MOSS

Nathan Moss has led Wesleyan as Chair since 2018. He gives us his thoughts on the extraordinary year that was 2020 and shares some of the highs and lows as the business navigated its way through the Covid-19 pandemic. He explains how Wesleyan faced into the challenges of operating within a pandemic, providing dedicated support to critical worker customers, while continuing to invest for long-term success.

A PERSONAL COVID-19 COMMITMENT

As so many of our customers are critical workers, we were acutely aware of the tireless work they were undertaking to keep us, our families and our communities safe during the pandemic. Board members were keen to make a personal contribution to show our huge gratitude to these selfless people.

Each Non-Executive Director therefore pledged to donate 10% of their salary for six months to charity, as did our CEO Mario Mazzocchi. Chair Nathan Moss donated 20% of his salary to these causes. Non-executive directors also declined their scheduled pay increase for 2020.

These donations supported a package of measures put in place through the Wesleyan Foundation to support those dealing with the impact of Covid-19.

2020 WAS OBVIOUSLY A DIFFICULT YEAR. HOW WAS WESLEYAN IMPACTED BY THE PANDEMIC?

As a business that proudly serves critical workers such as hospital doctors, GPs, dentists and teachers, we heard first-hand how the pandemic was impacting customers and their colleagues in front line services. We are enormously grateful to those who work tirelessly to protect us, our families and our communities during this difficult time. Our priority throughout 2020 was to continue to serve and support our customers while keeping our people safe.

In common with most other businesses across the world, our financial performance was impacted in 2020 and we didn't deliver the results we had planned for. We did however achieve some significant outcomes over the year. We stepped up to the mark when our customers and communities needed us most, launching our Here For You campaign. We made stringent efforts to protect the health and wellbeing of our people and progressed the strategic work we began in 2019 to ensure Wesleyan emerges as a stronger, more sustainable organisation once the pandemic lifts. Despite the headwinds, we ended the year as a more resilient, adaptable business and retained our enviable capital strength.

HOW WAS PERFORMANCE IMPACTED?

2020 was not the year we had planned for and you can read full details of our performance on page 12. We started the year strongly, reflecting the potential our new strategy offers for success. However once the pandemic took hold we started to see an impact across all of our business areas. In May we took proactive action

to replan our budgets to give us a clearer picture of what to expect and looked at cost and capital management measures to protect our financial resilience.

Our bottom line was impacted by some conscious decisions we took to support our customers which we believe was absolutely the right thing to do. When dental practices were forced to close with little warning we halved administration fees for Practice Plan Group customers for two months. Wesleyan Bank's customers benefitted from forbearance and payment holidays. We ended the year with an operating loss of £15.8m but a clear strategy for recovery as trading conditions improve and our continued investment in the business starts to take full effect.

2020 saw some of the steepest market falls in history and our investments were impacted as you can read on page 21. We remain committed to our strategy of holding a high percentage of equities within our With Profits Fund as we believe that this offers the best potential for providing competitive pay outs over the long term. We saw this period of market volatility as an opportunity to increase the potential for long-term gains for our customers using our financial strength to buy quality assets to strengthen our funds.

DID YOU HAVE TO CHANGE YOUR STRATEGY AS A RESULT OF COVID-19?

We are confident our current strategy, as outlined in last year's Performance Report, offers Wesleyan the best opportunity for long-term success. We made great progress towards our strategic goals, despite the challenges of 2020.



CEO Mario Mazzocchi addressing members at Wesleyan's first ever 'e-AGM' in 2020.

To ensure we retain focus and have a clear view of what we want to achieve, we built a detailed transformation plan that underpins our strategy. It provides a roadmap of what we must do to develop the business at pace over the coming two years, including evolving a more efficient operating model. It will take us on a journey of significant growth as we seek to create a stronger and more sustainable organisation to benefit members and customers both today and in the years ahead. It will also help us to recover more quickly from the effects of the pandemic.

You can read more about our transformation plans and progress against strategy in the Chief Executive's Report on page 12.

DID YOUR MUTUALITY BENEFIT YOUR BUSINESS AND YOUR CUSTOMERS OVER THE YEAR?

We remain firmly committed to our mutual status and believe it distinguishes us from many other financial services companies. Despite the difficult economic conditions in 2020, we were pleased to honour our commitment to distribute a Mutual Bonus of around £30m to our With Profits Open Fund customers, with each investor receiving a 1% uplift on the value of their fund on 31 August. In light of the economic uncertainty in the early months of the pandemic, alongside guidance from our regulators, we took the decision to defer payment until later in the year when market conditions were more settled. You can read more about the benefits of mutuality on page 3 and I look forward to sharing more details of our plans to extend work in this area at this year's Annual General Meeting.

HOW DID THE WESLEYAN FOUNDATION MAKE A DIFFERENCE LAST YEAR?

The Wesleyan Foundation really embodies the spirit of mutuality and it was needed more than ever in 2020. We were able to commit to grants and donations of £1m last year, offering vital access to funds for grass roots organisations supporting communities in crisis.

We were particularly proud to donate over £100,000 to multiple charities and organisations providing mental health and wellbeing support to our customers who were feeling the strain as they worked tirelessly to manage the effects of the pandemic. We also recognised the need for more devices in schools and donated to a local 'Computers for Children' campaign in April. You can read more on some of these projects on pages 34 to 35.

WERE THERE ANY DEVELOPMENTS IN THE CULTURE OF THE BUSINESS?

We have always had a strong culture that has helped to build trust and confidence with our customers. Our aim is to demonstrate mutuality with 'edge,' balancing care and commerciality to drive societal benefits and financial returns for members and customers.

We set up a new cultural working group in 2020 to capture and track our work in this space and have tasked our Executive Team to lead from the front by embodying the behaviours and mindset we expect of our people. You can read more about our culture on page 30.

“

Whatever happens in the world around us, we are confident that we can continue to adapt to meet the changing needs of customers as we have done for the past 180 years.

”

NATHAN MOSS
Chair

Q&A WITH CHAIR CONTINUED

Our commitment to Equality, Diversity and Inclusion was strengthened further as a result of the Black Lives Matter movement. As a Board, we agreed to accelerate our efforts to make Wesleyan a more diverse and inclusive employer and appointed a dedicated Inclusion and Diversity manager to lead this work. This includes agreeing targets for senior leadership representation from Black, Asian, and Minority Ethnic (BAME) communities. The aim is for 15% BAME representation by the end of 2022 and 20% by end of 2025. The figure in 2020 was 9%.

In addition, we brought forward our target to have 33% female representation in our senior leadership team by twelve months - to the end of 2022 - and have set a minimum target for 40% by 2025. I'm pleased to report that we are making progress in this area as the team had 32% female representation at the end of 2020 compared to 25% the previous year.

WHAT BOARD CHANGES TOOK PLACE OVER THE YEAR?

We were pleased to welcome Philip Moore to the Board in November. He is an experienced Finance Director and Non-Executive Director, with a deep knowledge of the life insurance industry. He became Chair of the Risk Committee in February 2021 and also sits on the Audit and With Profits Committees. Nigel Masters retired from the Board in December after eight years with us and we thank him for his significant contribution.

We were also sad to say goodbye to Ahmed Farooq who left us in 2020 after ten years with the business, including five as Chief Financial Officer. Ahmed leaves with our thanks for his contribution to the Board and dedication to the wider business. Before leaving, Ahmed handed over to his successor Gillian Cass who brings significant experience to Wesleyan, having spent over 20 years in financial services. You can read more about Gillian on the right of this page.

HOW DO YOU SEE THE YEAR AHEAD GOING?

As the pandemic continues to take effect, 2021 will remain challenging but we have very real grounds to feel optimistic for the future. The rapid rollout of the vaccine offers hope that life will soon return to some kind of normality but it will be a 'new normal'. Our workplace will change as we seek to retain the benefits of flexible working that we learnt during lockdown and provide colleagues with more choice over where they work and how they collaborate, creating health, financial and environmental benefits.

We'll also build on our experience of successfully providing remote financial advice and further enhance our digital offering. This will give customers greater choice in how and when they choose to interact with us and build upon our face-to-face advice model to offer a more holistic service.

We will be investing significant amounts in our business as we continue our work to create a more sophisticated, digitally adept and efficient organisation that understands and meets the financial needs of our specialist customers and makes mutuality a distinguishing factor and a real asset to our members.

Environment, Social and Governance (ESG) factors remain high on our agenda as we move towards becoming a truly sustainable business. We want to be operationally carbon neutral by the end of 2023, and integrate sustainability into our overall decision making including our investment management and product development.

Whatever happens in the world around us, we are confident that we can continue to adapt to meet the changing needs of customers as we have done for the past 180 years. Our plans put us in a strong position to build a more sustainable business to benefit our members and to deliver our purpose of creating brighter financial futures for our professional customers. We thank you for your continuing trust in us.



NATHAN MOSS

Chair
25 March 2021

WELCOME GILLIAN CASS



We were pleased to welcome Gillian to the role of Chief Financial Officer in October 2020. She brings with her over 20 years' financial services experience and, prior to joining Wesleyan, was Chief Finance Officer for Customer Savings & Investments and Operations at M&G plc (previously Prudential plc).

She has also held a number of senior finance roles at Aviva and spent more than ten years with PricewaterhouseCoopers in the UK and abroad, giving her a wealth of experience in financial services and transformation. She is also a qualified pharmacist.

Speaking about her appointment Gillian said: "I bought into Wesleyan's transformation vision very early on and having been here a few months, I know we have our customers' needs and members' interests at heart which is a great basis to build on."

In addition to her financial duties, Gillian is a member of the Investment Committee and an attendee of the Risk and Audit Committees with day-to-day accountability for Wesleyan's Company Secretary, Strategy, Culture and Communications teams.



COVID-19 STATEMENT

As Covid-19 took hold in countries across the world, we recognised early on that it was likely to impact our business and we took steps to prepare. In early February we set up a Silver Command Team, mirroring the approach taken by the emergency services in major event planning.

The team led by Roger Dix, Chief Risk Officer and David Stewart, Chief Operating Officer, comprised key people from around the business who could make swift decisions to lead us through the fast-paced events as they unfolded. Initially the team met at least twice each week and their focus was to ensure we could continue providing key services to our customers, many of whom were playing an active role in managing the impact of Covid-19, while also protecting the health and wellbeing of our colleagues and their families.

SUPPORTING OUR CUSTOMERS

As our team of national advisers were no longer able to meet customers in their homes or place of work, we moved to providing remote financial advice, setting up online meetings and webinars so we could continue to serve them. From a back-office perspective, we prioritised the needs of colleagues providing critical services to customers, ensuring they had the right equipment to work effectively as soon as lockdown took effect.

We felt a renewed sense of gratitude for the work many of our customers and their colleagues were undertaking as they faced the unrelenting effects of Covid-19 and so wanted to make sure we were available to not only provide them with essential financial services but also to support them in other important ways at this very difficult time.

HERE FOR YOU

And so our Here For You campaign was launched. We recognised that, in the early months especially, finances weren't the immediate concern for many customers. So we sought other ways of providing more practical support to show how much we valued the critical work they were doing. We took guidance from our Advisory Board members and agreed to focus on mental health needs, as the strain of the pandemic was starting to show. We therefore launched a package of measures which you can read about opposite. Our Board of Directors also made a personal commitment to supporting our critical workers which you can read about on page 4.

KEEPING OUR COLLEAGUES SAFE

The safety and wellbeing of colleagues and their families was paramount. In line with Government guidance we encouraged people to work from home where possible, a stance we retained throughout the year. This provided some challenges for a company that was predominantly office based and not used to remote working. However thanks to some outstanding work across a number of teams, basic day-to-day operations were able to function remotely. Where home working was not an option, a small number of critical people continued to work from our offices which were made Covid-19 secure to the highest standard.

While we were finding our feet in the new world, we made the decision to furlough a small number of colleagues on full pay, primarily those who were unable to perform their role from home at that point. We brought them back into the business as soon as the technology to undertake their role remotely became available. As a financially strong mutual, we chose not to take advantage of the Government's Coronavirus Job Retention Scheme as we did not feel it was the right thing for us to do. When compared to the need for government funds in the NHS and education, we believed the money would be better spent in those key areas, despite the short-term financial impact to our business.

SUPPORTING WELLBEING

We were acutely aware of the potential mental health impact of working from home in a time of heightened uncertainty without the support of colleagues and the daily routine of working life. We put in place a number of initiatives to support a healthy mental and physical mindset. You can read more about this on page 30.



“

The support offered by Wesleyan could provide a valuable life line for some colleagues to help them process what they are going through.

”

PROF PALI HUNGIN
Former President of the
British Medical Association



OUR COVID-19 RESPONSE: A SUMMARY

We're here to provide customers with the support and reassurance they may need during this difficult period.

£1m from the Wesleyan Foundation: Committed to charities and organisations with a focus on supporting the mental health needs of key workers. Funding was also made available for teachers' classroom materials and school computers.

Wesleyan Wellbeing: A free 24/7 service designed to provide personalised health and wellbeing advice, as well as tips and guidance on how to embed small lifestyle changes into your daily life.

Mental Health and Wellbeing Triage Service: Available only to Wesleyan members, this service launched in 2020 in partnership with Innovate Healthcare. It gives bespoke mental health and wellbeing guidance providing access, if required, to a confidential wellbeing consultation with a clinical specialist at no cost.

Covid-19 Hub: A free resource centre to help customers navigate their way through the pandemic with articles and information, tips and guidance, as well as updates from our Group Chief Executive. Visit covid19.wesleyan.co.uk to explore our Covid-19 Hub.

Flexible payments and products: Extensive support and flexibility on regular protection policy payments, with options of payment holidays and plans for anyone facing difficulties. Wesleyan Bank also offered forbearance arrangements and payment holidays on their loans.

Practice Plan Group membership administration fees: We halved the fees due from our Dentists during April and May, a lifeline for many dental practices who were left with no income at that point.



STRATEGIC REPORT

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KEY PERFORMANCE INDICATORS

1 GROUP OPERATING PROFIT/(LOSS)



Operating Profit/(Loss) for the Group represents profit after project costs, in force experience and exceptional costs.

Further information: Please refer to Our Financial Performance Section on pages 18 to 20. The Group made an operating loss in 2020 primarily due to the economic downturn as a result of Covid-19 and its impact on new business.

2 SOCIETY NEW BUSINESS (ANNUAL PREMIUM VALUE)



This is used as a measure of new business for Life and Pensions business. It is calculated by adding the total premiums to be received each year for regular premium policies and 10% of single premiums received in the year.

Further information: The decrease in 2020 new business is primarily due to the impact of Covid-19. The majority of the reduction was noted in the second and third quarter of the year, as the initial lockdown impacted the provision of face-to-face advice. As the business took steps to provide advice safely via alternate means, this resulted in a partial recovery in the fourth quarter.

3 SOCIETY PREMIUM INCOME²



The total premiums received during the year for Life and Pensions business.

Further information: The decrease in 2020 premium income is primarily due to the impact of Covid-19. The biggest components of the reduction in premium income were life business being £30m lower than 2019 (35% reduction) and ISA business which fell by £26m (21% reduction).

4 ASSETS UNDER MANAGEMENT³



The total assets actively managed or administered by, or on behalf of, the Group.

Further information: Despite volatile investment conditions, Assets Under Management only fell modestly from £8.0bn to £7.9bn. Negative headline returns on our With Profits and other investment funds were partly offset by increases in asset values in the Non Profit Fund and Wesleyan Staff Pension Scheme. These two funds predominately invest in bonds which increased in value as a result of yields falling over the period.

5 INVESTMENT RETURN - WITH PROFITS FUND



The return earned by our key investment funds including income and capital growth.

Further information: The investment return was negative in 2020 as Covid-19 took its toll on stock markets, particularly in the UK.

Additional investment commentary can be found on page 21.

6 GROUP FUND FOR FUTURE APPROPRIATIONS (FFA)



A measure of the Society's financial strength.

Further information: The reduction in FFA is the result of negative investment returns coupled with the increased cost of policyholder guarantees and other charges to the Estate.

7 SOLVENCY RATIO



The Solvency Ratio is a measure of financial strength, calculated as the ratio of eligible capital to the regulatory capital requirement.

Further information: The fall in the Solvency ratio is caused by the fall in eligible capital combined with a small increase in regulatory capital requirements as a result of an increase exposure to some market risks after the economic recovery. Whilst this is a decrease from 2019, the Society remains strong.

8 NET PROMOTER SCORE



Net Promoter Score is a widely recognised predictor of company growth and is based on how likely customers are to recommend an organisation. It is worked out by adding the 9 and 10 scores for likelihood to recommend together and subtracting all the 0-6 scores.

Further information: We focus on NPS across the business to ensure customer experience is our priority. Improvements based on customer feedback are made across the year, which has contributed to a considerable rise in those who would recommend Wesleyan in 2020.

9 ENGAGEMENT SCORE



An assessment of how employees feel about working for Wesleyan based on a survey by an independent provider.

Further information: Employee engagement has increased by 0.2 points from 2019, continuing the upward trend from the previous two years. Despite ongoing challenges our people are still facing due to the pandemic, employee engagement has increased, reflecting the positive actions Wesleyan has taken in response to Covid-19 and supporting employees.

1. Restated

2. Society Premium Income is made up of gross premium income related to insurance and investment contracts.

3. Group assets under management includes the assets of the pension scheme of £0.6bn (2019: £0.5bn) and WUTM assets under management of £0.2bn (2019: £0.2bn).

OUR OPERATIONAL PERFORMANCE

MARIO MAZZOCCHI,
GROUP CHIEF EXECUTIVE



INTRODUCTION

2020 was a difficult year for people and businesses across the world. We recognise the burden Covid-19 has particularly placed on the professions we serve, both in their professional and personal lives. We have heard first-hand accounts from customers, as well as our advisory boards, of how the pandemic has impacted their lives and livelihoods. We are incredibly humbled by the work they undertake and this has fuelled our desire to proactively support them and show we really are here for them.

From a business perspective, it was a mixed year and one in which we made real progress in securing the long-term sustainability and successful future of Wesleyan to benefit our members. We recognised early on that the pandemic would be a marathon and not a sprint, and so the Executive Team set about making robust plans for how we could mitigate some of the financial impacts of Covid-19, while planning for the future so we emerge as a stronger business. We have evolved our strategy and put in place a detailed transformation plan which sets out clearly what we must achieve in the coming years.

We could not remain immune from the societal and economic turbulence happening in the world around us and that impacted our in-year financial performance. In a year when equity markets were extremely volatile, we saw a fall in Assets Under Management over the year (£8bn to £7.9bn). However our financial strength allowed us to pay our mutual bonus to members of around £30m. The difficulty in seeing customers and the introduction of our Covid-19 support package impacted income and we ended the year with a Group Operating Loss of £15.8m.

Given the unprecedented year we are not disheartened and believe we can not only recover our strong trading position but improve it significantly by 2023. Our financial strength and long-term approach to decision making has given us the confidence to

invest a significant amount in our business to improve outcomes for members and customers in the years to come.

In my Report I want to update you on our growth plans and on some of the very positive strategic developments that we executed during the year. I hope this will give members great optimism for Wesleyan's long-term future.

EVOLVING OUR STRATEGY

Sometimes it takes a crisis to create an environment for new and more radical thinking and that is the situation we found ourselves in, as an Executive Team and Board, in 2020. In 2019 we set out a very clear strategy to grow our business, building on our rich heritage and ensuring Wesleyan evolves to be a truly customer-centric organisation. Once the pandemic hit, we recognised early on that we would have to revisit our plans if we were to mitigate its impacts and ensure we remained resilient and able to meet the needs of this changing world, both for our customers and our people.

We remained confident that our strategy was the right one but agreed we would need to work harder and faster to really fulfil our potential and deliver our purpose of creating brighter financial futures for the professions we trust.

It became clear that we would have to learn to operate in an uncertain environment for some time to come and that we needed to evolve the way in which we meet the financial needs of our professional customers. We knew that the impact of the pandemic would hit not only our 2020 financial targets but also have a knock-on effect for years to come unless we took decisive action.

After careful analysis and discussion, we formed a new transformation plan; a two-year sprint to become more customer-centric, more digital, more data-driven and more cost-efficient than we are today. This transformation plan will unlock the

opportunities that lie ahead to take us on a journey of significant and rapid growth by the end of 2022.

LIFELONG PARTNER

Our ambition is to build lifelong partnerships with our customers, from student years through to retirement and beyond. This means understanding their needs and aspirations, what's impacting them professionally, what products and services they need and how they want to do business with us.

STRENGTHENING OUR SPECIALIST APPROACH

Our deep understanding of the professional customers we serve remains crucial to this and our specialist approach gives us a unique position in the market. This is strengthened by our Advisory Boards made up of experienced doctors, dentists and teachers and by the strong partnerships we have within our professions. We were delighted to build upon this further in 2020 when the Royal College of General Practitioners (RCGP), the professional membership body for GPs in the UK, selected Wesleyan Financial Services as its exclusive financial advice provider to support the personal and business needs of its 52,000 plus members. We have had a similar partnership with the NASUWT, the teachers' union, since 2003.

In 2020 we strengthened our specialist approach internally, creating the role of segment lead for each of our professions. This is a senior appointment heading up a network of colleagues from across the business to ensure we have full focus on what's happening in our customers' worlds and can respond quickly and efficiently to their needs.

GIVING CUSTOMERS GREATER CHOICE

An important part of our transformation programme is ensuring we offer customers greater choice in how they do business with us, whether that's online, by telephone or face-to-face (in person or video call). This



Wesleyan joined forces with WM Mayor Andy Street and local businesses to improve inclusive leadership in the region.

means a better service for them and a more efficient way of doing business for us.

We know that our customers value the expert advice provided through our team of advisers, with 96% of customers rating their Wesleyan Financial Consultant as very good or excellent in 2020¹ and this face-to-face advice remains at the core of our offering. However customers also tell us they prefer to carry out simpler transactions online or by telephone and so we are building our digital and telephony capability to complement our face-to-face offering.

To support this, we focused our digital activity in 2020 on creating a new online application journey and resource centre for customers looking to buy a Wesleyan With Profits ISA without financial advice. This is a quick and seamless way to take advantage of our market leading With Profits Fund with no initial charges. Moving more services like this online will allow Financial Consultants increased time to focus their expertise on complex customer needs such as wider investments and retirement planning.

We also developed our telephony services, increasing the capacity of our telephone-based mortgage team so we could support customers quickly and efficiently and meet the increased demand of those wanting to get on the property ladder as the Chancellor announced a stamp duty holiday to stimulate the housing market.

ENHANCING PRODUCTS AND SERVICES

Not only do we want to ensure we have the right products and services to meet our customers' needs at every stage of their lives, they must also be competitive.

We know how much medical customers in particular value our Personal Income Protection Plan and in 2020 the need to protect income that families rely on, became increasingly important for those working in frontline services. We were pleased that the quality of our product was

once again recognised by the industry as we retained our 5 Star Defaqto rating. We also maintained our excellent claims rate throughout the year with 96% of all claims paid compared to an industry average of 87%²; another example of Wesleyan being here for our customers when they need us.

BRILLIANT TO DO BUSINESS WITH

If we are to meet our aspiration to deliver an outstanding customer service, we must be brilliant to do business with. This means putting in place strong foundations so that we can meet the needs of our customers not only today but well into the future.

To do this effectively we are making significant levels of investment in our infrastructure over the next two years. In 2020 we took a long-term view and made the decision to continue with our ambitious change agenda investing £28m in projects that will transform the business. We took account of the challenging operating environment and prioritised projects that supported the delivery of our strategic ambitions, helped drive resilience and ensure we meet our regulatory requirements.

One area where we accelerated our plans was a project known as Modern Workplace; a plan to provide new IT equipment for our office-based staff to replace ageing and unsupported computers. The project planned to roll out a mix of laptops and desktop machines but as lockdown took effect and we moved to home working, the need for efficient laptops for all became an absolute priority. The project team faced into the challenge of making our operation fully mobile and were able to successfully procure, build, test and distribute machines in a lockdown environment, protecting services to our customers throughout.

In 2020 we also made further progress in building stronger technological resilience as we successfully moved our data centre to a third-party supplier, significantly reducing the risk of hardware and software failures, reducing potential business disruption and

achieving better value for money. The work was completed during lockdown, adding to the complexity and challenge. We put strong focus on health and safety to mitigate Covid-19 related risks for those working on this and all other projects.

We also completed systems migrations at Practice Plan and Wesleyan Bank, the latter of which was the fourth significant system migration delivered in 12 months, strengthening resilience against system outages and cyber vulnerability. The migration at Practice Plan was a major and complex undertaking, again increasing resilience and ensuring enhanced functionality for DPAS practices.

We recognise we have more work to do in ensuring we are brilliant to do business with and in 2020 invested significant resource in improving our customer operations function. We strengthened the leadership team, increased coaching and oversaw a full review of processes and performance. We were pleased to see real improvements against internal targets which showed we were delivering better outcomes for customers aided by simplified processes, a new quality framework and a move away from manual processes to automation. Taking this work to the next level is a key area of focus in 2021.

MUTUALITY WITH EDGE

We remain firmly committed to our mutual status. It's what makes us different to most other financial services companies and is valued by our professional customers and our people with 87% of customers agreeing that Wesleyan is a brand that they can trust.³

We operate in a competitive environment and if we are to provide long-term, sustainable benefits for members, we have to make our mutuality work to best effect - mutuality with edge. This includes widening access to our flagship With Profits Fund to bring in additional income for the Group, while further strengthening the Fund for members with an increased inflow of capital. It also means regularly reviewing our capital

OUR OPERATIONAL PERFORMANCE

CONTINUED

position to ensure we are making the most effective use of capital to deliver the best outcomes for members.

As 2020 brought into sharp focus the need to be a more agile business, we progressed plans to offer our With Profits ISA to customers outside our core segments without the need for our specialist advice. Having done considerable work on improving the online customer journey we were in a strong position and made our ISA available on aggregator websites for the first time as part of a pilot to assess demand. Initial interest has been encouraging, and we will continue this work in 2021.

In addition to increasing our income we must optimise our other resources to ensure stronger returns for members. This includes reducing our cost base to secure Wesleyan's long-term sustainability which will require effective prioritisation and some difficult decisions to ensure we are fit for a successful future. Our Procurement Team did a fantastic job in 2020 as they reduced our costs by £1 million with an unrelenting focus on driving better value without compromising services.

As a result of the learnings from Covid-19, we plan to reduce our Head Office space by around 40% in 2021 and move to a smarter working environment. This will allow us to retain some of the advantages of flexible working that we enjoyed during lockdown and better utilise the office environment for collaborative activities.

Environment, Social and Governance (ESG) factors will remain a core consideration when making decisions at Wesleyan. In 2020, our Sustainability Committee helped the Executive Team and Board to set appropriate targets for the business and form an action plan for the years ahead. As mentioned by our Chair Nathan Moss, we want to be operationally carbon neutral by the end of 2023 and you can read more about our sustainability strategy and approach on pages 36 and 37.

Culture is also a key part of our mutuality and to achieve our transformation plans successfully we must build upon our strong culture of care to ensure our people have the capability, desire and confidence to deliver the right outcomes. We have continued to invest in our people, with further capability

enhancements planned for 2021. You can read more about the work we are doing in this area on page 30.

2020 sharply highlighted the inequalities that still exist within society and I was grateful to colleagues who shared with me their personal experiences of racism in light of the Black Lives Matter movement. We have much more to do to unlock the benefits of truly inclusive workplaces and, while we were already on that journey at Wesleyan, the Board and Executive team agreed we have to do more to support and be advocates for our colleagues, communities and customers. You can read about our action plan on page 32.

CHANGES TO THE EXECUTIVE TEAM

We were sorry to say goodbye to Ahmed Farooq (Chief Financial Officer) and Caroline Hill (Chief People and Strategy Officer) over the year. Ahmed made an important contribution to the business, and latterly the Board, in his 10 years with Wesleyan and will be missed; as will Caroline who played a vital role in helping deliver leadership change at both Board and Executive level in recent years. We wish them both every success for the future.

I was delighted to welcome our new Chief Financial Officer Gillian Cass as well as Chief Distribution Officer Richard Harrison in 2020, both of whom have made an exceptional start to their Wesleyan careers. James Needham, formerly Chief Actuary, became Chief Product Officer, enabling him to use his deep understanding of our customers to focus on enhancing the product propositions we are able to offer them.

Roger Dix, our Chief Risk Officer retires this March after eight years with Wesleyan. He has made an enormous contribution ensuring we adhere to rigorous standards of risk and regulation. We were all delighted that he was named the 2020 IoD West Midlands Director of the Year for Equality, Diversity and Inclusion. This is a great tribute to the work Roger has done, recognising both his remarkable work as a Director over the last three decades, as well as his advocacy for inclusion in the workplace at Wesleyan and within the wider region. I am pleased to announce that Jonathan Welsh, who has been with Wesleyan for over five years and our With Profits Actuary since 2018 will take over from Roger.

I believe we have the right Executive team in place to successfully lead our transformation efforts in the years ahead.

LOOKING AHEAD

At the time of writing, the rollout of the vaccination against Covid-19 is continuing at pace giving us hope for a return to some normality. We have increasing levels of clarity surrounding Brexit and a new President in the White House. We have real reasons for grounded optimism that 2021 will be a better trading environment for us as a result.

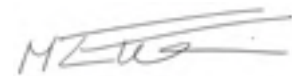
We are in a strong position as a business as we have clear sight of what we need to achieve over the next two years in order to build a sustainable future that will benefit our members. We are growing our digital capability, making better use of data, enhancing our products and services, strengthening the foundations of our business and increasing our focus on costs.

We're also creating a culture where people take ownership and feel empowered to make decisions and one in which they can be their true selves at work.

We believe there will be increasing demand for a specialist service like ours as our professional customers will have some tricky ground to cover in 2021, including potential changes to the NHS dental contract, and the outcome of the pension discrimination consultation that could impact medics and teachers. We will continue to provide information and guidance on these areas as with every other aspect of their financial planning.

We are all committed to building a business that is set up to serve the needs of our members and customers and provide them with the first-class financial products and services they expect from a provider dedicated to their profession.

I am proud to lead Wesleyan at such an exciting and transformative period and I look forward to sharing more updates with you at our Annual General Meeting.



MARIO MAZZOCCHI,
Group Chief Executive

1. Wesleyan Sales Survey 2020
(8, 9 & 10 out of 10. Base size: 1463)
2. Association of British Insurers 2019
(figures published in 2020)
3. Wesleyan Customer Survey 2020
(8, 9 & 10 out of 10. Base size: 3807)

OUR STRATEGY

In 2020, we and our customers faced a new reality as the impact of the coronavirus pandemic began to emerge, affecting all aspects of life, business and the segments we operate in. As a result, we felt it prudent to consider if our strategy, business model, customer segmentation and future direction remained the right approach.

We considered the impact of the pandemic on customers' personal and professional lives and how, as a business we would need to evolve to respond to these. Our review found that our core strategy of providing financial advice and products to our specialist customers remains valid. To better deliver against this strategy, we will continue on our journey to transform our business, increasing digital capability and becoming more efficient as we make significant investment in our infrastructure.

As we enter our 181st year we remain committed to our mutual status. It differentiates us from other financial services companies and shapes the way we operate as a business, putting members first while caring for our people and our communities. We will build on our mutuality and focus on creating a sustainable business so that members can benefit for many more years to come.



LIFELONG PARTNER

Establishing lifelong relationships with our customers and supporting their ambitions through propositions, services and advice developed to meet their needs.

Our relationship with our professional customers begins while they are at university and continues into retirement, providing specialist advice, support and products throughout their journey with us.

2020 Progress:

- ▶ Swift transition from face-to-face to remote advice (either over the phone or online) as the UK entered its first lockdown. Remote advice will remain part of our offering to customers in the future.
- ▶ Increased capacity of our telephone-based mortgage team to offer quicker and more efficient support to customers seeking to get on, or move up the property ladder.
- ▶ Supported the next generation of trusted professionals starting out in their careers and perhaps facing a very different reality post-pandemic by continuing and strengthening our Next Step programme
- ▶ Demonstrated our desire to be a Lifelong Partner to our customers through a suite of measures that offered support to our customers when they needed it most as set out on pages 16 to 17.

2021 and beyond:

- ▶ Further develop our products and propositions to better support customers at every stage of their lives and careers.
- ▶ Better support our customers with the more complex aspects of their financial planning needs.
- ▶ Focus our advisory capability on the segments where we have seen greater demand. This means redeploying advisers from our legal segment into the medical, dental and teachers' markets. We remain committed to supporting the financial needs of our existing legal customers.
- ▶ Continue to build our Responsible Investing credentials, responding to the needs of our customers and communities.



BRILLIANT TO DO BUSINESS WITH

Providing an easy and efficient service for all our customers, seamlessly integrating technology and the human touch.

It's important for our customers to be able to interact with us in ways and at times that fit with their busy schedules.

2020 Progress:

- ▶ In response to the pandemic, we moved to hosting customer events online, delivering information and support to hundreds of customers all over the UK.
- ▶ Introduced a new digital process for customers wanting to access our With Profits ISA. We also made this product available through aggregator sites for the first time.
- ▶ Introduced a new Wesleyan Unit Trust Manager digital portal and removed the initial charge to allow customers to take out products online and monitor their investments at home or on the move.
- ▶ We continued to develop our internal capabilities, building on how we use technology and data to improve our service for customers and internal decision making.

2021 and beyond:

- ▶ Continue to build operating capabilities that are designed around customer journeys; improving quality, efficiency and your experience of dealing with us.
- ▶ Strengthen and develop how we serve and advise customers, meeting more of their needs and solving their queries quickly and efficiently, increasing choice for how they transact with us, whether face-to-face, digitally or over the phone.
- ▶ Continue to support our people's specialist understanding of the professions we serve, through tailored training, tools and support.
- ▶ Recruitment and development of new skills and ways of working to enable us to better identify and respond to customer needs.



MUTUALITY WITH EDGE

Delivering more benefit from our mutual status for our members and communities.

We are committed to enhancing the benefits of our mutuality, which defines who we are, how we act and how we serve our members and customers. It sets us apart from many other financial services companies and is key to helping us to create brighter financial futures for the professions we all trust.

We continue to look for new ways to express our mutual advantage; by investing in products, services and benefits that add value to our thriving member base.

2020 Progress:

- ▶ Continued support for our members and communities through the Wesleyan Foundation.
- ▶ Increased access to our leading With Profits Fund to a wider number of customers outside our professional segments, thus strengthening the Fund, offering the potential for better returns for members and building a stronger, more sustainable business.

2021 and beyond:

- ▶ We will develop a compelling proposition to strengthen further our relationship with members and maximise the opportunities of being part of a financially strong mutual.
- ▶ Continued activity to widen access to and strengthen our With Profits Fund.
- ▶ Celebrate 180 years as a successful mutual by focusing on our environmental, social and corporate governance (ESG) impacts, helping us progress towards a more sustainable future.

OUR BUSINESS MODEL

WHO WE ARE

We are committed to creating brighter financial futures for the professions we trust – doctors, dentists and teachers.

We are a UK-based financial services mutual, with financial advice at the core of our offering. We have a network of more than 300 financial consultants offering advice and building strong personal relationships with our customers.

This model is complemented through the specialist products and services that we offer, that are designed to meet the financial needs of our trusted professions throughout every stage of their life, from graduation to retirement and beyond.

We provide a range of personal, professional and business products and services across the Wesleyan Group of companies, including Wesleyan Financial Services, Wesleyan Bank and Practice Plan Group.

WHO WE WORK WITH

- ▶ Members and customers
- ▶ Advisory Boards
- ▶ Professional bodies and regulators
- ▶ Aligned third parties e.g. Royal College of General Practitioners, the NASUWT

WHAT WE OFFER

- ▶ Tailored financial advice
- ▶ A range of personal and commercial products and services designed to meet the needs of our customers
- ▶ Savings and Investments
- ▶ A programme of member benefits

HOW WE DELIVER

- ▶ Trusted financial advice
- ▶ Developing relationships with our customers and members
- ▶ Maintaining a deep understanding of our customers and their professions

VALUE GENERATED



MEMBERS AND CUSTOMERS

Short-term

- ▶ Tailored financial advice and products
- ▶ Supporting core professions by working with key partners and affinities
- ▶ News and insights pertinent to our core professions
- ▶ Discounts on selected insurance products
- ▶ Wellbeing hub

Long-term

- ▶ Mutual Benefits
- ▶ Competitive long-term investment fund performance and returns
- ▶ Advice and servicing when and how you want and need it



LOCAL COMMUNITIES

Short-term

- ▶ Partnering with and supporting charities and good causes that make a positive social impact
- ▶ Supporting local communities via volunteering days that are available to colleagues

Long-term

- ▶ Offering financial support and assistance to good causes around the UK through The Wesleyan Foundation



EMPLOYEES

Short-term

- ▶ Employee benefits
- ▶ Promoting equality, diversity and inclusion in the workplace
- ▶ Being an employer of choice, we set out to recruit the best people for the job; no applicant is treated less favourably than another on the grounds of age, disability, race, religion, gender or sexual orientation

Long-term

- ▶ Health and wellbeing
- ▶ Inclusive working practices



ENVIRONMENT

Short-term

- ▶ Offset our paper usage and reduce the environmental impact of printing by certifiably planting trees around the world
- ▶ Reduce our carbon emissions
- ▶ Provide education for our staff to help them reduce their impact on the environment
- ▶ Communicating our environmental activity to customers and stakeholders, increasing awareness

Long-term

- ▶ Enhance our ESG fund offerings
- ▶ Become carbon neutral by end 2023
- ▶ Ensure sustainability factors are a core part of our key processes such as procurement, lending and investments

HERE FOR YOU

Through the uncertainty brought upon us by Covid-19, we will continue to support our members and customers.



LIFE STAGES

STARTING A CAREER



Through university, graduation and transitioning into working life.

How Wesleyan supports:

- ▶ Financial education programme, The Next Step
- ▶ Student Income Protection
- ▶ Savings options

STARTING/GROWING A BUSINESS



Starting your own business, becoming a partner, buying a practice.

How Wesleyan supports:

- ▶ Commercial funding range including loans and asset finance
- ▶ Commercial protection and insurance options

IN RETIREMENT



Ensuring a comfortable retirement and that inheritance affairs are in order.

How Wesleyan supports:

- ▶ Retirement range including Flexible Access Drawdown and Annuities
- ▶ Inheritance Tax Planning/Capital Gains Tax Planning

BUYING A HOME / STARTING A FAMILY



Putting down roots, becoming a home owner, becoming a parent.

How Wesleyan supports:

- ▶ Saving for a deposit
- ▶ Mortgage advice
- ▶ Saving for you and your family's future
- ▶ Protecting your income and your home

BUILDING YOUR WEALTH



Saving for you and your family's future including planning retirement options.

How Wesleyan supports:

- ▶ Range of savings and investments products
- ▶ Buy to Let Mortgage advice and Landlord Insurance
- ▶ Retirement planning advice backed by specialist knowledge of occupational pension schemes
- ▶ Retirement options including Pension, Flexible Access Drawdown and Annuities

UNDERPINNED BY SPECIALIST FINANCIAL ADVICE

OUR FINANCIAL PERFORMANCE

GILLIAN CASS, CHIEF FINANCIAL OFFICER



I am pleased to deliver my first Finance Report as Wesleyan's Chief Financial Officer (CFO). I joined the Society in October last year moving from M&G plc (previously Prudential plc), where I was CFO of Customer Savings & Investments and Operations.

OVERVIEW

2020 started off well with a strong financial performance in the first three months giving us confidence that the strategy we set in 2019 was proving effective. However as the effects of Covid-19 took hold, we saw an inevitable downturn in business which continued for the rest of the year.

We closely monitored our financial position during this period and carried out a detailed analysis in May so that we had a clear

picture of what the impacts of the pandemic were likely to be and the actions required to mitigate the worst of these. We re-forecast our budgets and implemented a programme of prudent capital management and cost control measures to maintain financial strength.

Our financial strength meant we stayed resilient in the face of significant falls in the market and we were pleased to remain in a position to distribute surplus capital to our members, paying our highest ever mutual bonus – a total of almost £30m – with each policyholder in our With Profits Open Fund receiving a 1% increase on the value of their investment.

It was a difficult year for equity markets, particularly in the UK and the reduction

in values of global equities saw our Assets Under Management (AUM) fall to £7.9bn (2019: £8.0bn). Investment returns were also impacted with our flagship With Profits Fund showing a negative return in 2020 at -1.4% (2019: +15.2%).

Our long-term approach to investing combined with our financial strength, meant that we were able to take advantage of dips in the market to buy good quality equities at lower prices thus strengthening our investments portfolio for when the markets started to recover – as happened towards the end of the year – and offering the potential for healthy returns for our investors over the longer term.

GROUP OPERATING PROFIT RECONCILIATION

	2020 £m	2019 £m
Group Operating Profit (before projects, experience adjustments and exceptional costs)	(3.7)	17.1
Project costs	(18.7)	(13.7)
IF Experience	9.0	3.5
Exceptional Costs	(2.4)	(15.0)
Group Operating Profit (after projects, in force experience and exceptional costs)	(15.8)	(8.1)
Experience Assumptions	(13.6)	43.8
Group Operating Profit (after projects, exceptional costs and experience adjustments)	(29.4)	35.7
Adjusting for the following items:		
Short-term Income and Cost Variances		
Investment Returns	(66.4)	107.5
Other Estate variances	0.7	(20.0)
Tax	1.8	(19.4)
	(63.9)	68.1
Benefits to Policyholders		
Cost of providing new business guarantees	(2.8)	(7.2)
Cost of providing guarantees on existing business	(21.4)	(3.0)
Mutuality, Membership and Charity	(3.6)	(2.8)
Transfer to policyholders	65.7	(116.6)
	37.9	(129.6)
Movement in Internal Available Capital	(55.4)	(25.8)
Statutory Accounting Adjustments	22.1	(26.6)
Transfer (from)/to the FFA	(33.3)	(52.4)



The Group has continued to invest in new technology and infrastructure to transform it into a stronger, more sustainable business to benefit our members and customers. We invested £28m in a number of significant projects including a sizeable outlay in our digital capability, as well as the successful migration and upgrade of our data centre to improve efficiency and ensure greater resilience against cyber-attacks and other risks.

HOW WE MEASURE GROUP OPERATING PROFIT

In order to present an understanding of the underlying performance of the Group, the Board monitors performance through Group Operating Profit.

The Group Operating Profit definition is used to measure the success of the business and its people during the year and excludes balances which cannot be influenced by Wesleyan employees.

This includes:

- ▶ Operating profit for manufacturing new business sales, calculated as the discounted value, at the point of sale, of future profits expected to be earned over the term of each new policy
- ▶ Operating profit for each of the subsidiary companies;
 - Wesleyan Financial Services, including the General Insurance broking operation
 - Wesleyan Bank
 - Practice Plan Group
 - Wesleyan Unit Trust Managers
- ▶ Group costs
- ▶ The (short-term) best estimate investment return on the Society's estate
- ▶ Project costs incurred by the Society
- ▶ Exceptional one-off costs, including costs to embed a new operating structure, and impairment of fixed and intangible assets

- ▶ Certain items of experience on the Society's in-force book over the year, for example the impact of lapses and sickness claims

Group operating loss before project costs and in force experience was £3.7m (2019: £17.1m profit), and the loss after project costs, in force experience and exceptional costs was £15.8m (2019: £8.1m loss).

The decrease in new business levels in 2020 doesn't translate directly to operating profit/(loss) as it is dependent on a number of factors including the volume and mix of new business, expense savings achieved and this year, a number of one-off items impacting profitability.

Experience assumptions are long-term in nature. In 2019, £43.8m was released from these assumptions based on lower observed sickness rates, lower pension lapse rates and lower expense run rates. In 2020 actuarial assumptions were revised to include a short term impact of Covid-19 and further revisions to expenses.

The transfers to/from policyholders reflect that policyholders share in the profit and losses of the business.

FUND FOR FUTURE APPROPRIATIONS

The Fund for Future Appropriations (FFA) represents the excess of assets over liabilities and is a measure of financial strength. In 2020 the FFA reduced from £598m to £565m. This was predominantly due to market movements as a result of the pandemic, which reduced the value of capital held in equities. Despite this the FFA remains strong and we were able to pay our planned mutual bonus of almost £30m to With Profits policyholders in 2020, as outlined on the previous page.

The internal Group Operating Profit measure is different to the reported change in FFA, the differences occurring as a result of:

Short-term income and cost variances

- ▶ Investment return fluctuations are driven by the wider market performance of assets, which in turn had a substantial impact on the FFA
- ▶ Other estate variances include economic assumption changes such as inflation and interest rates which cannot be influenced by the Society
- ▶ Tax costs incurred during the year, including movement in tax reserve.

314%

SOLVENCY RATIO, A MEASURE OF OUR FINANCIAL STRENGTH

OUR FINANCIAL PERFORMANCE CONTINUED

Benefits to policyholders

- ▶ Costs of providing guarantees on new and existing business which provide a benefit to customers. Existing business guarantee costs relate to changes caused by market and assumption movements
- ▶ Mutuality, membership and charity includes donations made through the Wesleyan Foundation and other charitable donations, as well as member benefits outlined on page 16
- ▶ Transfers to policyholders reflecting the profit made in the year which is allocated to With Profits policyholders

Additionally, statutory accounting adjustments relate mostly to movement in the pension surplus and liability valuation differences.

2020 was a challenging year for investment markets, with our flagship With Profits Fund showing a return of -1.4%, recovering from a return of -16% during the March downturn. With Profits is an investment designed for the long-term and the cumulative return on the Fund over 10 years is +108%¹, which we believe to be very competitive.

AROUND THE GROUP: Wesleyan Financial Services (WFS)

Face-to-face financial advice has traditionally been a core part of our business so when the pandemic hit, we faced challenges on a number of levels. Not only were we unable to see customers in the usual way, many of them, particularly medics and teachers, were caught up with dealing with the pandemic and had less time to focus on their finances.

We adapted quickly to a remote advice model, meeting customers online and hosting webinars so that we could continue to serve those who needed us. In the first stages of the pandemic we saw an increased focus on income protection over investment products as customers sought to ensure their family income was secured in the event of ill health.

Overall new business income at £18.4m was 17% lower than 2019, impacted by the difficulty in seeing clients and the change in product mix as described above. Similarly, Society new business premiums were 18% lower at £40.6m (2019: £49.8m). As the year progressed, we started to see some recovery with new business volumes returning more to expected levels.

Potentially 2021 could also be a difficult year for our customers as many are critical workers. We remain committed to serving their needs and creating brighter financial futures for them in every way we can.

Our General Insurance broking business, which provides a range of personal and commercial products and services, enjoyed a strong year with a profit of £0.5m (2019: loss of £0.3m).

Wesleyan Bank

The Bank continues to pursue its strategy of increasing medium-term asset finance and longer-term secured loan products to support its customers in the SME sectors. Despite the economic impact of Covid-19 on some of the Bank's core markets, it successfully grew the loans and advances to customers on its balance sheet by 38% to £380m, with £244m of loans provided to our customers in 2020, an increase of 7% on 2019.

At the peak of the first lockdown, the Bank supported its customers by providing over 500 of them with loan forbearance arrangements. The vast majority of these have recommenced payments but there remains a risk of future impairment and default. In recognition of this the Bank has raised £8.0m of impairment provisions related to the impact of Covid-19. We anticipate balance sheet growth to continue in 2021 with strong opportunities in its chosen markets, requiring further capital input from the Group.

Practice Plan Group

Practice Plan and DPAS combined are the largest providers of practice-branded dental membership plans in the UK. Despite difficult trading conditions resulting from the coronavirus pandemic which particularly impacted the dental market in the first wave of the lockdown, the business remained resilient. As part of the Group's efforts to support customers through the pandemic a 50% fee reduction was applied in April and May which was very positively received by the industry. Even with the impact that this had to income, Practice Plan delivered a £5.6m operating profit. Practice Plan's subsidiary, Medenta, ended the year positively, benefitting from the increase in demand for cosmetic dentistry.

FINANCIAL STRENGTH

Maintaining a high level of financial strength sits at the core of our strategy, making us resilient and able to support our members and customers. Despite the short-term impact of Covid-19 on the markets, we continue to believe that equities and property provide the best returns for policyholders over the longer-term and we manage our financial strength so that we can continue to support a higher than average exposure to these asset classes.

Our regulatory capital position is reported under the Solvency II requirements. The Society manages its capital to a much higher level than the minimum requirement. This financial strength, along with enhanced risk management, ensures we can grow the business without exposing policyholders to undue risk, particularly at times of market volatility such as those experienced during 2020.

This year-end we will report as a solo entity, as we ceased to be classified as an insurance group. Our Solvency Ratio on this basis, a measure of our financial strength, was 314% at 31 December 2020. Whilst this is a decrease from 387% in 2019, the Society remains strong.

OUR FOCUS FOR THE FUTURE

Our capital strength has enabled us to endure the difficult conditions over the last year, and our FFA remains resilient with a healthy surplus. We have ambitious plans to grow our business and we will continue making considerable investment to enable us to continue creating brighter financial futures for the professions we all trust and deliver improved returns for members.

This investment will be balanced between different end goals.

- ▶ We will continue to manage risk across the business in relation to regulatory and compliance matters as well as emerging technology and cyber risks.
- ▶ We aim to make significant improvements to our capability to provide advice to customers in the way they prefer.
- ▶ We will look to enhance our product range and widen access to our With Profits Fund through alternative distribution channels.
- ▶ We will invest in creating a customer focused operating model that helps us grow the business at a lower cost, thereby protecting our responsibility to our members.

We will maintain a relentless focus on cost management and optimise our resources to maximum effect as we navigate through the continued economic uncertainty caused by the pandemic and seek to deliver the best outcomes for members.

I look forward to answering any questions members may have on our financial performance and plans at our Annual General Meeting.



GILLIAN CASS,
Chief Financial Officer

1. before charges and after smoothing.

INVESTMENTS UPDATE

MARTIN LAWRENCE, DIRECTOR OF INVESTMENTS



MARKETS AT A GLANCE

2020 was a year of two halves for investment markets. In the first 10 months, the rapid spread of Covid-19 prompted an international response. With many businesses forced to close due to various lockdown measures, widespread economic uncertainty followed and if there is one thing markets dislike it's uncertainty. As a result, they reacted accordingly – last year saw some of the steepest stock market falls since the peak of the global financial crisis in 2008, particularly in the UK.

This picture started to change towards the end of the year, as it became clear that Joe Biden had won the US presidential election. Markets reacted positively, with the belief that a new President, who would enable positive steps forward for international trade relations, would soon be entering the White House. Shortly afterwards, news of the first approved vaccine stole the headlines, which acted as a much-needed shot in the arm for stock markets. Values rocketed and the UK stock market, as just one example, enjoyed its strongest gains since March. This trend continued as the year drew to a close, with the announcement of more vaccine approvals and a long-awaited trade deal agreement between the UK and EU.

INVESTING FOR THE LONG-TERM

Wesleyan's Investments department includes our in-house Fund and Property Managers, who are supported by our Analysts and Socially Responsible Investment team. They have an overarching objective to help customers achieve their long-term financial goals. We therefore look to maximise returns over a time horizon of at least five years, but typically longer.

This shapes our team's fund management approach, which sees them identifying and investing in assets that offer the most potential for long-term growth. In 2020, as the pandemic unfolded we realised that there would be some short-term pain in our fund performance in order to increase the potential long-term gains for our customers. While some investors were selling shares as markets fell, we held our nerve and used periods of market volatility to buy good quality investments.

We remain committed to our strategy of maintaining high levels of equity exposure within our funds, where permitted, as we believe this offers the best potential for long-term competitive returns. Our weighting in UK equities meant we had to wait until later in the year, as Brexit negotiations were coming to a close, to

see them bounce back relative to their global peers. However, we started to see the benefits of our strategy showing in our performance from November 2020 right through to the early part of 2021.

In the latest With Profits report by independent consultancy firm Barnett Waddingham, published in September 2020, Wesleyan's With Profits Fund was ranked in gold medal position for its five-year net return figure of 7.31%, which put our fund firmly ahead of the 19 others that provided data for the same period¹.

Our commercial property portfolio performed exceptionally well last year, and this is the sixth consecutive year it has outperformed the market by a wide margin, despite the challenges present in the sector, including a difficult high street retail environment.

BUILDING A SUSTAINABLE FUTURE

Perhaps for the first time in modern history, the global community has been united against one common adversary – Covid-19. The pandemic has restricted freedoms and changed most people's normal daily life, across the world. Ensuring that we invest in a sustainable manner, in businesses and assets we believe are equally sustainable, is of huge importance, particularly with so much uncertainty and change in the world today.

Last year, we launched our Socially Responsible Investment team. Their remit is to work alongside our Fund Managers and Analysts to assess our funds, holdings and management decisions through a sustainability lens. They use Environmental, Social and Governance (ESG) factors to help measure this and challenge or support decisions where appropriate.

In 2021 we will build on the firm foundation we put in place during 2020, ensuring that we continue encouraging a greater shift towards sustainability among the companies we invest in. As professional investors, these companies listen to our views through meetings with their management teams or through our voting rights. Encouraging businesses to be more sustainable is not only the right thing for us to do but it also means that the companies we invest in are more likely to be financially stable and successful in the future, which will also benefit our customers.

LOOKING AHEAD

Central banks and governments have thrown a series of financial lifelines to individuals and businesses, protecting them from the extreme difficulties they would

WANT TO HEAR MORE?

Want to hear more about market movements and our investment strategy? You can listen to podcasts from Martin and the wider Investments team by visiting wesleyan.co.uk/podcasts

otherwise have faced during the pandemic. By doing so, they have also supported their economies. As long as this continues while vaccination programmes are carried out, relative market stability should be maintained, and we are optimistic that the months ahead will at least be a significant improvement on the same period last year.

There may still be unexpected headwinds that come our way. With several effective vaccines from different providers on the table, some of the biggest concerns ahead include supply levels, the rollout speed of vaccination programmes, and the potency of any new virus strains that emerge. Governments will also have to start tackling their rising debt piles in the future and potential inflation is another risk that we will be closely monitoring.

As long-term investors, we will continue to use periods of short-term market volatility – like we saw throughout much of 2020 – to look for investment opportunities for our funds and when doing this we leave no stone unturned. Our Fund Managers, supported by the work of our specialist Analysts and Socially Responsible Investment team, are highly experienced in doing this, which is just one of the reasons why the team have won several leading industry awards in the last few years, including two in 2020: "Investment Team of the Year" at the Insurance Asset Risk Awards and "Active Manager of the Year" at the Asset Management Awards.

As a mutual organisation, with no shareholders, we are dedicated to maximising the financial returns for our members and customers. We will continue to do this by using our expertise to steer our funds through any market-shaping events and volatility, as we have done throughout the course of Wesleyan's investment history.

1. 20 of the 65 funds included in the report provided data for the five-year period

MARKETPLACE

WE TAKE A LOOK AT WHAT'S HAPPENED IN THE MARKETS WE SERVE AND WHAT IT MEANS FOR OUR CUSTOMERS

It's no surprise that Covid-19 had a profound impact across the financial services industry in 2020.

The introduction of restrictions and enforced business closures will no doubt continue to affect financial markets, products, customer service and the economy in 2021. Vaccine rollouts should allow gradual unlocking of the economy throughout 2021 and provide a route back to normality.

The way financial markets reacted to the pandemic saw bond yields, oil prices and equity prices fall sharply. In the UK, the FTSE 100 index fell by 32% between 20 February and 23 March 2020 as investors responded to the growing pandemic. Although the index recovered much of its value by the end of 2020, investor confidence took a real hit. Our Investments team monitored market changes minute-by-minute, taking advantage where asset values matched their strategic aim as long-term investors.

Despite an emergency cut in the Bank of England base rate to a record low of 0.1% (to help shore up the economy), UK savings activity increased to an all-time high, due to uncertainty over future finances and because household expenditure fell to new lows. Wesleyan reduced initial fees for online applications on its With Profits ISA to 0%, enabling more customers to save in a cost-effective way.

The first lockdown in 2020 meant that the housing market was frozen, with new mortgage business effectively put on hold throughout this period. However, by the end of the year property prices had increased by 6%, helped by the nine-month stamp duty holiday announced by the Chancellor in July 2020. Wesleyan's newly launched telephone-based mortgage team helped many customers to move into their new homes at a time when face-to-face advice was not possible.

The Covid-19 pandemic has encouraged many people to focus on their protection, savings and investments provisions. We believe the growth of the market will continue in line with demographic trends and with the growing needs for individuals to take personal responsibility for their and their family's future finances.

PENSION DISCRIMINATION

In 2015, most public service pension schemes were reformed. These reforms included 'transitional protection', which allowed people closer to retirement to retain their final salary pension benefits, while other members moved to the new scheme. The Courts ruled that this directly discriminated against some younger pension scheme members. A government consultation was carried out in 2020 and set out options to remedy the discrimination situation.

This issue concerns members of the NHS Pension Scheme, Teachers' Pension Scheme, Local Government Pension Schemes and the

Judicial Pension Scheme who were actively serving on or before 31 March 2012 and still serving on or after 1 April 2015. Affected pension scheme members will need to decide whether they want their benefits to be based on the legacy scheme or the reformed 2015 scheme, for the period between the 1 April 2015 and 1 April 2022. It's a complicated subject that Wesleyan has been actively discussing with affected customers, to make sure they understand how the decision may impact them.

SUPPORTING CUSTOMERS REMOTELY

We have been supporting some of society's most trusted professions for 180 years and we are committed to doing so during the Covid-19 pandemic. We implemented new ways for our Wesleyan Financial Services Consultants to continue to meet with their customers online, through remote appointments. We also launched a series of webinars specifically for teachers, doctors and dentists, including medical and dental students. We cover a range of topics affecting each profession, from retirement NHS pension options to how to protect your practice, and we'll continue to develop new webinars that will be of value to our professional customers. These webinars are accessible, flexible, and hosted live by one of our Wesleyan Financial Services Consultants. Where we would have met in colleges or practices, we have now moved these services into a remote setting, ensuring the safety of all colleagues and customers.



DOCTORS

During 2020, hospital doctors were on the frontline in providing critical care to Covid-19 patients, with hospitals stretched to capacity during the heights of the pandemic. GPs evolved primary care systems in record time, launching remote triage and video consultations. Elective surgery reduced and the UK government agreed to acquire all private hospital capacity for use by the NHS during the peaks of the crisis in order to free up personnel and resources to care for patients with Covid-19.

MENTAL WELLBEING

The impact of Covid-19 is affecting doctors' mental health and wellbeing. British Medical Association (BMA) research shows that almost 58% of doctors are now suffering from some form of anxiety or depression, with 46% saying their condition had worsened since the start of pandemic. The strain on doctors could have a lasting impact on workforce numbers in the wake of the pandemic, with 27% of doctors saying they were now more likely to take early retirement.

BEYOND 2020

As a result of the pandemic, high demand for hospital treatment will continue well after the pandemic subsides. GPs are now at the forefront of delivering the Covid-19 vaccine, which will enable society and the economy to recover during 2021 and beyond.

REFORMS AND FUNDING

In April 2021 there is due to be an announcement on the reform to the specialty and associate specialist (SAS) contract and the local clinical excellence award (LCEA) scheme. GPs will have practice income protected, while they focus on the vaccine rollout and prioritise administering the vaccinations over other work. As part of the five-year contract, GPs in England are being supported to reduce their workload by receiving additional funds via the Primary Care Networks to recruit more roles into practices.

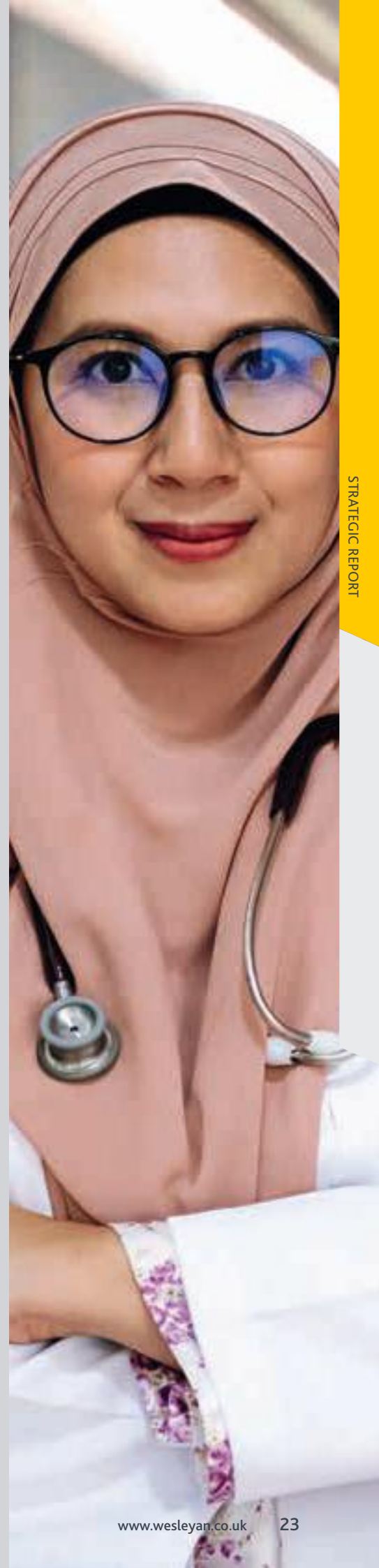
HERE FOR YOU

In addition to the measures outlined on page 9, here are some other ways in which we supported doctors during the pandemic

- ▶ Wesleyan Foundation partnered with Aston University to help young people from disadvantaged backgrounds pursue their medical career, including the creation of two scholarships at Aston Medical School.

We supported charitable organisations who provide mental wellbeing and practical advice to medical professionals, including:

- ▶ Royal Medical Benevolent Fund (RMBF): Providing support and advice to doctors, medical students and their families in time of crisis. A donation was made to support increased demand for their services.
- ▶ NHS Practitioner Health: Providing mental health support services to NHS staff. A grant was made to fund six months support (see page 34).



DENTISTS

The impact of Covid-19 on dentistry was severe in the first wave of the pandemic. From March to June 2020, all routine, non-urgent dental care was stopped, with only emergency care available to patients. While NHS dentists were supported through their NHS contract payments, private dentistry received limited financial support from the Government.

REDUCED CAPACITY AND APPOINTMENTS

Following the initial lockdown, concerns over infection control during aerosol generating procedures (AGPs) meant that surgery capacity had to be reduced, with deep cleaning and so-called 'fallow time' between patients. These extra steps had a negative effect on practice and dentist finances. Where a dentist may have seen 15 patients in a day, they will now see five, according to the British Dental Association (BDA).

In October 2020 dental practices were given new guidance to dramatically reduce their fallow periods. With the correct mitigation and air changes taking place, a 10-minute period following an AGP is considered appropriate. Wesleyan and Practice Plan helped dentists understand what the fallow time changes could mean for their business by supporting the launch of a fallow time calculator.

A survey carried out by the General Dental Council (GDC) in September and October 2020, found that 80% of dental business owners reported a decrease in income when compared to the same period last year. It also reported that 58% of dental professionals expected their personal income to reduce further over the next 12 months.

To support dental practices at this difficult time we halved Practice Plan Group membership administration fees during April and May 2020. This was a lifeline for many dental practices who were left with no income at that point.

IMPACTING MORALE

An NHS Digital survey found that nearly two-thirds of Principal dentists and over half of all Associate dentists in the UK often consider leaving dentistry. The most common contributory factors to low morale are increasing expenses, declining income, the risk of litigation and the cost of indemnity fees.

CHANGES FOR PRACTICES

An impact of the pandemic is that an increasing number of patients who would usually visit an NHS dentist are seeking private dental care to be seen quicker. There is an increasing trend in the number of Associates looking to secure their income by acquiring their own dental practice. The overall appetite for dental acquisitions remains strong with dental corporates continuing to buy practices.

HERE FOR YOU

In addition to the measures outlined on page 9, here are some other ways in which we supported dentists during the pandemic

Donations were made to the following charitable organisations who provide mental health and wellbeing support:

► Dentists' Health Support Programme (DHSP)

DHSP provides free telephone support and advice to dentists on mental health, alcohol and drug issues. A donation was made to support the increased demand in their services.

► Confidential

This free support service provides emotional first aid for dentists in distress. We supported Confidential to continue this vital service throughout the pandemic and beyond.



TEACHERS

The pandemic increased teachers' workload immensely, as they provided education in school to vulnerable children and the children of critical workers, as well as providing remote lessons for those who were learning from home due to lockdowns, self-isolation or shielding.

INCREASED PRESSURE

School leadership and classroom teachers have had to develop new ways of delivering safe learning due to Covid-19. Deep cleaning, social distancing and class bubbles have had to be implemented, with increased pressure on budgets and staff absences due to periods of self-isolation. Schools have also had to adapt to technological demands and cope with last-minute changes in government policy.

TEACHERS' PENSION SCHEME CONCERNS

In September 2019 the Teachers' Pension Scheme (TPS) increased employer contributions from 16.48% of salary to 23.6%. This led to about 200 independent schools serving notice to leave the scheme. Although the government will cover the additional costs for state schools, private schools must cover the costs themselves. With the added pressure on school budgets, due to the pandemic, many more independent schools are assessing their options to see if they can afford to maintain their membership. Teachers at the schools that have withdrawn are left to consider what this means for their future retirement plans and the immediate options available to them.

PAY FREEZE DISAPPOINTMENT

Chancellor Rishi Sunak announced in November 2020 that public sector workers earning above £24,000 would have their pay frozen in 2021-22. This may impact morale and create some issues around recruitment and retention. The government remains committed to achieving £30,000 starting salaries by 2022-23.

HERE FOR YOU

In addition to the measures outlined on page 9, here are some other ways in which we supported teachers during the pandemic

- ▶ Funding provided for the purchase of classroom materials and equipment to support teachers working with vulnerable pupils or children of critical workers during lockdown
- ▶ £15,000 donated to fund technology such as laptops for children in Birmingham who would otherwise have no access to remote lessons (see page 34)



CUSTOMER PROFILES:

MANDY BEARNE, RETIRED HEAD TEACHER

Mandy Bearne was in her first year as Acting Head Teacher of Brookvale Groby Learning Campus in Leicestershire when the coronavirus pandemic hit. She was also in the final year of her career, with retirement planned for Autumn 2020. Mandy tells us why her final year of teaching was the hardest of her career.

WHAT WERE THE MAIN CHALLENGES OF DEALING WITH THE PANDEMIC?

As a school community we faced continual challenges as the pandemic progressed. One of the most stressful times was in the weeks leading up to the first lockdown when there was talk of schools closing but no certainty. I was watching the news continually, trying to predict what might happen and how to respond. There was no blueprint that I could reach for to help me plan and, as a new Head Teacher, it was particularly daunting.

Once we knew schools would close, our priority was to ensure our students could keep learning. We had to quickly roll out mass training for teachers and pupils so everyone understood how to access and effectively use the remote learning tools.

HOW DID YOUR ROLE CHANGE?

The thing I loved most about my job was being with the students but with most of them at home, they were supported by colleagues in the pastoral and teaching teams. I became captain of a huge project to steer the school community safely and confidently through the pandemic. Government and local authority guidance was changing daily and I had to stay on top of it to ensure we were complying fully with the regulations. We were completing detailed risk assessments, setting up a socially distanced school environment, increasing cleaning routines and ensuring the mental health and wellbeing of the school community. As a leadership team, we worked ceaselessly to provide a structured, ordered school environment to help mitigate some of the uncertainty in the outside world.

WERE THERE ANY POSITIVES?

I was constantly uplifted by the response of my staff - teachers and support staff - who all showed such adaptability, resilience and care for our students. Everyone put the needs of the school and the students first, helping each other and coming up with ideas on how to best manage whatever situation we found ourselves in.

WHAT'S YOUR HOPE FOR THE FUTURE OF THE PROFESSION?

I found a lot of support from the Head Teaching community locally and nationally and I really hope that networking continues as it's a very positive thing for the profession. I also think some of the new ways of working will prevail. We had a positive response from parents to online parents' evening for example so that may continue. Overall though, my hope is that people start to fully recognise the fantastic work of school workers which is so vital to all our communities.

HOW WERE WESLEYAN THERE FOR YOU?

I really appreciated the genuine, trustworthy advice given to me by my Financial Consultant. Not only did he point out the implications on my pension of my increased salary from my new role, he also helped me see the value of investing my lump sum in diverse ways. He never put me under any pressure to buy but he gave me plenty of information and guidance and I could see the value of putting my money with a solid company like Wesleyan.

“

I really appreciated the genuine, trustworthy advice given to me by my Financial Consultant

”



AdobeStock image.

TOWER FAMILY HEALTHCARE

As you would expect Covid-19 threw up huge challenges for GP practices. From the move to seeing patients remotely to managing the complex logistics of keeping surgeries compliant with social distancing regulations for those who had to be on-site it was no mean feat. And while the vaccine brought with it great hope, making it available swiftly and safely to the over 80s with limited notice was not without issue.

Our General Insurance team were inundated with queries around the deployment of vaccines and surrounding liability claims. One customer, Paul Massey, emailed us in December 2020 to share the challenges he faced in getting ready for the vaccine. Paul is Executive Partner of Business Development & Finance at Tower Family Healthcare based in Bury.

“

It is this kind of action, going above and beyond that makes me and my organisation, and now Bury's GP Federation, thankful we are clients of Wesleyan.

”

“We were presented with a huge challenge to get the Covid-19 vaccination to patients with very little notice and lots of restrictions in terms of when, where and how we get this fragile vaccine administered.

“We thought we had everything sorted but were then thrown a curve ball when informed the premises we were using didn't have public liability insurance. I emailed Tom Hogan, my Wesleyan contact, explaining the situation and asking if he could help.

“The big ask was, that with the initial vaccination stock arriving in just 48 hours, if we couldn't store and administer it, this valuable and much needed vaccine would have been wasted. This was further complicated by the fact we didn't own the building and our GP Federation was the contract holder for the vaccination delivery.

“Tom dealt with this straight away and within a matter of hours, he had sorted out the insurance, meaning that 1,000 Bury residents, aged 80 and over, received their Covid-19 vaccination as planned.”

NON-FINANCIAL INFORMATION

We aim to comply with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. This table seeks to demonstrate the Group’s position in key areas and links to further information.



EMPLOYEES

- Policies/Guidance/Statements**
 - Employee Conduct Policy
 - Employee Assistance Programme
 - Career Break Policy
 - Talent and Development Policy
 - Family Leave Policy
 - Health and Safety Policy
 - Inclusion & Diversity Policy
 - Reasonable Adjustments Policy

Initiatives
 - Partnership Council, an enhanced employee consultative body which can report to the Board and has a named Non-Executive Director representative
- Agreed expenditure from apprenticeship levy since 2017 is £463,837.21
 - Employee Networks continue to improve inclusion and diversity (See page 32 for more details).
 - Employee Engagement – Employee Opinion Survey undertaken on a quarterly basis
 - Be Well at Wesleyan – internal wellbeing strategy to actively support the mental health and wellbeing of employees
 - Mandatory Mental Health training for managers



ENVIRONMENTAL MATTERS

- Protecting our environment is important to us and is a key part of our sustainability strategy. We have committed to reduce our impact on the environment, and as part of this commitment we have set a target to be Carbon Neutral in our Operations by the end of 2023. To meet this target, activity already underway includes:

 - Reducing the impact of our use of paper and printing through a reforestation partnership with our printer supplier. We’ve reduced paper from printers and offset the effect of paper printing by planting trees in Brazil, Madagascar, Dominican Republic and Ireland. We also reuse 80% of our printer toner cartridges with the remainder being
- recycled so none are sent to landfill or incineration.

 - Waste reduction. None of our waste is sent to landfill – 90% is recycled with 10% used as Refused Derived Fuel.
 - Sustainable practices in our offices. These include installing LED lighting in our Head Office; reduced water usage in Head Office and introducing reusable bio-degradable plates for meetings.
 - Travel. We are reducing our business travel by enabling more remote meetings where possible and support our employees through the Cycle to Work Scheme.
- Suppliers. Our sustainability principles are embedded into our procurement policies when choosing suppliers, outsourcers and other business partners. All of our stationery is purchased through Wild Hearts, an organisation that uses their activities and profits to create global change and improve the lives of people across the world.
 - Collaborating with the wider business community. We are proud signatories of the UK Business Group Alliance for Net Zero and for a green recovery from Covid-19.
 - Further details on our environmental approach can be found in the sustainability section on pages 36 to 37.



SOCIAL MATTERS

Wesleyan Foundation has continued to support our local communities and professions, please see page 34. In addition these further initiatives took place in 2020;

- ▶ Joined forces with Governors for Schools to allow colleagues the opportunity to become a school governor and use their volunteering time in a different way
- ▶ Supported the Business in the Community Waste into Wealth project by donating our old furniture to charities
- ▶ Partnered with Make Good Grow to provide a pilot of virtual skills-based volunteering opportunities with a formal agreement to expand this in 2021 agreed at the end of 2020
- ▶ Continued to support MicroTyco virtually, ensuring students could continue to participate in accessing learning around business behaviours in a safe, 'micro' environment
- ▶ Employees have supported students from across the UK with mentoring through the Social Mobility Foundation, Envision and The Girls Network
- ▶ Continued to support the Homelessness Task Force in Birmingham



RESPECT FOR HUMAN RIGHTS

Policies/Guidance/Statements Volunteering Policy

Initiatives

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



ANTI-CORRUPTION AND ANTI-BRIBERY

Policies/Guidance/Statements

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

Initiatives

- ▶ All colleagues undertake annual training to recognise and combat corruption, bribery, and financial crime
- ▶ All colleagues undertake training to ensure awareness of Conduct Rules in Financial Services

- ▶ 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

PEOPLE AND CULTURE

PROTECTING OUR PEOPLE

Ensuring the safety and wellbeing of our people and their families was a key priority over 2020. As it became clear that Covid-19 was taking hold in the UK, we began the process of moving colleagues to remote working, ahead of the official lockdown announcement on 23 March. We worked at pace to get basic day-to-day operations running effectively - prioritising those delivering critical services to customers and the business - and to ensure colleagues had access to the right technology and processes to enable effective home working.

Where remote working was not an option, a small number of people continued to work from the offices which were made Covid-19 secure to the highest standard. As lockdown measures were eased over summer we opened up the offices to colleagues who wanted – or needed – a break from working at home, keeping tight control on numbers, implementing effective distancing processes and maintaining a rigorous cleaning programme.

SUPPORTING WELLBEING

We were acutely aware of the impact of working from home in a time of heightened uncertainty without the support of colleagues and the daily routine of working life and put in place many initiatives to support a healthy mental and physical mindset. These included:

- ▶ Supporting working parents with a flexible approach to work to help them manage their commitments.
- ▶ Widespread promotion of our Employee Assistance Programme, a free helpline providing guidance and counselling to colleagues and their families.
- ▶ Increase in the number of trained Mental Health First Aiders available to colleagues and offered further support from our Network for Employee Wellbeing (NEW).
- ▶ Launch of the Be Well Wellbeing Hub with online resources, guidance and tips to support mental and physical health including fitness classes and guidance on sleep and nutrition.
- ▶ Mandatory training introduced for Managers to help them spot and deal with mental health concerns.
- ▶ Engagement events to retain a sense of community including celebrations for our 179th anniversary, including a Bake Off and teams encouraged to meet virtually for afternoon tea.

We were pleased to see that in our November Employee Opinion Survey, we scored 8.1 out of 10 in response to “Wesleyan cares about my wellbeing”, up 7% on the same time last year.



An internal bake off competition was launched for our 179th birthday to support colleague engagement during lockdown

EVOLVING CULTURE

Wesleyan has always had a strong culture of care and a reputation for doing ‘the right thing’ for our customers and our people. We recognise we must continue to evolve our culture to meet changing needs. In 2020 a new working group was set-up, sponsored by Richard Harrison our Chief Distribution Officer which signifies the key role the Executive Team will play in embodying the behaviours and mindset we expect of our people to ensure the best outcomes for members and customers.

As we move through a time of rapid change and transformation, we want to give colleagues the best opportunity to thrive and succeed and so we’re increasing our development programme to ensure everyone has the right capabilities to perform their role effectively and deliver our transformation plans. We’re also encouraging colleagues to have a ‘growth mindset’ where belief and hard work will deliver results for our customers and each other.

A key part of creating a high performing culture is to ensure people are rewarded for their contribution. In 2020 we launched the Blueprint Recognition Awards where colleagues nominate peers who have gone above and beyond in delivering against our strategy or demonstrating our company-wide behaviours. We also introduced a new scheme that allows managers to recognise and reward those who have made an outstanding contribution throughout the year with high-street shopping vouchers, further encouraging the behaviours that deliver for our customers.

We want Wesleyan to be a place where each of us can be our true selves at work and in 2020 we ramped up our commitment to

Equality, Diversity and Inclusion as you can read on page 32. We believe these activities will make for a stronger, more empowered workforce and support diversity of thought and decision making across the business.

PREPARING FOR THE FUTURE

In 2020 we were forced to adapt to home working and, while there were some challenges, there were also welcome benefits for many people in terms of flexibility and time saving with no daily commute.

In 2021 we will become a smart working organisation, giving colleagues the flexibility and choice of balancing office and remote working. They will be able to find a blend to suit them as long as they continue to meet the needs of our customers and our business.

We have engaged colleagues in agreeing what our ‘new normal’ might look like, with working groups active across the business. This will include reducing office space and our impact on the environment as we print and travel less. We will also introduce new technology to our offices to ensure colleagues can meet effectively wherever they are based. We are excited by the future ways of working we have shaped together and look forward to putting them into practice.

We’ll continue to listen to our people with regular Employee Opinion Surveys and meetings with the Partnership Council, our employee forum. And together we’ll continue to ensure that Wesleyan is a great place to work.

Wesleyan employees working remotely
to support our customers in 2020



EQUALITY, DIVERSITY AND INCLUSION

We are committed to becoming a fully inclusive organisation and believe our four Employee Diversity Networks are the best catalysts to ensure we do this in a way that is right for our people and communities. Being an inclusive employer not only makes for a better working experience for colleagues but will also help strengthen our business by attracting new employees and ensuring we retain our top talent.

BLACK ETHNIC MINORITY AND EVERYONE (BE ME)

2020 proved a pivotal year as the Black Lives Matter movement, and events surrounding it, forced us to face up to the issue of racism that is sadly still impacting many of our colleagues and customers.

We had honest conversations with colleagues who were profoundly impacted by these events and reflected at Board level whether we were doing enough – and at pace – to make Wesleyan a more inclusive and diverse organisation. The feelings of anger, disappointment and frustration we heard made it clear we needed more action, more resource and more speed.

We have now appointed a dedicated, experienced Inclusion and Diversity Manager to lead our equality, diversity and inclusion strategy which we believe will take us to a place where we become an exemplar in this area. We also:



- ▶ Opened up important and sometimes difficult discussions about race, sharing experiences and educating colleagues across the Group.
- ▶ Agreed a target for 15% of the senior leadership population to be from a Black, Asian, Minority Ethnic (BAME) background by 2022 (20% by 2025). In 2020 we were at 9%.
- ▶ Conducted an in-depth review of our retention challenges with BAME colleagues and are now working to address them.
- ▶ Agreed the process of introducing "blind" CVs and diverse interviewing panels to our recruitment processes.
- ▶ Continued our commitment to the BITC Race at Work Charter.
- ▶ Committed to the 10,000 Black Interns initiative, offering paid internships to young black people who are interested in a career in financial services. The first interns are due in 2022.

OPEN MINDS GROUP AKA OMG!



In 2020 the OMG! Network;

- ▶ Continued on our journey to be in the Top 100 list of employers by 2023 of the Stonewall Equality Index (2020 position: 316).
- ▶ Once again flew the Pride flag outside our Head Office for the entire Pride season (May to August).
- ▶ Made a £5,000 donation to Birmingham LGBT+ allowing 20 people to access 200 free counselling sessions. This service has been under considerable stress during the pandemic due to restricted fundraising opportunities.



GENDER



Working together for gender parity, in 2020 we:

- ▶ Set a new, more ambitious target to achieve 40% female representation in our senior leadership population by 2025 and committed to achieving our first milestone of 33% by 2022 – a year earlier than originally planned. We ended 2020 at 32% female representation, up from 25% in 2019.
- ▶ Supported the refreshed 30% Club application process, to improve access to this high-profile mentoring scheme for talented women from a range of backgrounds.
- ▶ Launched 'Inspiring Female Leaders' – a programme of three virtual events with six inspirational speakers that gave participants new tools and ideas to improve resilience, confidence and self-belief.
- ▶ Hosted a weekend leadership event for 55 schoolgirls from underprivileged Black, Asian and Minority Ethnic communities.

2021 THE LOOK AHEAD

We are now acting consciously to positively impact every area of Wesleyan so that inclusion is represented at all levels of our business using an organic approach that is centred around our people, the communities in which we operate and the areas of society we impact through our activities. In 2021 we will:

- ▶ Review and benchmark our HR policies and processes using inclusive recruitment to diversify our talent pipeline as we aim to become an industry exemplar in supporting our people.
- ▶ Increase focus on Conscious Inclusion Training.
- ▶ To ensure our imagery is inclusive and representative, we will be using The Decision Factory, a local charity, to photograph our people at work so that our recruitment, promotional and marketing imagery reflects our commitment to creating a truly diverse workforce.
- ▶ We are currently at Disability Confident Committed Level 1 meaning we commit to recruiting and supporting people with disabilities. We aim by 2022 to achieve Level 2 status.
- ▶ Celebrate our people through a calendar of events that our diversity networks have identified and will help to create a culture of inclusion for everyone.

NETWORK FOR EMPLOYEE WELLBEING (NEW;)

In 2020 NEW;

- ▶ Launched a new Domestic Violence and Abuse Policy to support and offer guidance for colleagues experiencing or at risk of domestic violence.
- ▶ Trained an additional nine Mental Health First Aiders to support colleagues through the difficulties of lockdown, bringing the total number to 24. Members of the team volunteered to be available over Christmas and New Year for anyone feeling isolated or in need of support.
- ▶ Required all managers to complete a new mental health training course to provide additional support through the pandemic and we also ran a course for colleagues, providing access to all of our mental health resources in one place.
- ▶ Focused on 'Accessibility to Support' during Wellbeing Week in October and held a week in May focused on kindness.

“

The focus on wellbeing has been exceptional from a company-wide perspective and ... my manager always covers off my wellbeing in monthly check-in meetings.

”

WESLEYAN COLLEAGUE

WESLEYAN FOUNDATION

The Wesleyan Foundation is proud to have awarded over £3 million to deserving causes across the UK since its launch in 2017.

As with so much in life, things were different in 2020 because of the pandemic. We decided to temporarily pause our regular Foundation grants programme from March to July as there was continued uncertainty over how organisations could deliver their services in the usual way.

We redirected our attention to how we could support our customers, many of whom were dealing first-hand with the impact of the pandemic. The Foundation donated over £100,000 to support the medical, dental, education and legal sectors with a focus on charities and organisations providing mental health and wellbeing support.

An additional £10,000 was made available to support local groups in the West Midlands that were providing services like food banks, emergency food and medicine deliveries and outreach. And we also donated over £743,000 to charities and community groups in need of support during this challenging time.

Here is a small selection of some of work the Foundation supported last year.

HELPING TO TACKLE TECH POVERTY

The Foundation was proud to kickstart Titan Partnership's Computers for Children campaign with a £15,000 donation in March 2020.

The charity identified that thousands of children living in Birmingham's most deprived areas entered the first period of home schooling without access to the right technology to take part in lessons online.

The Foundation is making a further £50,000 donation to Titan in 2021 so that more young people can benefit from access to the right equipment and online learning.

Titan Partnership CEO, Carolyn Chapman-Lees, said: "The coronavirus crisis is highlighting the invisible barrier to learning caused by digital poverty which is leaving many children behind. Tech Poverty is not only creating a barrier to learning during the Covid-19 pandemic but widening the attainment, skills and equality gap in Birmingham and across the UK and it is those facing disadvantage that suffer the greatest impact.

"Wesleyan's support came at a pivotal time as teachers and pupils were adapting to new ways of working. This has made a big difference to many children. I am delighted that, with Wesleyan's ongoing support, we will continue to provide devices for children and families most in need."



SUPPORTING NHS STAFF WELLBEING

From conversations with our Advisory Boards and customers, it quickly became clear that managing the fall-out from Covid-19 would create mental health issues for some of our medical customers and their colleagues.

We therefore put in place a series of measures to provide support including launching our own Wellbeing Hub.

We also provided funding from the Foundation to other organisations to help them ramp up their work in this space. This included a £45,000 donation to NHS Practitioner Health to expand their mental health support service to the full range of NHS workers in addition to medical and dental staff.

A network of professionally facilitated online group support meetings were put in place to provide a safe and supportive space to share experiences and concerns helping to reduce feelings of isolation and create better mental health outcomes.

Professor Dame Clare Gerada, Medical Director of Practitioner Health said: "We know from previous epidemics (fortunately pandemics are rare) that health care staff suffer from more mental health problems – in particular, depression, anxiety and post-traumatic stress symptoms. We are grateful for the funding from the Wesleyan Foundation that has helped us to support wellbeing and a sense of increased support and community."

Over 600 online groups and events took place over a ten-month period covering almost 15,000 staff.



ST CHAD'S SCHOOL



We continued to support St Chad's in 2020, a school close to our Birmingham Head Office that benefitted from a previous donation made by the Wesleyan Foundation.

While we weren't able to visit the school for much of the year, the pupils and staff remained very much in our thoughts. With most of the pupils coming from low income families, the pandemic exacerbated existing challenges.



Support given over the year included colleagues creating and selling a charity cookbook, sharing recipes from around the world, which raised over £1,000. The Foundation also gave a donation for the children to receive a special visit from a virtual Christmas Elf and every child received a book appropriate to their reading level as a gift.

Mrs Parker, Acting Headteacher told us: "We are using some of the donated money to support all our families with an extra foodbank. We're keeping some for a special celebration for the children when we are through this difficult time, maybe a coach trip to Weston. Thank you to everyone at Wesleyan for keeping us in your thoughts."

MANAGE MONEY WALES

Manage Money Wales works with people who are financially excluded and vulnerable, helping them to manage and prioritise their debt and expenditure.

Jennifer Hare, Director at Manage Money Wales, said: "The Wesleyan Foundation grant was vital, contributing towards the employment of our Financial Resilience Officer and enabling us to buy essential food and toiletries for people who were in dire need.

"It kept the people we worked with above water; otherwise they would have been in a grim financial situation that could have had a detrimental effect."

A beneficiary of the project said: "Manage Money Wales have worked with me to sort out my finances and reduce my debt. Without their support I am sure that I would have been homeless by now, as I would have been more and more in debt and unable to pay my bills."



SUPPORTING BUSINESS IN THE COMMUNITY

When Business in the Community launched its National Business Response Network we knew we needed to get involved.

The Network set up to respond to the increased critical health and social issues in towns and cities across the UK, matched communities in need with businesses that could help during the pandemic and beyond getting urgent resources to communities that need them most.

We were acutely aware of the pressure schools and teachers faced during the first lockdown and the impact this was having on the learning of some of our most vulnerable and disadvantaged children across the country. The Network enabled us to provide targeted, practical support and we were delighted to see the difference our donation of £5,700 made to both teachers and pupils with much of the money going to support educational resources.

SUPPORT FROM THE FOUNDATION

Organisations can apply for three levels of funding ranging from £2,000 to grants exceeding £10,000. The Wesleyan Foundation works with the Heart of England Community Foundation which administers and distributes funding across the UK.

To find out more about the Wesleyan Foundation visit wesleyanfoundation.co.uk

SUSTAINABILITY

OUR SUSTAINABILITY STRATEGY AND APPROACH

OUR SUSTAINABILITY STRATEGY

We believe that we should act in a sustainable and responsible way in all our business operations. In fact, doing the right thing for our customers, employees and communities is part of Wesleyan's DNA.

Sustainability for Wesleyan encompasses three Environmental, Social and Governance (ESG) Factors covering a wide range of goals, for example:

- ▶ **Environmental** - reducing our impact on global temperature increases, limiting Green House Gas emissions and reducing pollution
- ▶ **Social** - tackling inequality and helping disadvantaged communities
- ▶ **Governance** - following good governance practices, including sound management structures, maintaining positive employee relations, fair remuneration for our employees and complying with all laws and regulations

Our approach to sustainability has these factors at its heart.

We recognise that sustainability is a journey for us; with short, medium and longer-term activity required to meet our aims. In 2019, the Wesleyan Group Board approved our first Sustainability Directional Strategy. With ESG at its core, this strategy sets out eight key sustainability principles, encompassing areas ranging from sustainability in our product offerings, our infrastructure, how we invest customers' funds, support and guidance for our employees, through to the good causes we support. The Sustainability Strategy is integral to the way we manage sustainability, as it drives the behaviours and actions that we see as vital to meeting our sustainability goals.

WHAT HAVE WE DONE SO FAR?

Due to the Covid-19 pandemic, 2020 was a challenging year for Wesleyan. However, despite these challenges, we have achieved the following key sustainability milestones:

- ▶ Commitment to become carbon neutral in our operations by the end of 2023, and fully carbon neutral (including Investment Funds under management) by 2050 at the latest
- ▶ Implemented a sustainability governance and oversight structure, including the establishment of a Sustainability Committee and assigned key responsibilities within the business
- ▶ Introduced ESG and carbon footprint benchmarks for some of our investment funds
- ▶ Recruited our first Responsible Investment Analyst, to provide expert analysis into ESG concerns and their likely financial impact on our investments
- ▶ Provided information, support and guidance to our employees on a range of sustainability matters
- ▶ Collaborated with the wider business community - we are proud signatories of the UK Business Group Alliance for Net Zero and for a green recovery from Covid-19
- ▶ Aligned our Corporate Social Responsibility activity to United Nations Sustainable Development Goals (SDGs)

PROGRESS MADE WITH OUR TCFD REPORTING

The Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) with the aim of improving industry disclosure of climate-related risks and opportunities. We believe this disclosure is important for our customers and other stakeholders and have committed, by signing a Statement of Support, to implementing the TCFD's recommendations where possible in this annual report, and in full by 2022.

The TCFD recommendations cover four thematic areas: Governance, Strategy, Risk Management and Metrics and Targets; our disclosures are summarised in this way in the table on the next page.



GOVERNANCE

Ultimately, the Board has responsibility for climate related risks and opportunities. To support this, the Sustainability Committee is in place, which is a sub Board Committee that provides governance and oversight for sustainability activity.

The Sustainability Committee meets monthly and receives regular reports on progress against sustainability objectives, as well as receiving updates on sustainability related risks and opportunities through regular and ad hoc reports.

Overall responsibility for climate related financial risks has been allocated to the Chief Risk Officer, who chairs the Sustainability Committee. More granular ownership of specific sustainability risk areas has been allocated at Executive and Senior Management Level.

STRATEGY

We have in place a Sustainability Directional Strategy, which sets out our principles for the management of risks and opportunities around sustainability. The strategy is informed by the various risk identification processes described on pages 38 of this report and in the risk management section below.

Our eight principles cover the following areas: Overall Sustainability Commitment, Sustainability in our Customer Offerings, Sustainable Investments and Banking, Sustainable Supplier Management, Sustainable Infrastructure, Sustainability for our Employees, Sustainable CSR Work, and Sustainability in our External Communications.

These principles cover the areas where we believe the greatest risks and impacts for us are likely to occur from both climate change and sustainability more generally.

Each principle considers risks and opportunities over the short, medium and longer term. Specific risk treatments are described in a more granular level in the relevant Policies and Procedures within Wesleyan.

As part of our Own Risk and Solvency Assessment (ORSA) process, we undertake stress testing with the specific aim of testing the financial impacts of climate change, and other aspects of sustainability. We use this testing to continually validate and inform our sustainability strategy.

➔ Read more about [our strategy](#) on page 15

RISK MANAGEMENT

In general, we view the risks around sustainability to be thematic in nature, and as such we do not categorise sustainability risk as a separate risk type. Instead, these risks are managed as part of specific risk types within our Integrated Risk Management Framework (see page 38 for further details on how we manage our risks) and through scenario testing.

In practice, when we look at a specific risk type such as market risk or reputational risk, we consider sustainability as part of those risks. Our major risk management policies have recently been reviewed and updated to ensure that sustainability risks are incorporated. However, where required, specific policies have been put in place, such as the sustainable investing policy.

The various tools within our Integrated Risk Management Framework are used to identify, assess and manage sustainability risks. Additionally, we undertake an annual Climate Financial Risk assessment to ensure that these risks are managed appropriately.

METRICS AND TARGETS

We have developed a basic set of metrics, aligned to our eight sustainability principles, that allow us to track our progress with regards to sustainability. These metrics include our electricity, gas, paper and water usage, business mileage, and our carbon footprint (including of our investment holdings) where available.

We have significant activity planned to enhance and further capture and report our relevant climate related information, including our Group carbon footprint and granular data on our Greenhouse Gas emissions. In order to do this, we are investing in new processes and systems, such as a new procurement system.

We have set a target to become carbon neutral in our operations by the end of 2023, and fully carbon neutral (including Investment Funds under management) by 2050.

We are looking to set further targets over the next 12 months linked to our sustainability principles.

OUR RISKS

MANAGING OUR RISKS

Risk management is fundamental to the successful delivery of Wesleyan's business objectives, including the delivery of attractive returns for its policyholders. Therefore, we have an established Risk Management Framework in place that promotes the successful management of the risks we face.

We recognise that in a fast moving and challenging external world, our strategy may need to change to respond to developments in our operating environment, an example being the challenges associated with maintaining a high quality service to our customers during the Covid-19 pandemic. Therefore the Board regularly reviews the Society's long-term strategic plans. In developing and monitoring strategy, the Board's priority is to ensure that strategic initiatives do not compromise the future financial strength or reputation of the Society or its ability to provide fair outcomes for our customers.

OUR RISK APPETITE

Underpinning our management of risk is Wesleyan's risk appetite, which is set by the Board and details the amount of risk we are prepared to accept in pursuit of our business objectives. Any new risk exposure, or change to any existing risk exposure, is considered in light of this risk appetite before being accepted. Our risk appetite is further broken down into the key elements of reputation, capital, business and conduct, each having their own risk appetite. Our Risk Appetite Statement and the statements for each element are shown below:

"We accept risk in order to deliver our strategic objectives, recognising the need to balance risk and reward and to ensure that risk is actively managed and monitored. Our reputation and relationship with our customers is vital and we will always treat our customers fairly and act with integrity. In order to meet the needs of our current and future policyholders, we will ensure that we remain financially strong and even in extreme circumstances, are able to meet our financial obligations as they fall due."

CAPITAL

We will ensure that we remain financially strong with above average financial strength, in line with our strategic objective and consistent with our communications to policyholders.

We will also ensure that we do not become too financially strong, where alternative uses of our surplus capital may be possible which would be of greater benefit to current and future policyholders.

We will achieve these objectives by holding sufficient capital to withstand a 1 in 2000 event, which is our Internal Capital Requirement (ICR).

CONDUCT

Wesleyan has a zero appetite for systemic unfair outcomes to customers at any part of the product lifecycle. While recognising that from time to time the Group may deliver isolated instances of poor outcomes to customers, colleagues or our community; we have no appetite for these failures to be systemic.

Where we identify potential poor customer outcomes, we will be proactive in reporting them, agreeing fair remedial actions, and at all times ensure that we provide clear communications to ensure that a fair outcome is achieved.

REPUTATION

We recognise that our long-term sustainability depends on the strength of our reputation and relationship with our customers.

Therefore, we have minimal appetite for material reputation risks and we will always treat our customers fairly and act with integrity.

BUSINESS

The Society seeks to monitor and react to external developments to ensure that it maintains/improves its low to moderate business risk profile over the longer-term. This includes:

- ▶ Regular and effective processes for business risk identification, strategic planning and business risk management;
- ▶ Testing of resilience to risk events (what if scenarios).

The Society seeks to maintain sufficient resilience against business risk. This includes limiting negative impacts on:

- ▶ Customer outcomes;
- ▶ Long-term financial and operational performance.

The Board regularly reviews and monitors our actual risk profile and risk limits against the approved risk appetite for each element. In addition to the four key elements detailed on the preceding page, the Society closely monitors its Market, Insurance, Liquidity, Credit and Operational risks.

RISK MANAGEMENT FRAMEWORK

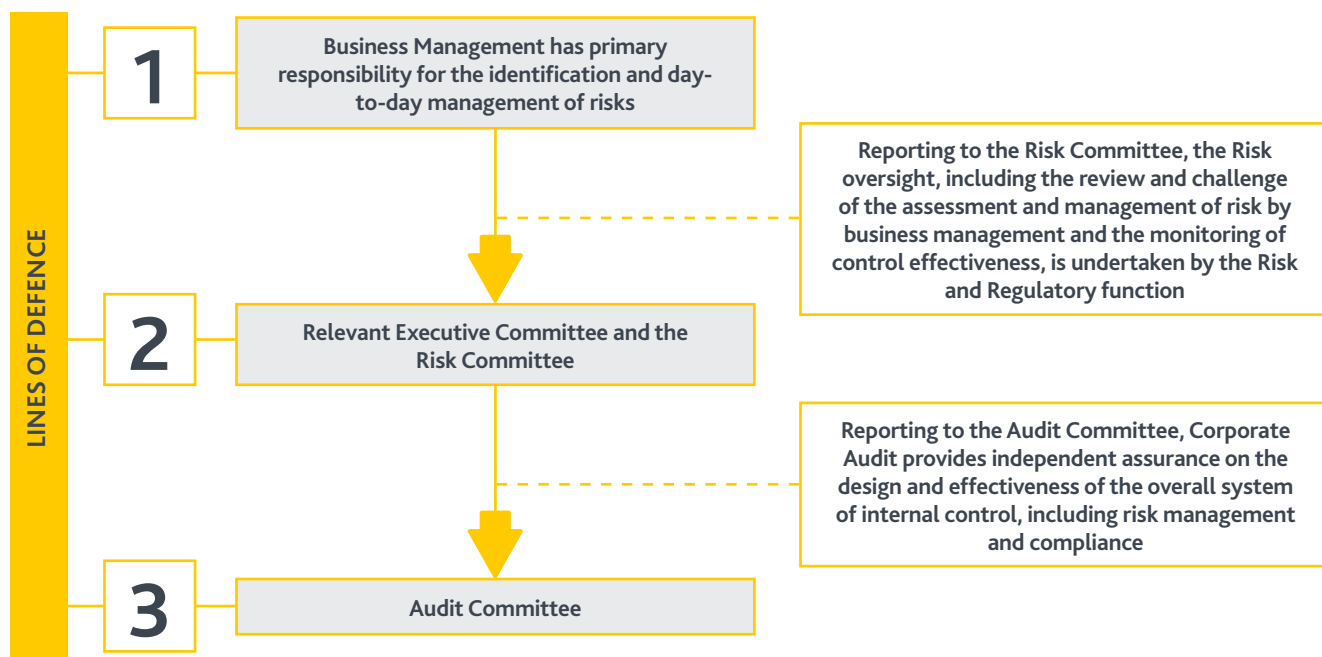
In order to manage the risks we face, Wesleyan has a risk management framework and methodology in place which includes the following key components:

- ▶ The definition of the Wesleyan's appetite for our key risk types;
- ▶ Management information such as Key Risk Indicators and Key Performance Indicators which report our position relative to its risk appetite;
- ▶ A review of the significant internal and external risks that may impact us and our target markets;
- ▶ Significant new emerging risks are considered and reviewed and reported on a regular basis;

- ▶ A risk identification, categorisation and assessment methodology for operational risks;
- ▶ A specialist Group Security team to manage risk regarding cyber and business continuity;
- ▶ Risk identification, management and governance procedures are in place for major change initiatives; and
- ▶ The detailed review of and reporting on certain material risks, including those that have an impact on our financial position.

GOVERNANCE AND OVERSIGHT

- ▶ As part of our Risk Management Framework a three lines of defence model governance structure exists (illustrated below) to actively identify, manage and monitor risks. Robust risk management is also embedded within the culture of the Society. The effectiveness of risk management and internal control systems is reviewed at least annually, including reviews undertaken by Corporate Audit, the scope of which are aligned to the key risks we face.



Covid-19

Like most businesses across the world, Covid-19 has had a material impact on Wesleyan in 2020, and we have had to respond in an agile way to manage the risks to us from the pandemic. In order to continue to provide great service to our customers and ensure our colleagues' safety, we have had to quickly make significant changes to the way we interact with our customers and how we operate our business. For example, we had to make significant changes to our technology to enable most of our people to work from home at short notice, to ensure our customer service was not impacted and safety of colleagues was not compromised. Our risk management framework had previously identified the risks associated with a pandemic, and therefore we were able to respond in the most appropriate way for both our customers and our business.

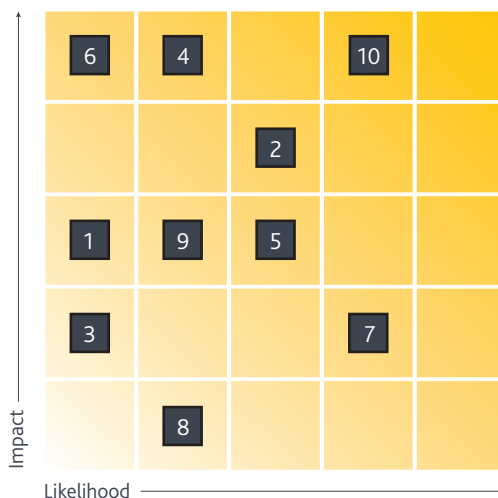
BREXIT

Following Brexit, we have considered how the UK's future trading arrangements could impact Wesleyan and its customers. In general, we believe Wesleyan has not been significantly impacted, mainly because we are strong financially, and because of the profile of our core target market. Prior to Brexit occurring, an exercise was undertaken internally to identify any regulatory impact of Brexit on Wesleyan's operational ability, which concluded that no major longer-term regulatory impact is expected.

OUR RISKS CONTINUED

WESLEYAN'S KEY RISKS

Below is a summary of the key risks we face, including our view of whether each risk has increased, decreased or remained the same in 2020, and actions taken to manage and mitigate them. We have also included a diagram (right) that illustrates our qualitative assessment of the relative impact and likelihood of each risk:



1. Policyholder Returns & Financial Strength
2. Business Model Flexibility
3. Regulatory Impact on Business Model
4. Ineffective Change Projects
5. Cyber Attacks
6. Unsuitable Financial Advice
7. Sustainability Risks
8. Subsidiary Returns
9. Underwriting Risks
10. External Events

Risk	Description	Mitigation	2020 Trend
POLICYHOLDER RETURNS & FINANCIAL STRENGTH	Policyholder Returns and our financial strength are negatively impacted by investment market and general economic conditions.	The Covid-19 pandemic has had a material impact on policyholder returns, however various policies and procedures are in place to ensure that our investment funds are managed in line with risk appetite, including the need to balance risk and return.	↑
BUSINESS MODEL FLEXIBILITY	Expectations of our customers are changing rapidly, including the price they are willing to pay for our products. Therefore, the risk exists that our business model does not adapt quickly enough to these changes.	We monitor closely any changes affecting our target market as part of our strategic and business planning process, so that mitigating actions can be identified and taken in a timely way.	↑
REGULATORY IMPACT ON BUSINESS MODEL	Regulatory changes and challenges negatively impact our business model.	We closely monitor regulatory developments and review our distribution model if needed to ensure it remains in line with customer and the regulatory expectations.	→
INEFFECTIVE CHANGE PROJECTS	Change projects are not effective, the envisaged benefits are not delivered and customer needs are not met, or the amount of change impacts the business adversely.	We have an agreed project lifecycle which sets out the project delivery framework, with all projects being monitored and managed through a Portfolio Steering group. Each major project has a business case agreed by the Board setting out the benefit to customers.	→

Risk	Description	Mitigation	2020 Trend
CYBER ATTACKS	As cyber attacks become more sophisticated against all organisations cyber security is becoming a more prominent business risk for Wesleyan.	We have a variety of tools to protect our IT infrastructure and continue to enhance our approach to cyber security, including detection and response to increased sophistication of cyber attacks. This risk increased in 2020 due to advances in the sophistication and ability of attacks by cyber criminals, however we have continued to strengthen our defences against cyber attacks in 2020.	↑
UNSUITABLE FINANCIAL ADVICE	Wesleyan is exposed to the risk that unsuitable financial advice might be given by its Financial Consultants.	All of our Financial Consultants are qualified to the required standard and are regularly assessed and monitored.	→
SUSTAINABILITY RISKS	Impacts related to sustainability (including Climate Change) and associated changing regulatory, customer and other stakeholder expectations could negatively affect our long-term business objectives.	We have continued to develop our sustainability risk management processes, and in 2020 we have introduced governance and oversight structures, developed relevant policies and we have introduced sustainability related reporting metrics.	↑
SUBSIDIARY RETURNS	The desired returns, both to our customers in terms of service received and outputs provided, as well as the overall financial return to the Society, from the Subsidiary entities of the Society are not in line with plans and associated risk appetite.	We closely monitor the financial and service performance of the subsidiaries, and management actions are taken when required if performance is not in line with expectations.	→
UNDERWRITING RISKS	Wesleyan underwrites risks where the ultimate liability is dependent on variable rates of mortality, morbidity (i.e. sickness), persistency (the proportion of policies that remain in force) and our expenses.	We have extensive experience and expertise to assess and set our price for known risks.	→
EXTERNAL EVENTS	External events in the wider UK (such as Covid-19 and post Brexit trading arrangements) and global economy result in a major and prolonged economic downturn and/or stock market crash, which could lead to a failure to meet targets and to a significant under-performance of our business plan in the future due to lower income for the business.	We monitor the potential impact on the achievement of our business plan closely through our governance structures so that any mitigating actions required are taken in a timely way.	↑

VIABILITY STATEMENT

The Society's Board of Directors have carefully assessed the long-term prospects of the business taking into account our current position, the main risks faced and the measures in place to monitor and manage these risks.

The Board believes there is a reasonable expectation that the Society will continue to operate successfully and meet its liabilities as they fall due over the next five years. This expectation is based on a thorough understanding and analysis of our long-term risks and the associated risk management processes, and the assessment is made over five years to align with our Own Risk and Solvency Assessment (ORSA) planning period.

IDENTIFYING AND MANAGING THE IMPACT OF RISK

We identify and monitor risks to ensure that our business aims and customer objectives can be met. Where possible, the risks are given a monetary value (quantifiable risks), for example equity market volatility. The potential capital impact of these risks is determined through actuarial modelling. Where a direct monetary value cannot be applied (non-quantifiable risks), for example a cyber attack on our systems, the impact is assessed and monitored through an established qualitative process.

A reporting process is in place to monitor our risk profile and ensure we stay within our agreed risk appetite. This is reviewed monthly by the Group Executive and at each meeting of the Risk Committee. The most significant risks to the Society, along with an overview of the framework in place to manage them, are set out on pages 38 to 41 of this report.

Everyone in our business has a responsibility for managing risk. On a formal level, line managers are accountable for risk management in their own business areas. They are supported and challenged by the Risk and Regulatory team, and also a number of Risk Champions that are embedded within operational areas to help promote the risk management culture. Corporate Audit acts as a third line of defence assessing how effectively risk is being managed and identifying and tracking any mitigating actions.

OUR APPETITE FOR RISK

As a business, we accept risk to deliver our strategic objectives and recognise the need to balance risk and reward. A key tool in helping to achieve this is the ORSA. This is an annual process where we look at the year ahead and ensure that all of the risks to which we might be exposed are identified, measured, monitored, managed and reported. This also supports capital planning and strategic business planning.

Our Internal Capital requirements are established as part of the ORSA process. These are defined as the capital required to stay within our capital risk appetite, both now and across the five year business planning period. We set this at a much higher level than the minimum regulatory requirements, in line with our strategy of maintaining financial strength.

APPLYING RIGOUR TO RISK MANAGEMENT

We apply rigorous stress, sensitivity and scenario testing to risks identified through the ORSA. Stress and sensitivity testing allows us to ensure we have enough capital on our balance sheet to withstand major events such as a stock market crash or adverse changes to our key assumptions. Reverse stress testing has a different starting point, looking at a range of scenarios that might cause the business to fail. This highlights potential vulnerabilities and ensures we have adequate measures in place to manage these risks.

Scenario testing analyses the impact on the Society's capital of some possible 'real world' events that could result in more than one of our most significant risks occurring at the same time. The scenarios are appropriate for the nature, scale and complexity of the Society and are reviewed and approved by the Executive, Risk Committee and Board.

Some examples of the risk events considered for the 2020 ORSA were: global recession, equity market crash with high inflation, substantial increases in life expectancy, a more extreme pandemic, climate change (including physical, transitional, regulatory and reputational risk elements), cyber-attack and various Wesleyan specific profit, business and conduct related events.

The Society's capital planning process runs continuously, with an updated plan produced annually and approved by the Society's Board. The plan is based on the ORSA, annual and five year business plans. The Society's five year capital projections sets our strategic growth plans and provides a framework for operational planning and budgeting.

Based on the outputs of the ORSA and the other processes described above, the Directors have a reasonable expectation that the Society will be able to continue in operation and meet its liabilities as they fall due over the next five years.

The Strategic Report on pages 11 to 48 was approved by the Board on 25 March 2021 and signed on its behalf by



MARIO MAZZOCCHI
Group Chief Executive

25 March 2021



SECTION 172 REPORTING

Set out below is an overview of matters discussed by the Board of Directors for the year ended 31 December 2020, in accordance with its duties under Section 172 (1) (a) to (f) of the Companies Act 2006. This includes evidence of how the interests of the Society's key stakeholders have been considered in Board discussions and decision-making.



The stakeholders for the Society are identified as the following:



MEMBERS

Reason for key stakeholder status

The Society is a mutual organisation and is owned by its Members who have a say in how the business is run as they can vote on important decisions, such as a change in the Society's rules at the Annual General Meeting (AGM).



CUSTOMERS

Reason for key stakeholder status

The Society exists to serve its customers by providing products and services that meet their needs. Some customers are also Members or Associate Members.

Board engagement methods

THESE METHODS ARE APPLICABLE TO BOTH MEMBERS AND CUSTOMERS. The Board uses direct means to engage, such as through the AGM, inviting speakers to Board meetings and attendance at the Members Advisory Boards. They also use indirect means, such as through the outputs of research using customer focus groups. They receive and consider the views of the With Profits Committee, which independently considers the interests of With Profits Policyholders.



REGULATORY AUTHORITIES

Reason for key stakeholder status

The Society understands the importance of complying with regulation and seeks to have an open and cooperative relationship with its regulators.

Board engagement methods

The Board engages with the Society's main regulators directly from time to time through meetings and by attending events run by the regulator. The Board also receives regular information on the business's interactions with its regulators and keeps up to date with regulatory changes through the work of the Risk & Regulatory Team.

See also
Pages 38



COMMUNITY/ENVIRONMENT

Reason for key stakeholder status

The Society seeks to support the wider community through being a responsible business. This includes focusing on ESG matters as well as the work of the Wesleyan Foundation which is aligned to our professional customers and the communities we live and work within.

Board engagement methods

The Board engages directly with the wider community through events run by the Wesleyan Foundation. It also receives regular updates on the work the business does with the wider community and oversees sustainability actions.

See also
Pages 34



EMPLOYEES

Reason for key stakeholder status

The Society's employees help to deliver products and services to customers/ Members. They are integral to the business and it is important to offer them terms and conditions that are fair and attractive to retain the right talent.

Board engagement methods

The Board engages directly through a number of routes such as informal 'Meet the Board' sessions and through the Senior Independent Director who has specific responsibility to meet with the Partnership Council, our employee forum.. The Board regularly reviews the outcomes from Employee Opinion Surveys and ensures that there are appropriate actions in place to address any issues raised.

See also
Page 30



SUPPLIERS

Reason for key stakeholder status

The Society seeks to work collaboratively with its suppliers as they are integral to the running of the business. The Society looks to build good long-term relationships, particularly with suppliers to whom we outsource critical activities. Suppliers will be replaced if they underperform, a better partner emerges, or they do not uphold the same standards and values as the Society.

Board engagement methods

The Board receives information on suppliers through updates on key relationships such as through information from the Procurement and Supplier Management Team. The Board approves the Slavery and Human Trafficking Statement which is reflected in the way we agree our contractual terms with suppliers. A breach of the law on their behalf would represent a material breach of the contract and allow us to terminate.

Principal decisions during 2020

Statement by the Directors in performance of their statutory duties in accordance with section 172 (1) of the Companies Act 2006:

Board meetings follow an agenda agreed in advance between the Chair, CEO and Company Secretary. These cover:

- ▶ The financial performance of the Society, including updates from the CEO and CFO;
- ▶ A review of risk across the Group; and
- ▶ Progress on strategic initiatives including around Sustainability, Customer and Product and People, Culture and Communication matters.

The Board receives reports from its sub-committees:

- ▶ The Risk and Audit Committees particularly pay consideration to fair outcomes for customers in their discussions and pay due regard to expectations of our Regulators.
- ▶ The People, Governance and Culture Committee (formally the Nominations Committee) focuses on people and governance matters including such areas as diversity and inclusion and sustainability, considering both outcomes for employees and the wider community.
- ▶ The Remuneration Committee determines remuneration for Executives including determining long-term incentives linked to successful delivery of the Society's strategy.
- ▶ The With Profits Committee focuses on the needs of With Profits Policyholders and seeks to independently protect their interests.
- ▶ The Investment Committee focuses on monitoring investment performance within the risk appetite of each fund.



AFFINITIES

Reason for key stakeholder status

The Society works with affinities that are linked to its professional markets and aims to work collaboratively so that the relationships are mutually beneficial and enhance the reputation of the Society and the affinity.

Board engagement methods

The Board will generally engage by receiving information on the relationships through the Supplier Management oversight information.

See also
Page 16



SECTION 172 REPORTING CONTINUED

Summary of decision	Impact	Stakeholder considerations	See also
The Board has regularly discussed and agreed the Society's response to the Covid-19 Global Pandemic to ensure customers and employees have been supported, holding an additional Board meeting in April 2020 to oversee our response.	<p>A range of measures have been implemented to help our customers and employees during the Covid-19 pandemic, including;</p> <ul style="list-style-type: none"> ▶ Launch of a Wellbeing Hub and Mental Health & Wellbeing Triage Service; ▶ A 50% reduction in the administration fee charged to Dental Practices by Practice Plan Group for two months to help practices impacted by lockdown; ▶ Donation of £100k through the Wesleyan Foundation to support the medical, dental, education and legal sectors during the Covid-19 crisis; ▶ Personal donations to charity by Non-Executive Board members and the Chief Executive; ▶ Implementation of digital solutions to continue to provide advice to our members and customers and to deliver financial seminars remotely; ▶ Ensuring employees have the right equipment to work from home. 	<ul style="list-style-type: none"> ▶ We have received regular updates from our Advisory Boards with members attending the Board to update directly on the experiences of their professions during the crisis. This has provided valuable insights as to how the business can best help and support based on the challenges our professional customers are facing. ▶ We have received regular updates as to how the business has been managing the Covid-19 crisis. Particular emphasis has been given to the support provided to employees around Mental Health and Wellbeing and ensuring key processes continued to operate effectively to ensure any impact on customers was kept to a minimum. ▶ We held 'Meet the Board' sessions in 2020 to continue to connect directly with our employees and respond to their views, concerns and questions. ▶ The Senior Independent Director and the Group Chief Executive have attended meetings of the employee Partnership Council to discuss how best to support employees. This offered a constructive two-way dialogue between employees and the Board. The Chair of the Partnership Council has attended the Board to update on the work of the Council and the key challenges that they have been addressing, including how they were continuing to engage with the business remotely during the pandemic. 	Pages 8 to 9
Approval of the next phase of the Society's Strategy for 2021-2023 and measures and targets for the Long Term Incentive Scheme to link Executive Remuneration to successful delivery across a holistic range of measures	<p>The Strategic Plan for 2021 - 2023 continues to drive forward our purpose and develop a business that is sustainable and relevant. The key strategic priorities agreed centre around:</p> <ul style="list-style-type: none"> ▶ Increasing and optimising distribution options aligned to the way customers want to do business with us; ▶ Enhancing product propositions to meet the changing needs of our customers; ▶ Delivering a new efficient operating model; ▶ Investing in transformation capabilities; ▶ Maximising With Profits product opportunity; ▶ Optimising our resources; ▶ Enhancing our culture; ▶ Long Term Incentive measures and targets have been designed to align with delivery of the strategic plan, only vesting if ambitious targets are met across a range of measures, including inclusivity and diversity and sustainability. 	<ul style="list-style-type: none"> ▶ We are continuing to ensure our strategy is built around our customers. External consultants have been used to help us design our target operating model (TOM) focused on customer experience and needs. Existing and potential customers have been closely involved in the design process and their feedback has helped us learn and adapt so that we rebuild our processes to be efficient and customer friendly. This iterative approach will be used going forward to continue to adapt and deliver in a way that meets our customers' changing needs. ▶ We continue to place emphasis on ensuring the business has the right skills and capabilities to deliver the Strategy, including by hiring new expertise in digital and change management to help ensure delivery of our transformation plans. ▶ We have agreed a range of measures and targets designed to help transform the business and ensure it is sustainable for the future. These measures focus on all the key elements of our plan including not just financial measures but also measures that help to drive the right standards of customer service and culture. 	Pages 12 and 15

Summary of decision	Impact	Stakeholder considerations	See also
Approved payment of the Mutual Bonus on 1 September 2020	1% Mutual Bonus was applied to all Wesleyan With Profits Open Fund policies on 1 September 2020.	<ul style="list-style-type: none"> ▶ We planned to pay the Mutual Bonus on 31 May 2020 but due to economic uncertainty arising from Covid-19 and regulatory guidance it was agreed to defer the decision. Key criteria were established to make sure the payment was only made when it would be in the long-term interests of policyholders. ▶ We monitored the position against the criteria at each Board meeting and once we were comfortable that they had been met, we agreed in July 2020 that the mutual bonus should be paid on 1 September 2020. 	Pages 1, 3, 5, 12 and 18
Approval of new inclusion and diversity targets	<p>New enhanced targets were approved to enhance inclusion and diversity at Wesleyan:</p> <p>By the end of 2022 we aim for:</p> <p>15% BAME representation at senior leader level and above (20% by 2025)</p> <p>33% women at senior leader level and above (40% by 2025)</p> <p>To continue to progress in the Stonewall LGBT Workplace Equality Index.</p> <p>To be a Disability Confident Employer Level 2. We've achieved Level 1.</p>	<ul style="list-style-type: none"> ▶ We introduced new enhanced inclusivity and diversity targets devised in consultation with the Society's Employee Networks. ▶ We have received updates on Inclusion & Diversity from the Chief Risk Officer and the Chief of Staff including an annual Inclusion & Diversity Report which set out progress made and areas to enhance in the future. ▶ We have ensured the new enhanced targets are linked to Executive incentives. ▶ A decision was taken to increase the number of NEDs by one in 2021 and to ensure that a diverse range of candidates were identified with the aim of increasing ethnic diversity and greater insights from our customer base. 	Pages 32 to 33
The Board supported the strategy to develop a new digital direct ISA journey which was launched in 2020 along with removal of the 3% initial charge to improve the competitiveness of the product.	Our direct With Profits ISA has been redesigned with input from our customers to deliver a more user-friendly customer experience and to offer a more competitive product. The With Profits ISA is now also available through aggregator sites allowing us to reach more new customers with our With Profits ISA product and allow existing customers more choice in the way they do business with us.	<ul style="list-style-type: none"> ▶ We have monitored closely the customer focused way that the With Profits ISA online customer journey has been developed, receiving demonstrations of the customer experience and the iterative way that the journey has been improved by working with our customers. ▶ We continue to develop our digital capability with work underway to enhance the way customers can book appointments and arrange to meet with our advisers. This is being developed with input from potential and existing customers. ▶ We continue to monitor the competitiveness of our products and have responded by removing the initial charge to ensure our With Profits online ISA is attractive to our customers 	Pages 15 and 22
The Board approved a review of strategy for its Dental Plan business to ensure it was aligned to customer needs	The strategic review highlighted that our Dental Plan business had a number of strategic options including around improving customer experience and extending the range of services offered. Findings also highlighted that membership plans had helped private dental practices during the Covid-19 pandemic with regular income flows.	<ul style="list-style-type: none"> ▶ We conducted customer research during 2020 to help us understand strategic opportunities linked to the needs of our customers. ▶ We are now exploring digital solutions to improve the efficiency of our services and continuing to support businesses that wish to start a membership plan. ▶ We are investigating the feasibility of strategic options to extend the services offered and focused input and testing with customers will form part of these studies. 	Pages 4, 9 and 24
The Board continued to monitor progress against the Sustainability Directional Strategy	Despite the business focus on responding to Covid-19, progress has been made against short- and medium-term Sustainability Action Plans.	<ul style="list-style-type: none"> ▶ We have accelerated plans to become carbon neutral with robust plans being developed to reduce timescales to achieve this, so we are carbon neutral in our operations by the end of 2023 and fully carbon neutral (including Investment Funds under management) by 2050 at the latest. ▶ We have sought customer views on sustainable investments so that these can be reflected in our Sustainable Investing initiatives under development. 	Pages 36 to 37

SECTION 172 REPORTING CONTINUED

Summary of decision	Impact	Stakeholder considerations	See also
The Board has overseen the process to rectify issues in relation to Annual Statements to minimise any customer detriment from providing late or incorrect information on charges.	A change in regulations necessitated an increased level of detail to the charges we make on each customer's account on an annual basis. This is a complex process requiring a number of manual interventions, some of which are unique to different customers. This does not impact the net returns nor the values of each customer's fund, but has led to significant delays and in some cases incorrect information about the charges being sent to customers which has had to be corrected.	<ul style="list-style-type: none"> ▶ We engaged a third-party consultancy to assist with identifying the root cause of Statement issues. This has included a full review of the end to end process which identified a number of weaknesses to be addressed. ▶ With help from the Audit Committee the Board has overseen that an appropriate action plan has been put in place. It continues to receive regular updates on progress and will closely monitor the Annual Statements process for 2021. An automated solution is being developed for 2022 and the Board is overseeing development of a longer-term solution. 	
The Board has received regular updates on investment fund performance in 2020 and has challenged underperformance against benchmarks prompted by the Covid-19 pandemic.	<p>As we came into 2020 our investment positioning was similar to that which had stood us in good stead for maximising long-term gains while managing risks. The beginning of the pandemic however impacted that strategy in three ways:</p> <ul style="list-style-type: none"> ▶ we have always believed that long-term value comes from holding real assets - either property or equity holdings ▶ we are more heavily focused on the UK markets ▶ we believed it was not appropriate to have extensive holdings of long dated bonds in such a low inflation environment where the long-term indicators were beginning to suggest inflation would return as an issue. <p>As the pandemic unfolded all three of these hit our relative performance in the short term. The holding value of equities and property fell sharply. The UK was particularly hard hit in both asset values and currency depreciation, as the pandemic made the Brexit negotiations more complex. And the Government policy response of ultra-low interest rates raised the relative value of long-term bonds where we were underweight. As a result, we were significantly below the benchmarks we use to measure how we are adding value in the first half of the year. As normality has begun to be anticipated by the markets much of that underperformance has reversed.</p>	<ul style="list-style-type: none"> ▶ We have reviewed the root causes of underperformance and with support from the Investment Committee requested a review of Investment Strategy which will be reported to the Board in 2021. 	Page 21





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SENIOR LEADERSHIP TEAM



MARIO MAZZOCCHI
Group Chief Executive Officer



GILLIAN CASS
Chief Financial Officer



ANDREW D'ARCY
Chief Executive, Wesleyan Bank



ROGER DIX
Chief Risk Officer



RICHARD HARRISON
Chief Distribution Officer



MARTIN LAWRENCE
Director of Investments



JAMES NEEDHAM
Chief Actuary



LISA PERKINS
Head of HR



DAVID STEWART
Chief Operating Officer



NATHAN WALLIS
Chief of Staff



SELENA PRITCHARD
Company Secretary

OUR BOARD OF DIRECTORS



NATHAN MOSS

Society Chair and Chair of People, Culture and Governance

B D F

- ▶ Nathan was appointed Chair in January 2018, having joined the Society's Board in July 2017.
- ▶ He has more than 40 years' experience in the wealth management, bank and insurance sectors, including with HSBC, Scottish Widows, Lloyds TSB and Friends Life.
- ▶ Nathan also currently serves as non executive director at Canada Life Group where he chairs the group's board risk committee and also serves as a non executive director of Canada Life Platform Ltd and Chair of Canada Life Home Finance in the UK. He was previously a non executive director at One Savings Bank plc, and Homeserve Membership Ltd.



MARTIN BRYANT

Senior Independent Director and Chair of Wesleyan Bank Limited

A D

- ▶ Martin was appointed to the Board in June 2011 and became Senior Independent Director in 2019 and Chair of Wesleyan Bank in 2013.
- ▶ He has more than 30 years of sales, marketing and strategy experience, having worked for The Boots Group in various roles, including Group Director of Business Development. Previous roles include Chief Executive at The Shareholder Executive, Strategy Director at the Home Office and Chief Operating Officer of BP Retail.
- ▶ He is Deputy Chair of Nuffield Health.



ANDREW NEDEN

Chair of the Audit Committee

A C

- ▶ Andrew was appointed to the Board in November 2014. He joined the Board of Wesleyan Unit Trust Managers in 2019. He worked for 30 years at KPMG, the global accountancy firm, including 18 years as a partner. His roles included Head of Financial Sector Transaction Services in the UK and Global Chief Operating Officer for Financial Services.
- ▶ Andrew also chairs the Nottingham Building Society and Aetna Insurance Company Limited, and is chair of the audit, board compliance and remuneration committees as a Non-Executive Director at ABC International Bank PLC. He is also a director/trustee of a number of charities.



PHILIP MOORE

Chair of the Risk Committee

A C E

- ▶ Philip joined the Board in October 2020 and has almost 40 years' experience within financial services.
- ▶ Until his retirement in 2017, Philip was Group Finance Director for LV=. Prior to this, Philip held a number of roles, including Chief Finance Officer and then Chief Executive Officer at Friends Provident plc. Philip also spent nine years with PwC, where he developed its life actuarial business in the UK.
- ▶ Philip serves on the Boards of Scandinavia's third largest non-life insurance company Codan A/S, where he chairs the Audit and Risk Committee. He is also a Non-Executive Director at Skipton Building Society and Bank of Ireland (UK) plc.



ANNE TORRY

Chair of the With Profits Committee

B D E

- ▶ Anne joined the Board in January 2019. She is Chair of Wesleyan's With Profits Committee and also on the Remuneration and Nominations Committees.
- ▶ She has more than 30 years' experience of insurance, strategic leadership and change, working internationally in the general insurance, life and savings sectors. Most recently she served as CEO of Zurich UK Life.
- ▶ Anne is a Non-Executive Director at Homeserve Membership Ltd and Aon UK Ltd.



LINDA WILDING

Chair of the Remuneration Committee

A B

- ▶ Linda joined the Board on 1 June 2019 and was appointed Chair of the Remuneration Committee later in the year.
- ▶ She has extensive experience in the private equity investment and healthcare sectors and worked in the private equity division of Mercury Asset Management from 1989 to 2001.
- ▶ She is currently Chair of the Remuneration Committee with UDG Healthcare plc and a Non-Executive Director at Electra plc, BMO Commercial Property Trust plc and Skagen Conscience Capital.



IAN McCAIG
Non-Executive Director

C F

- ▶ Ian joined the Board on 30 September 2019 and was appointed to the Society's Risk Committee. He also serves on the Investment Committee and is Chair of Wesleyan Unit Trust Managers.
- ▶ He has worked across a number of sectors, most recently as CEO of First Utility Ltd. He led the company through several years of successful transformation and significant growth before its acquisition by Shell at the end of 2017. Prior to that Ian was CEO of lastminute.com
- ▶ Ian also serves on the Board of Seedrs Ltd and English Heritage (he serves as Chair of the Audit and Risk Committees at both organisations); the Board of M-Kopa Ltd where he is Chair of the Operating Committee, and Festicket, of which he is Chair of the Board.



GILLIAN CASS
Chief Financial Officer

F

- ▶ Gillian joined Wesleyan as Chief Financial Officer in October 2020 and has over 20 years of financial services experience.
- ▶ Gillian is a member of the Investment Committee and an attendee of the Risk and Audit Committees.
- ▶ Most recently, Gillian was CFO of Customer Savings & Investments and Operations at M&G plc (previously Prudential plc). Gillian held a number of senior finance roles at Aviva, including Director of Global Finance Operations, Chief Accounting Officer of Aviva Investors and Chief Accounting Officer of the UK Life business.
- ▶ In addition to Finance, Gillian also has accountability for Wesleyan's Company Secretary, Strategy, Culture and Communications teams.



MARIO MAZZOCCHI
Group Chief Executive

F

- ▶ Mario became Wesleyan Group CEO on 1 August 2019, having joined Wesleyan in December 2018 as Chief Operating Officer.
- ▶ Mario is a member of the Investment Committee and an attendee of the Risk, Audit, Remuneration and People, Culture and Governance Committees.
- ▶ He moved from Lloyds Banking Group where he was Chief Operating Officer for the Insurance & Wealth Division having held a number of other senior appointments in the Group.
- ▶ Before working at Lloyds, Mario gained extensive experience in different industries, markets and sectors including marketing, sales and strategy.

Key

Membership of Board Committees

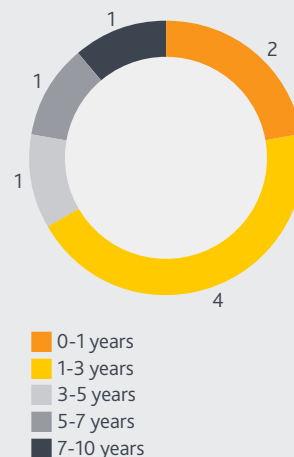
- A** Audit
- B** Remuneration
- C** Risk
- D** People, Culture and Governance
- E** With Profits
- F** Investment

Directors

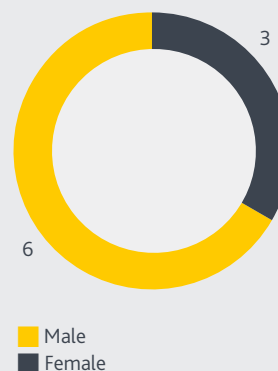
- Non-Executive Directors
- Executive directors

BOARD DIVERSITY

TENURE



BOARD GENDER MIX



ETHNICITY DIVERSITY



➔ Further information about the Diversity of our Board and what we are doing about it can be found on p59

DIRECTORS' REMUNERATION REPORT

LINDA WILDING,
CHAIR OF THE REMUNERATION COMMITTEE



DEAR MEMBER

On behalf of the Remuneration Committee I am pleased to present the Directors' Remuneration Report. The report aims to set out simply and transparently how the Remuneration Committee addressed its responsibilities during the year and to explain the rationale for its decision making in 2020.

It has been an unprecedented year and the decisions of the Remuneration Committee were made against the backdrop of strong progress in the implementation of our strategy and the impact of Covid-19 on our customers, the industry we operate in and the wider economy. Whilst our profitability has been severely impacted this year, we have made good progress in implementing our transformation plan and our capital base remains strong. The Society has navigated this year without the use of any government support and remains committed to the continued wellbeing of all our employees and customers.

SALARY INCREASES FOR 2021 AND VOLUNTARY PAY DONATIONS

The Non-Executive Directors were entitled to an increase of 7.25%, however, in light of the Covid-19 pandemic they declined the scheduled pay increase with effect from 1 May 2020.

In addition, each of the Non-Executive Directors pledged 10% of their fees for six months to charities and organisations supporting mental health and the needs of critical workers (with the Chairman pledging 20% of his fee). Our Group Chief Executive pledged his support with a personal donation of 10% of salary for six months.

In line with our wider workforce, the Remuneration Committee has determined that there will be no salary increases as part of the 2021 annual salary review for the Executive Directors. The scheduled increase of 7.25% for the Non-Executive Director fees, that was declined in 2020, will be implemented with effect from 1 April 2021.

ANNUAL BONUS OUTCOMES AND SALARY FOR THE YEAR ENDED 31 DECEMBER 2020

The Remuneration Committee considers the reward package of all employees when determining the Directors' remuneration for the year. This includes annual base salary reviews, benefits and bonus schemes.

Under our annual bonus plan, performance is assessed using a balanced scorecard for both Society and individual performance measures including customer, financial, employee and strategic metrics underpinned by both conduct risk and individual behaviour considerations.

The maximum annual bonus possible in 2020 for the Directors was 78.75% of base salary. Despite the environment, good performance was delivered against some of the non-financial elements of the annual bonus scorecards and a bonus would have been achieved. However, against the backdrop of the Covid-19 pandemic, the Executive Directors and Group Executive Committee pledged to forgo their 2020 bonus payment.

LONG-TERM INCENTIVE AWARD GRANTED IN 2020

In 2020 we introduced a new cash settled Long-Term Incentive Plan ("LTIP") aligned to the successful delivery of our business strategy. The maximum value of the LTIP award that can be earned is 100% of salary for the Chief Executive Officer and 75% of salary for the Chief Financial Officer. These awards will only be payable if stretching financial and non-financial performance targets are delivered over the three years starting on 1 January 2020.

Due to the ongoing market uncertainty the Remuneration Committee has faced considerable challenge in establishing meaningful and robust performance targets for the 2020 LTIP awards. Therefore, they determined that, for the 2020 LTIP only, three separate sets of performance

conditions that are aligned to the Company's key priorities for each of the three years in the performance period will be set and assessed over the relevant year.

The 2020 performance conditions are designed to deliver the Society's strategy and are detailed on page 15. Based on performance the first tranche of the 2020 LTIP is on track to vest in part. No proportion of the award will vest until the end of the full three year period and the whole award will be subject to an overriding conduct and risk assessment over the three year performance period.

In line with best practice, the LTIP awards will then be subject to a two year holding period such that participants are only entitled to be paid the value of vesting LTIP awards after a period of five years in total.

We believe that the new LTIP will strengthen the link between the rewards received for the performance delivered for our customers and the long-term financial stability of the business.

BOARD CHANGES

Gillian Cass was appointed as the new Chief Financial Officer effective from 19 October 2020. Gillian will support our Group Chief Executive, Mario Mazzocchi, to execute our strategy to invest in propositions that support customers at every stage of their lives and make the most of our mutuality to enhance competitive advantage. On joining Wesleyan, the Remuneration Committee approved an amount of £98,000 in respect of variable pay arrangements forfeited by Gillian Cass upon joining the Society. 50% was paid in March 2021 and 50% deferred in three tranches (payable in 2022, 2023 and 2024). Details of her remuneration package for 2021 are summarised on page 58.



Ahmed Farooq, Chief Financial Officer, left the Society on 31 December 2020 and reflecting his years of service and contribution to the Society, the Remuneration Committee concluded that he should be treated as a good leaver. The amounts paid to Ahmed as compensation for loss of office are included in the single figure table on page 60.

APPLICATION OF OUR REMUNERATION POLICY IN 2021

We will continue to operate our Remuneration Policy in the same way, other than the performance conditions for the 2021 LTIP which will be set for the three-year performance period at the start of 2021.

STRUCTURE OF THE REPORT

This report has been structured broadly in line with the remuneration disclosure requirements which apply to UK companies listed on the main market of the London Stock Exchange. As a mutual we are not governed by these same regulations; we

have however chosen to follow them as we believe greater disclosure will help members to better understand how the reward strategy supports their interests and the Society's business objectives.

The Annual Report on Remuneration will be subject to an advisory vote at the forthcoming AGM so that we can take on board your views in setting and applying our policy for the future.

I hope that you will support this resolution.

Yours sincerely

LINDA WILDING
Chair of the Remuneration Committee

“

It has been an unprecedented year and the decisions of the Remuneration Committee were made against the backdrop of strong progress in the implementation of our strategy and the impact of Covid-19 on our customers, the industry we operate in and the wider economy.

”

LINDA WILDING
Chair of the Remuneration Committee

KEY RESPONSIBILITIES

The role of the Remuneration Committee is to ensure that the Board and Group Executive Committee are appropriately rewarded for their performance throughout the year, by setting and implementing the Society's Remuneration Policy, determining each Executive Director's total individual remuneration package and setting the performance measures for performance-related pay.

These decisions are carefully considered in the context of the Group's strategic goals, culture, external impacts, market practice and wider workforce remuneration.

The Remuneration Committee's aim is to ensure that remuneration and incentives adhere to the principles of good corporate governance, support good risk and conduct management practice, promote long-term sustainable Society performance and Environmental, Social and Corporate Governance.

The Remuneration Committee remains fully committed to ensuring that the Society's Remuneration Policy and out-turns are aligned to its culture and values.

REMUNERATION POLICY

5 REMUNERATION PHILOSOPHY

The key principles of our approach to executive remuneration are:

PRINCIPLE 1	PRINCIPLE 2	PRINCIPLE 3	PRINCIPLE 4
Competitive remuneration which is sufficient to recruit, motivate and retain senior leaders of the calibre required to run the business successfully.	Aligned with our financial performance, robust conduct risk management, good customer outcomes and desired employee behaviours.	Support our business strategy and the long-term interests of our customers, employees and other stakeholders.	From the perspective of our members, customers and employees our arrangements need to be transparent, understandable, fair, reasonable and proportionate.

DIRECTORS' REMUNERATION POLICY

Remuneration Policy Table

Details of the main elements of the Directors' remuneration are set out in the table below and would apply to existing and new appointments.

Element	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Base salary	To attract and retain high performing individuals to lead the Society.	<p>Base salary is reviewed annually, or more frequently if there is a significant change in an individual's role or responsibilities, or if another exception arises.</p> <p>Any decision on base salary is influenced by a range of factors including but not limited to:</p> <ul style="list-style-type: none"> ▶ level of experience; ▶ Society affordability and performance; ▶ ability to attract/retain/motivate; ▶ pay awards for the wider workforce; ▶ prevailing market conditions; and, ▶ periodic external benchmark data. 	<p>There is no maximum base salary.</p> <p>Increases in base salary will normally be in line with those awarded to other Society employees but higher increases may be made, for example, to reflect:</p> <ul style="list-style-type: none"> ▶ increase in scope of role or responsibility; or ▶ an Executive Director falling significantly behind the market rate for that role. 	Subject to annual review of individual contribution and Society performance.
Benefits	To operate a competitive benefits and pension structure that provides appropriate protection to our employees.	<p>Benefits currently provided are:</p> <ul style="list-style-type: none"> ▶ a car allowance or the provision of a car (including all maintenance costs); ▶ private medical cover for the individual and their family; ▶ medical assessment; ▶ Group product discounts (available to staff and directors on the same terms); and ▶ death in service benefit of 8x pensionable base salary. 	<p>There is no restriction on the benefits provided and other benefits may be added if considered appropriate. However, the cost of these benefits are taken into account in assessing affordability.</p>	N/A

Element	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Pensions	To provide post-retirement benefits for participants in a cost-effective manner.	All Executive Directors are either a member of the Society's pension scheme or receive a cash allowance.	<p>Pension scheme: From 1 April 2020, the Society contributes up to 10% of base salary.</p> <p>If a cash allowance is paid the amount paid is reduced to allow for the cost of employer's National Insurance Contributions.</p> <p>The Society regularly reviews pension benefits for Directors taking account of tax and legislative changes</p>	N/A
Annual bonus	To ensure that there is an appropriate incentive for Executive Directors to meet the annual objectives of the business.	<p>Individual performance evaluations for bonus are recommended by the Group Chief Executive following a similar procedure to the wider workforce but based on an individual Balanced Scorecard linked to delivery of the Society's overall strategy. The evaluation considers the individual's contribution towards the Society's desired behaviours and strategic goals, engendering good risk, conduct and compliance management and customer outcomes. Performance evaluation of the Group Chief Executive is recommended by the Society's Chair with input from other Non-Executive Directors.</p> <p>50% of any bonus earned is deferred for up to three years. Any deferred amounts will vest in three equal tranches after one, two and three years.</p> <p>Variable pay is subject to malus and clawback provisions.</p>	<p>Overall cash payment of:</p> <ul style="list-style-type: none"> ▶ 35% of base salary if both the Society and individual perform on target; and ▶ a further 43.75% of base salary if both the Society and individual perform at stretch target <p>During the deferral period any unvested amounts may be adjusted up or down to reflect the performance of the ISA With Profits Fund (or other such fund as the Remuneration Committee deems appropriate).</p> <p>All payments of annual bonus are subject to approval by the Remuneration Committee and are non-pensionable.</p>	<p>Balanced scorecard approach for both Society and individual performance based on financial, customer, employee and strategic metrics.</p> <p>The Remuneration Committee may adjust pay-outs based on the evaluation of personal behaviours and any risk, conduct, compliance or other concerns.</p>
LTIP	To strengthen the link between the rewards received for the performance delivered for our members and the long-term financial stability of the business.	<p>Any payment will be made in cash, net of relevant taxes. The awards will vest following the assessment of the relevant performance conditions which will, normally, be assessed at the end of a three year performance period and then will be subject to a further holding period of two years.</p> <p>The Remuneration Committee may adjust pay-outs based on the evaluation of personal behaviours and any conduct risk, compliance or other concerns.</p> <p>LTIP awards will be subject to malus and clawback provisions up to the end of the holding period.</p>	<p>The maximum award is 100% of base salary.</p> <p>For awards granted in 2021, the maximum award for the Group Chief Executive will be 100% of salary and 75% of salary for the Chief Financial Officer.</p> <p>All LTIP payments are subject to approval by the Remuneration Committee and are non-pensionable.</p>	<p>LTIP awards will be subject to financial and non-financial measures that are aligned to the Society's strategy. Vesting of any LTIP award will be subject to satisfactory overall conduct risk and performance.</p> <p>Awards will vest up to 25% of the maximum award for threshold performance rising to full vesting at stretch target.</p>

REMUNERATION POLICY CONTINUED

DIRECTORS' REMUNERATION POLICY

Our Remuneration Policy, which was approved by members at the 2020 AGM with over 93% of votes cast in favour of it, was developed based on the key principles outlined on page 56. Our Remuneration Policy continues to be applied in a measured way to ensure that we reward the right performance contribution and behaviours and support the short-term and strategic goals of the Society. The table below summarises the implementation of the Directors' Remuneration Policy for 2021 and details any changes from 2020.

The Remuneration Committee is not considering any material changes to our Remuneration Policy during 2021. We will continue to monitor the effectiveness of our policies to ensure they support the business and the long-term interests of our customers and other stakeholders.

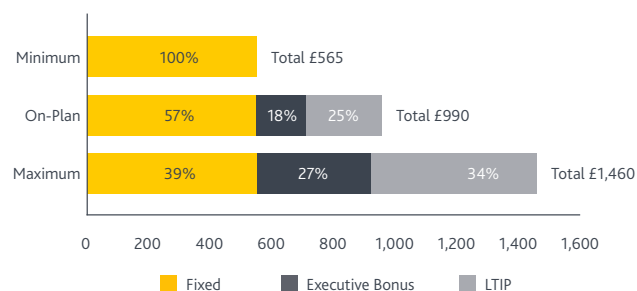
Pay element	Approach	Mario Mazzocchi	Gillian Cass	Change from 2020
Fixed pay	Base salary	£500,000 (effective 1 April 2020). No increase proposed for 1 April 2021	£280,000 (set on appointment on 19 October 2020) No increase proposed for 1 April 2021	No change
	Pension	10% of salary in line with wider workforce	10% of salary in line with wider workforce	No change
	Benefits	Car allowance, private medical, medical assessment, group product discount and death in service	Car allowance, private medical, medical assessment, group product discount and death in service	No change
Pay linked to performance	Annual bonus	Maximum 78.75% of salary	Maximum 78.75% of salary	No change
		Balanced scorecard based on Society and individual performance	Balanced scorecard based on Society and individual performance	No change
		50% deferred for three years paid in annual tranches	50% deferred for three years paid in annual tranches	No change
	LTIP	Maximum 100% of salary	Maximum 75% of salary	No change
		Three year performance period	Three year performance period	Previously set as three tranches over a three year period
		Conduct risk underpin	Conduct risk underpin	No change
		Two year holding period	Two year holding period	No change

Illustration of Remuneration Policy for 2021

The charts below illustrate the amounts that Executive Directors would be paid in 2021 under three different performance scenarios:

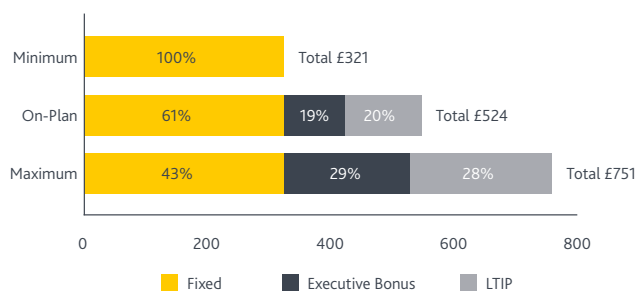
Mario Mazzocchi

Percentages/Amounts (£000's)



Gillian Cass

Percentages/Amounts (£000's)



Minimum performance	Fixed elements of remuneration only — base salary, benefits and pension
On plan performance	<p>Annual Bonus: For illustrative purposes all Executive Directors have been assumed to be paid the same level of variable pay (35% of base salary), the actual amount payable to each Director would depend on the Remuneration Committee's evaluation of individual performance and would range from no bonus (unacceptable performance) to 52.5% of base salary (stretch performance).</p> <p>LTIP: 50% of maximum LTIP potential available to the Executive Directors is assumed (50% of salary for the Group Chief Executive and 37.5% of salary for the Chief Financial Officer)</p>
Maximum performance	<p>Annual bonus: For illustrative purposes all Executive Directors have been assumed to be paid the same level of bonus (78.75% of base salary) assuming both the Society and individual have performed at stretch performance.</p> <p>LTIP: 100% of the maximum LTIP opportunity has been shown (100% of salary for the Group Chief Executive and 75% of salary for the Chief Financial Officer)</p>

Remuneration for the Chair and Non-Executive Directors

Element	Approach of the Society
Chair and Non-Executive Director fees	The principles adopted in determining the fees of the Chair and other Non-Executive Directors are that they should be competitive, appropriate to attract and retain Directors of the necessary calibre, and reflect the responsibilities and time involved in Society matters.
Non-Executive Director fees	Non-Executive Directors' remuneration comprises a base fee and additional amounts for Committee work, including a role of Chair and a specific fee for the role of Senior Independent Director.
Benefits	No bonuses, pension or other benefits are provided to Non-Executive Directors other than Group product discounts which are available to staff and Directors on the same terms and reimbursement of travel and other expenses whilst on Society business.

The remuneration of the Chair is determined by the Board and the remuneration of the other Non-Executive Directors is determined by the Chair and Group Chief Executive. Under the terms of their engagement, the notice period to be given by the Non-Executive Directors to the Society is six months for the Chair and Senior Independent Director and three months for other Non-Executive Directors.

Whilst the Non-Executive Directors were entitled to an increase of 7.25% with effect from 1 April 2020, in light of the Covid-19 pandemic the Non-Executive Directors declined the scheduled pay increase. As a consequence, this increase was deferred to be implemented with effect from 1 April 2021.

In 2020, the CEO and the Non-Executive Directors donated 10% of their salary for six months (and the Chair donated 20%) to charities and organisations supporting mental health needs of key workers.

WIDER WORKFORCE REMUNERATION

In setting the Remuneration Policy, there is a strong degree of alignment between the Executive Directors and the wider workforce. Any general increase in salaries is applied to both Executive Directors and employees.

Employees are engaged through the Partnership Council, information cascades and the Employee Opinion Survey (EOS). The wider employee population have not been consulted on the content of the Remuneration Policy statement, but the overall pay review process has been communicated and feedback sought through staff cascades and communicated to the Executives and the Board. Feedback is gathered regularly on Reward through the EOS.

PAY POLICY FOR OTHER EMPLOYEES

The principles underlying the pay policy for Executive Directors apply to all Society's employees. In particular:

- ▶ the Society's total employment package needs to be able to attract, retain and motivate high-calibre individuals. As part of this, remuneration needs to be competitive compared to the market, reflect the responsibilities of the role and be reflective of performance of the individual and the Society;
- ▶ annual bonus payments need to vary sufficiently to genuinely reflect performance fluctuations from year to year, taking into account not only financial performance, but also conduct management, customer outcomes and desired employee behaviours. A number of different annual bonus arrangements are in place reflecting the different nature and responsibilities of different business units and roles within the Society; and
- ▶ bonuses for employees should be based on Society and individual results, with quality measures to ensure alignment with good customer outcomes and desired employee behaviour.

ANNUAL REPORT ON REMUNERATION

REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2020

Single Figure of Remuneration for Each Director

The remuneration of the Directors of Wesleyan Assurance Society for the year ended 31 December 2020 and the previous year is set out in the tables below. This is audited information.

Director	Base salary/ fees	Benefits	Pension Contributions	Bonus		Long-term incentives	Sub-total- ongoing	Other	Total Remuneration
				Cash	Deferred				
Year ended 31 December 2020, £'000									
Executive									
Mario Mazzocchi	492	14	43	0	0		549		549
Ahmed Farooq (left 31 December 2020)	275	12	36	0	0		323	523	846
Gillian Cass (joined 19 October 2020)	57	2	5	0	0		64	98	162
Non-Executive									
Nathan Moss	128						128		128
Martin Bryant	80						80		80
Nigel Masters	53						53		53
Andrew Neden	53						53		53
Anne Torry	53						53		53
Linda Wilding	53						53		53
Iain McCaig	53						53		53
Phillip Moore (joined 1 November 2020)	9						9		9
Total	1,306	28	84	0	0		1,418	621	2,039
Year ended 31 December 2019 £'000									
Executive									
Mario Mazzocchi (joined the Board 1 August 2019)	408	13	48	85	85		639		639
Craig Errington (left 31 December 2019)	502	14	71	110	110		807	1,216	2,023
Ahmed Farooq	250	12	33	45	45		385		385
Non-Executive									
Phil Green (left 30 November 2019)	80						80	40	120
Chris Brinsmead (left 31 May 2019)	22						22		22
Nathan Moss	128						128		128
Martin Bryant	55						55		55
Nigel Masters	53						53		53
Andrew Neden	53						53		53
Ian McCaig (joined 30 September 2019)	13						13		13
Anne Torry (joined 1 January 2019)	53						53		53
Linda Wilding (joined 1 June 2019)	35						35		35
Total	1,652	39	152	240	240		2,323	1,256	3,579

Notes:

The 2019 figures for Mario Mazzocchi show his full year remuneration; on his appointment as Group Chief Executive Officer with effect from 1 August 2019 his base salary was increased from £366,000 to £466,135.

The Senior Independent Director role is inclusive of an additional fee of £26,561 per annum, this payment was paid to Martin Bryant who took up the role on 1 January 2020.

Ahmed Farooq stepped down from the Board with effect from 31 December 2020 after 10 years with Wesleyan and five years as the Chief Finance Officer. Reflecting on Ahmed's contribution to the Society in this time, the Remuneration Committee concluded that he should be treated as a 'good leaver'. In line with the member approved Remuneration Policy, all outstanding incentives will continue to be retained and will be paid at the normal time.

A payment of £523,550 was made to Ahmed Farooq in January 2021, as included in the single figure table above. This payment represented a payment in lieu of notice of £270,000 (representing twelve months' salary less negotiated outplacement fees), a payment of £99,050 (in respect of the facilitation of the smooth and successful handover to the incoming Chief Financial Officer and achievement of handover milestones set by the Remuneration Committee), an ex-gratia payment of £141,500 (reflecting 6 months' salary) and a payment of £13,000 for extending his restricted covenant.

For 2019 and 2020 the base salary for Ahmed Farooq excludes salary sacrifice of £1,488 for childcare vouchers.

LTIP awards granted in 2020

Due to the ongoing market uncertainty the Remuneration Committee has faced considerable challenge in establishing meaningful and robust performance measures and targets for these LTIP awards. The Remuneration Committee therefore determined that, **for the 2020 LTIP only**, three separate sets of performance conditions aligned to the Society's key priorities for each of the three years in the performance period will be set and assessed over the relevant year.

Tranche 1	Tranche 2	Tranche 3	Holding Period 2 years		Payment year (March)
2020	2021	2022	2023	2024	2025

The 2020 performance conditions which apply to tranche 1 of the 2020 LTIP (one third of the total award) are detailed below.

50% of tranche 1 of the 2020 LTIP is based on the following. The remaining 50% of tranche 1 of the 2020 LTIP is based on achievement of strategic objectives linked to our transformation strategy.

Strategic Priority	LTIP performance measure	Weighting
Life Long partner	Customer numbers	7.5%
	Product Penetration	7.5%
Brilliant to do business with	Customer Attrition	5%
	Culture	10%
Mutuality with Edge	Cost Income Ratio	10%
	Return on Capital	10%
Diversity and inclusion targets	To be assessed over the full three-year period ending 31 December 2022	
Transformation Strategy	Key Transformation Milestones	50%

Based on the performance against the above Balanced Scorecard of measures designed to deliver the Society's strategy, the first tranche of the 2020 LTIP will vest in part. The 2020 tranche will continue to be subject to a conduct risk underpin for the next two years whereby the Remuneration Committee may adjust the extent of vesting based on the individual behaviours, conduct risk and compliance performance or any other reason such adjustment might be appropriate.

The performance conditions for the 2021 tranche will be same as the 2020 tranche with the exception of the Product Penetration measure which has been replaced with Assets under Management. The targets have been recalibrated to ensure they remain suitably stretching and achievable. An indication of performance against these targets will be disclosed in next year's Directors' Remuneration Report.

LTIP Awards to be granted in 2021

An award will only be payable if stretching financial and non- financial performance targets are delivered over a three year performance period starting on 1 January 2021.

Performance period	Holding Period 2 years		Payment year (March)
2021 to 2023	2024	2025	2026

ANNUAL REPORT ON REMUNERATION

Strategic Priority	LTIP performance measure	Weighting
Lifelong partner	Customer numbers	15%
	Assets under Management	15%
Brilliant to do business with	Customer Attrition	10%
	Culture	10%
Mutuality with Edge	Cost Income Ratio	15%
	Return on Capital	15%
Environmental, Social and Corporate Governance (ESG)	Diversity and Inclusion	10%
	Range of Sustainability Measures	10%

Explanation of Chosen Performance Measures and How Targets Are Set for Executive Directors

The performance measures and targets for variable pay are selected annually to align with the customer experience, the business strategy and the key drivers of performance. The weighting of the variable pay between the various metrics may vary depending on the key priorities of the business. Robust and demanding targets are set, taking into account the operating environment and priorities and the business plan.

The Remuneration Committee may vary or substitute any performance condition if an event occurs which causes it to determine that it would be appropriate to do so, provided that any such variation or substitution is fair and reasonable and (in the opinion of the Remuneration Committee), the change would not make the condition less demanding than the original condition would have been but for the event in question.

Payments to Former Directors

In line with the disclosures made in prior Directors' Remuneration Reports:

- ▶ Liz McKenzie received a payment of £15,215 in respect of her 2017 Deferred Bonus following her departure from the Society on 31 October 2017.
- ▶ Craig Errington received a payment of £75,919 in respect of outstanding deferred bonus awards, following his departure from the Society on 31 December 2019.

No other payments have been made to former Directors in 2020 other than retirement benefits.

PAY RATIOS

The following illustrates the pay ratio between the Group Chief Executive and the rest of the work force.

YEAR	METHOD	PERCENTILE		
		25th	Median	75th
2020	Mirroring approach to CEO single figure	20.1:1	12.6:1	8.8:1
		£548,958:£27,284	£548,958:£43,668	£548,958:£62,624
2019*		26.7:1	17.1: 1	11.4 : 1
		£720,273:£26,953	£720,273 :£42,225	£720,273:£63,101

* During 2019, there has been a change in CEO. Mario Mazzocchi's remuneration (including bonus and pension) on becoming CEO has been pro-rated up as if he had been in the role for a full year

A new reward framework has been introduced across the Society to provide greater pay transparency and consistency. We have also been working to close the gender pay gap including more female representation at Senior Leader level, launching an 'inspiring Female Leaders' programme and ensuring diverse recruitment panels. This work will continue in 2021 with a continued focus on diversity across the Society to develop our talent pipeline for all employees. Inclusion and Diversity and Environmental, Social and Corporate Governance (ESG) targets have been added into various elements of Executive pay arrangements.

RELATIVE IMPORTANCE OF SPEND ON PAY

Pay is a significant element of Society expenditure, representing 53% (2019: 54%) of operating expenses of the Society.

	2020 (£m)	2019 (£m)	Change (%)
Operating expenses	169.7	174.5	(2.8)
Overall expenditure on pay	89.5	94.2	(4.9)

Remuneration Committee Members and Advisers

The members of the Remuneration Committee are all independent Non-Executive Directors of the Society. During the year the Remuneration Committee members were Linda Wilding (Chair), Nathan Moss (Society Chair) and Anne Torry.

The Remuneration Committee was supported during the year by the Head of HR and the Group Chief Executive. The Society's Chief Risk Officer provides input on the Executive Remuneration Framework design and application. The Risk Committee assesses Executive behaviours and Society performance, considers whether any inappropriate risks have been taken and makes recommendations to the Remuneration Committee accordingly. No individual takes part in the discussion on their own remuneration.

In performing its duties, the Remuneration Committee draws on the advice of independent external consultants. During the year, the Remuneration Committee received advice on market levels of pay and bonus, best practice and disclosure requirements from Deloitte LLP. Deloitte were appointed following the Society's standard procurement processes and subject to the agreement of the Remuneration Committee. Deloitte is a founder member of the Remuneration Consultants Group and as such voluntarily operates under its Code of Conduct in relation to executive remuneration in the UK. Deloitte also provided internal audit co-sourcing services and other professional services to the Society during the year.

The total cost of advice to the Remuneration Committee on Directors' remuneration matters during the year was £15,500 for Deloitte.

Statement of Voting at 2020 Annual General Meeting

The following table sets out the number of votes for, against and abstentions for the advisory vote on the Directors' Remuneration Policy and Annual Report on Remuneration at the Society's AGM held in June 2020.

Resolution text	Votes for	Votes against	% For	Withheld
To approve the Directors' Remuneration Policy — advisory vote only	2,942	196	93.7	83
To receive the Directors' Remuneration Report — advisory vote only	3,022	139	95.6	60



LINDA WILDING

Chair of the Remuneration Committee

25 March 2021

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Wesleyan Assurance Society will be held at 2.00pm on Thursday, 27 May 2021 remotely via use of an online platform. For more details and to get the latest information please visit wesleyan.co.uk/report.

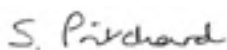
The AGM is to be held for the following purposes:

ORDINARY BUSINESS

1. To formally receive the Accounts of the Society for the year ended 31 December 2020 and the Directors' and Auditors' Reports thereon.
2. To confirm the appointment as Directors:
 - a. Gillian Cass
 - b. Phillip Moore
3. To re-elect as Directors:
 - a. Nathan Moss
 - b. Martin Bryant
 - c. Mario Mazzocchi
 - d. Ian McCaig
 - e. Andrew Neden
 - f. Anne Torry
 - g. Linda Wilding
4. To reappoint Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration.
5. To approve the Annual Report on Remuneration for the year ended 31 December 2020.

(You are asked to approve the Annual Report on Remuneration by way of an advisory vote. This is not a legal requirement and its outcome is not binding on the Directors. However, your Board considers it best practice to allow members to express a view on this issue).

BY ORDER OF THE BOARD



SELENA PRITCHARD

Company Secretary
25 March 2021

These resolutions are supported by the Board.

Notes:

1. A copy of the Annual Report and Accounts will be available on Wesleyan's website www.wesleyan.co.uk from 27 April 2021 or may be obtained by a member on written request to the Company Secretary at Wesleyan, Colmore Circus, Birmingham, B4 6AR.
2. A member is entitled to participate in and vote at this meeting or may appoint the Chair or any other person as his or her proxy to attend and, on a poll, to vote in his or her stead.

Directors standing for Election (recommended by the Board)

Each year all Directors are put forward for re-election. Details about their backgrounds are set out on pages 52 and 53. Following a performance evaluation, the Board is satisfied that each of the Directors continues to perform effectively and with commitment to their role. Further information on the work going on within the Society to deliver value for members and policyholders is given in the Chair's Statement and Strategic Report.

PROFESSIONAL ADVISERS

Solicitors

The Wilkes Partnership LLP
41 Church Street
Birmingham
B3 2RT

Independent Auditor

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

Bankers

Lloyds Banking Group Plc
25 Gresham Street
London
EC2V 7HN

Financial advice: retirement planning • investing • funding • insurance

Wesleyan Assurance Society

'WESLEYAN' is a trading name of the Wesleyan Group of companies. Wesleyan Assurance Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Incorporated in England and Wales by Private Act of Parliament (No. ZC145). Registered Office: Colmore Circus, Birmingham, B4 6AR.

Telephone: 0345 351 2352. Fax: 0121 200 2971. Calls may be recorded to help us provide, monitor and improve our services to you.