OUR GOVERNANCE

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SENIOR LEADERSHIP TEAM

MARIO MAZZOCCHI
Group Chief Executive Officer

GILLIAN CASS
Chief Financial Officer

RICHARD HARRISON
Chief Distribution Officer

MARTIN LAWRENCE
Director of Investments

JAMES NEEDHAM
Chief Product Officer

LISA PERKINS
HR Director

DAVID STEWART
Chief Operating Officer

NATHAN WALLIS
Chief of Staff

JONATHAN WELSH
Chief Risk Officer

SELENA PRITCHARD
Company Secretary

OUR BOARD OF DIRECTORS

NATHAN MOSS

Society Chair and Chair of People, Culture and Governance Committee

B D

- 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.

ANNE TORRY

Senior Independent Director and 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 People, Culture and Governance Committees. Anne was appointed as Senior independent Director in January 2022.
- 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 Aon UK Ltd and Homeserve Membership Ltd where she acts as Senior Independent Director.

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 significant growth before its acquisition by Shell at the end of 2017. Prior to that Ian was CEO of lastminute.com
- Ian is also on the Board of Seedrs Ltd and English Heritage, serving as Chair of the Audit and Risk Committees at both; the Board of M-Kopa where he is Chair of the Operating Committee and is Chair of the Board at Festicket.

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 and Board of Wesleyan Financial Services in 2021. 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. He is also a governor/trustee of a number of other not for profit organisations.

LINDA WILDING

Chair of the Remuneration Committee and Chair of Investment Committee

A B F

- Linda joined the Board on 1 June 2019 and was appointed Chair of the Remuneration Committee later in the year. Linda became chair of the Investment Committee in December 2021.
- 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 a Non-Executive Director at Unbound Group Plc, BMO Commercial Property Trust Plc and Skagen Conscience Capital. She is also a governor/trustee of a number of other not for profit organisations.

HARPREET SOOD
Non-Executive Director

C

- Harpreet joined the Board in May 2021 and is a member of the Risk Committee and a Board member of Wesleyan Financial Services.
- He is a practicing NHS GP, a board member of Health Education England and an adviser to early-stage digital health companies. He co-founded the NHS Digital Academy, a programme to build leadership digital health and informatics workforce capability in England.
- Harpreet was formally Senior Adviser to Health Technology at Reckitt and a non-executive director at Digital Health London, a network that supports more than 30 digital health companies.

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.

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.
- She is a member of the Investment Committee and an attendee of the Risk and Audit Committees.
- Gillian joined from M&G Plc where she was CFO of Customer Savings & Investments and Operations. 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, Legal, Strategy, Culture and Communications teams.

Key

Membership of Board Committees

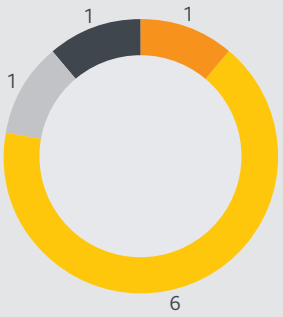
- A Audit
- B Remuneration
- C Risk
- D People, Culture and Governance
- E With Profits
- F Investment

Directors

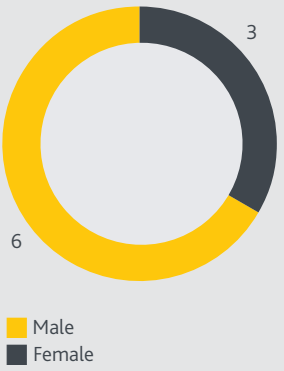
- Non-Executive Directors
- Executive directors

BOARD DIVERSITY

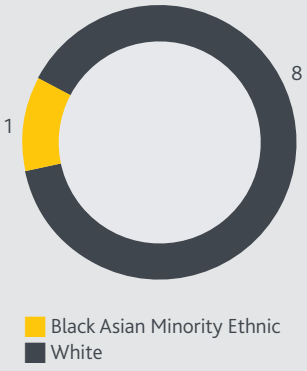
TENURE



BOARD GENDER MIX



ETHNICITY DIVERSITY



DIRECTORS' REMUNERATION REPORT

> "The decisions taken by the Remuneration Committee have been taken to underpin and reward the continued strong progress towards our strategy and the requirement to retain and motivate talent in a competitive market."

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 decisions made in 2021.

This year has seen the continued implementation of our transformation plan which has resulted in a much stronger financial performance. The decisions taken by the Remuneration Committee have been taken to underpin and reward the continued strong progress towards our strategy and the requirement to retain and motivate talent in a competitive market.

SALARY INCREASES FOR 2022

The Remuneration Committee has determined that the 2022 base salary increase for the Executive Directors will be 5% for the Group Chief Executive and 4% for the Chief Financial Officer. This is in line with our wider workforce, the salary increases will be implemented with effect from 1 April 2022.

The Non-Executive Directors' fees will be increased by 10% with effect from 1 April 2022. This increase includes the second tranche of the scheduled increase of 7.25% which was deferred from 2021 and an increase of 2.75% for 2022. The Chair will receive an increase of 17.65% for 2022, no increase was received in 2020 or 2021. These increases reflect the complexity and time commitment required and ensures that the fees and salary are competitively positioned in line with the market benchmark data provided by Deloitte.

ANNUAL BONUS OUTCOMES FOR THE YEAR ENDED 31 DECEMBER 2021

The Remuneration Committee considers the reward package of the wider workforce when determining the Directors' remuneration for the year.

Under our annual bonus plan, performance is assessed using a balanced scorecard for both Society and individual performance measures including customer, financial, employee, strategic and ESG metrics. The scorecard is underpinned by both conduct risk and individual behaviour considerations and 50% is deferred for three years.

The maximum annual bonus possible in 2021 for the Executive Directors was 78.75% of base salary. Assessed against the balanced scorecard and individual performance the bonus out turn for 2021 has been strong. The bonus amounts earned for 2021 are 55% of salary for Mario Mazzocchi and 55% of salary for Gillian Cass. Further details are set out on page 63.

LONG-TERM INCENTIVE PLANS (LTIP)

We believe that participation in our cash settled LTIP continues to align the rewards received with the performance delivered for our customers and the long-term financial stability of the Society.

The maximum annual value of the LTIP awards that can be earned is 100% of salary for the Group Chief Executive and 75% of salary for the Chief Financial Officer. LTIP awards are subject to targets and outcomes which are assessed over a three year performance period. In line with best practice, the LTIP awards are subject to a further 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.

2020 LTIP

Due to the ongoing market uncertainty in 2020, during the global pandemic, the 2020 LTIP had three separate sets of performance conditions. The first tranche in 2020 has vested in part and the second tranche for 2021 will also vest in part. The final tranche of the 2020 LTIP will be based on 2022 performance. The results of this LTIP will be confirmed in 2023.

2021 LTIP

2021 LTIP awards will only be payable if stretching financial and non-financial performance targets are delivered over the three year performance period starting on 1 January 2021. The 2021 targets are designed to reward delivery of the Society's strategy and are detailed on page 68.

APPLICATION OF OUR REMUNERATION POLICY IN 2022

The Remuneration Committee are currently reviewing bonus parameters against the market.

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

ROLE OF THE REMUNERATION COMMITTEE

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 individual remuneration package and setting the performance measures for performance-related pay.

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

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

Bonus and LTIP out turns are also assessed through an Equality, Diversity and Inclusion lens.

REMUNERATION POLICY

REMUNERATION PHILOSOPHY

The overarching 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 lead the Society successfully.	Aligned with our current financial performance, promotes robust conduct risk management, good customer outcomes and desired employee behaviours.	Support our business strategy and the long-term security for our members, customers, employees and other stakeholders.	Ensure our arrangements are transparent, understandable, fair, reasonable and proportionate.

MEMBER ENGAGEMENT

The Directors' Remuneration Report (supported by more than 96% of our members at the last AGM) will be subject to an advisory vote at our 2022 AGM. The Directors Remuneration Policy was supported by over 93% of those voting at the 2020 AGM. In line with the regulations for listed organisations the Remuneration Policy will be subject to an advisory vote at the AGM every three years, or earlier if there is a significant policy change.

REMUNERATION POLICY TABLE

Element	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Base salary	To attract and retain high performing individuals to lead the Society.	Base salary is reviewed annually, or more frequently if there is a significant change in an individual's role or responsibilities. Any decision on base salary is influenced by a range of factors including but not limited to: ▶ 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	There is no maximum base salary. 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: ▶ 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 structure.	Benefits currently provided are: ▶ a car allowance ▶ private medical cover for the individual and their family; ▶ medical assessment; ▶ group product discounts (available to the wider workforce and directors on the same terms); and, ▶ death in service benefit of 4x pensionable base salary (8x for employees who joined prior to 1 October 2021)	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.	N/A

Element	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Pensions	To provide post-retirement benefits in a cost-effective manner.	All Executive Directors are either a member of the Society's pension scheme or if they are in excess of the Annual or Lifetime Allowance they receive a cash allowance.	Pension scheme: The Society contributes up to 10% of base salary. If a cash allowance is paid the amount paid is reduced to allow for the cost of employer's National Insurance Contributions. The Society regularly reviews pension benefits for Directors taking account of tax and legislative changes.	N/A
Annual bonus	To ensure that there is an appropriate incentive for Executive Directors to meet the annual objectives of the Society.	Individual performance evaluations for bonus are recommended by the Group Chief Executive following a similar procedure applied 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 robust 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. 50% of any bonus earned is deferred. Any deferred amounts will be paid in three equal tranches after one, two and three years. Variable pay is subject to malus and clawback provisions.	Overall cash payment of: ▶ 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 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). All payments of annual bonus are subject to approval by the Remuneration Committee and are non-pensionable.	Balanced Scorecard approach for both Society and individual performance based on financial, customer, employee and strategic metrics. The Remuneration Committee may increase or decrease pay-outs based on the evaluation of personal behaviours and any risk, conduct, compliance or other concerns.
LTIP	To strengthen the link between the rewards received for the performance delivered for our members and the long-term financial stability of the Society.	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. The Remuneration Committee may adjust pay-outs based on the evaluation of personal behaviours and any conduct risk, compliance or other concerns. LTIP awards will be subject to malus and clawback provisions up to the end of the holding period.	The maximum award is 100% of base salary. For awards granted in 2022, the maximum award for the Group Chief Executive will be 100% of salary and 75% of salary for the Chief Financial Officer. All LTIP payments are subject to approval by the Remuneration Committee and are non-pensionable.	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. Awards will vest at 25% of maximum for threshold performance, rising with linear progression to full vesting at stretch target.

The Remuneration Committee may vary or substitute any performance targets for the annual bonus or LTIP 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.

REMUNERATION POLICY CONTINUED

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

Our Remuneration Policy, which was approved by members at the 2020 AGM, was developed based on the key principles outlined on page 60. 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 long-term strategic goals of the Society. The table below summarises the application of the Directors' Remuneration Policy for 2022.

The Remuneration Committee is not considering any material changes to our Remuneration Policy during 2022. We will continue to monitor the effectiveness of our policies to ensure they support the Society and the long-term interests of our customers, members and other stakeholders.

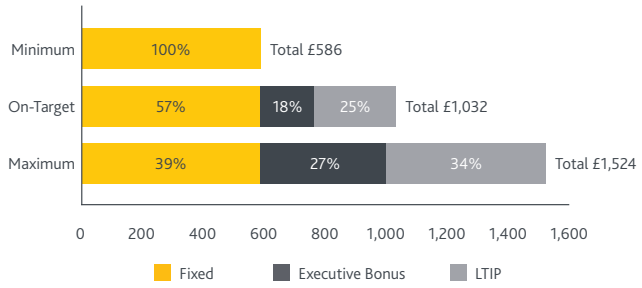
Pay element	Approach	Mario Mazzocchi	Gillian Cass	Change from 2021
Fixed pay	Base salary	£525,000 (effective 1 April 2022).	£291,200 (effective 1 April 2022)	5% for Mario Mazzocchi 4% for Gillian Cass
	Pension	10% of salary in line with wider workforce	10% of salary in line with wider workforce	No change
	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
Variable pay linked to performance	Annual bonus	35% on target to maximum 78.75% of salary	35% on target to maximum 78.75% of salary	The Remuneration Committee are currently reviewing bonus parameters against the market
		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	No change
		Two year holding period	Two year holding period	No change
		Conduct risk underpin	Conduct risk underpin	No change

ILLUSTRATION OF REMUNERATION POLICY FOR 2022

The charts below illustrate the amounts that Executive Directors would be paid in respect of 2022 under three different performance scenarios:

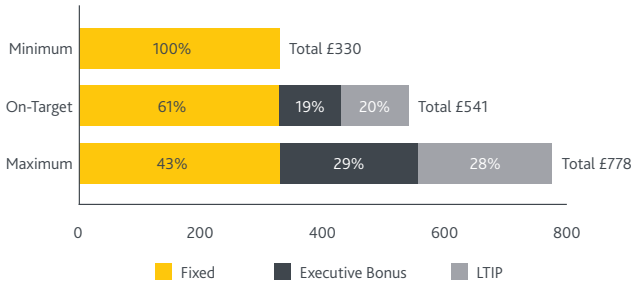
Mario Mazzocchi

Percentages/Amounts (£000's)



Gillian Cass

Percentages/Amounts (£000's)



Minimum performance	Fixed elements of remuneration only — base salary, benefits and pension
On target performance	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. LTIP: For illustrative purposes we have assumed 50% achievement of maximum LTIP potential for both the Group Chief Executive and for the Chief Financial Officer.
Maximum performance	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. 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).

REMUNERATION POLICY CONTINUED

REMUNERATION POLICY FOR THE CHAIR AND NON-EXECUTIVE DIRECTORS

Element	Approach of the Society
Principles	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.
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 the wider workforce 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.

REMUNERATION POLICY FOR THE WIDER WORKFORCE

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 workforce 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 employee cascades and communicated to the Executives and the Board. Feedback is gathered regularly on Reward through the EOS.

During 2021 we reviewed our reward framework including our job families and salary ranges. This review included the introduction of Market Anchor Points to obtain more granularity on market rates for roles within the Society to ensure we remain competitive.

In addition, our entry salary level is paid at least in line with the real Living Wage.

REMUNERATION POLICY FOR NEW APPOINTMENTS

Remuneration packages for new appointments will comply with the pay policy set out in this report.

Additional awards may be made when hiring new appointments to 'buy-out' remuneration arrangements forfeited on leaving a previous employer. In doing so the Remuneration Committee will take account of relevant factors regarding the forfeited arrangements, which may include any performance targets attached to awards forfeited (and the likelihood of meeting those conditions), the time over which they would have vested and the form of the awards. The Remuneration Committee's intention is that the value awarded would be no higher than the expected value of the forfeited arrangements. Where considered appropriate, buy-out awards will be subject to forfeiture or clawback on early departure.

REMUNERATION POLICY FOR TERMINATION OF SERVICE CONTRACTS AND PAYMENTS FOR LOSS OF OFFICE

Each Director has a continuous service contract with the Society, which is considered appropriate for the requirements of the Society. Compensation payable upon early termination (other than under the payment in lieu of notice provisions) would usually be based upon the contractual entitlement to base salary and benefits subject to mitigation. The policy set out overleaf provides a framework for any payments made in respect of loss of office.

Element of remuneration	Policy
Notice period	Up to twelve months.
Termination payments	At the discretion of the Remuneration Committee a payment in lieu of notice may be made in respect of all or part of the notice period. Any such payment would usually be limited to no more than one year's base salary plus benefits in kind. Benefits may also be provided in connection with termination of employment and may include, but are not limited to, statutory payments, outplacement, legal fees and payments in respect of accrued holiday.
Annual bonus	**LEAVERS DURING THE ANNUAL BONUS PERFORMANCE YEAR** Awards may ordinarily only be paid to individuals that remain an employee, however, the Remuneration Committee has the discretion to determine an appropriate bonus amount taking into consideration the circumstances of the leaver. No bonus award will be paid unless the leaver is determined to be a 'good leaver'. For a 'good leaver' the Remuneration Committee has the discretion to grant awards on such basis as it deems appropriate (this could include pro-rating for time and performance). Awards may be paid at the Remuneration Committees discretion in line with the deferral schedule or on cessation of employment. **UNPAID DEFERRED BONUS PREVIOUSLY AWARDED** Unless determined as a 'good leaver' unpaid deferred bonus awards will lapse upon cessation of employment. For a 'good leaver' awards will typically be paid in full on the scheduled date. **MALUS AND CLAWBACK** The Remuneration Committee may decide that elements of bonus should be paid back subject to claw back and malus provisions that include: ▶ gross misconduct; ▶ material misstatement (including any omission) in the Society's financial statements; ▶ a material adverse event; and ▶ assessment of metrics based on an error or on inaccurate or misleading information.
LTIP	**LEAVERS DURING THE THREE YEAR PERFORMANCE PERIOD** Unless determined as a 'good leaver' unvested LTIP awards will lapse upon cessation of employment. **GOOD LEAVERS DURING THE THREE YEAR PERFORMANCE PERIOD** In a limited number of circumstances, a leaver may be determined by the Remuneration Committee to be a 'good leaver'. Awards to 'good leavers' will normally vest to the extent determined by reference to the performance targets and the proportion of the performance period that has elapsed at cessation of employment. LTIP awards will then be paid at the end of the holding period. In exceptional circumstances the Remuneration Committee retains the discretion to waive any of the conditions for a 'good leaver'. **LEAVERS DURING THE TWO YEAR HOLDING PERIOD** If an employee ceases employment following the end of the three year performance period but before the end of the two year holding period, the vested LTIP award will be paid in line with regulation requirements and scheme rules.
'Good leaver'	A 'good leaver' for the purposes of the variable pay will be any employee who leaves employment for reasons of: ▶ death; ▶ injury or disability (as determined to the satisfaction of the Remuneration Committee); ▶ retirement with agreement of the Society; ▶ the Executive Director's office or employment being with an entity which ceases to be part of the Group; or ▶ any other reason the Remuneration Committee so decides.

The Remuneration Committee reserves the right to agree additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

ANNUAL REPORT ON REMUNERATION

REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2021

Single Figure of Remuneration for Each Director

The remuneration of the Directors of Wesleyan Assurance Society for the year ended 31 December 2021 and the previous year is set out in the tables below.

Director	Base salary/ fees	Benefits	Pension Contributions	Bonus		Long-term incentives	Sub-total-ongoing	Other	Total Remuneration
				Cash	Deferred				
Year ended 31 December 2021, £'000									
Executive									
Mario Mazzocchi	500	14	44	137.5	137.5		833		833
Gillian Cass	280	12	25	77	77		471		471
Non-Executive									
Nathan Moss (Chair)	128						128		128
Martin Bryant (SID)	84						84		84
Andrew Neden	56						56		56
Anne Torry	56						56		56
Linda Wilding	56						56		56
Iain McCaig	56						56		56
Philip Moore	56						56		56
Harpreet Sood (joined May 2021)	34						34		34
Total	**1,306**	**26**	**69**	**214.5**	**214.5**		**1,830**		**1,830**
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 (Chair)	128						128		128
Martin Bryant (SID)	80						80		80
Nigel Masters (left 31 December 2020)	53						53		53
Andrew Neden	53						53		53
Anne Torry	53						53		53
Linda Wilding	53						53		53
Ian 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**

Notes:

Anne Torry was appointed as Senior Independent Director ("SID") from 1 January 2022.

Ahmed Farooq stepped down from the Board with effect from 31 December 2020 and the termination payments received are detailed in the 2020 report. In line with the member approved Remuneration Policy, all outstanding incentives will continue to be retained and will be paid at the scheduled time.

Mario Mazzocchi took up a Non-Executive Director role for Vita Gem in September 2021, he received no payments for this role in 2021.

The Non-Executive Directors' fees will be increased by 10% with effect from 1 April 2022. This increase includes the second tranche of the scheduled increase of 7.25% which was deferred from 2021 and an increase of 2.75% for 2022. The Chair will receive an increase of 17.65% for 2022, no increase was received in 2020 or 2021. These increases reflect the complexity and time commitment required and ensures that the fees and salary are competitively positioned in line with the market benchmark data provided by Deloitte. The SID role is inclusive of an additional fee of £28,487 per annum in 2022. There will be no increase to the inclusive fee payable to the SID for 2022.

2021 ANNUAL BONUS AWARD

The maximum annual bonus possible in 2021 for the Executive Directors was 78.75% of base salary. The bonus amount is based on the results achieved through the Balanced Scorecard (BSC) for 2021 and individual performance. The targets set were aligned to the budget and support the three year plan. 8 of the 9 targets were achieved which resulted in a bonus payment of 55% of salary for Mario Mazzocchi and 55% of salary for Gillian Cass. These results reflect the strong financial performance achieved in 2021.

Strategic Priority	Weighting	Performance Measure	Below Target	At Target	At Stretch
Life Long partner	25%	Customer Numbers			
		Products per Customer			
		Net Investment Inflows			
Mutuality with Edge	50%	Cost Reduction			
		Operating Profit			
		Income			
		Direct Sales			
Brilliant to do business with	25%	Employee Opinion Survey (EOS)			
		Customer Index			

BONUS PAYMENTS DEFERRED FROM PREVIOUS YEARS

The following table sets out the amounts paid in respect of the outstanding deferred variable pay awards. 50% of the historical bonus is deferred and paid in equal tranches over the following three years. The value is adjusted to reflect the movements in the Society's ISA With Profits Fund. The performance of the ISA With Profits Fund for 2021 was 10.99%.

Bonus Period	Payable	Mario Mazzocchi		Gillian Cass	
		Current (£)	Original (£)	Current (£)	Original (£)
2018 Deferred 3	March 2022	23,529	21,350	n/a	n/a
2019 Deferred 2	March 2022	29,652	28,464	n/a	n/a
2019 Deferred 3	March 2023	29,652	28,464	n/a	n/a
2020 Deferred 1	March 2022	0	0	16,333	16,333
2020 Deferred 2	March 2023	0	0	16,333	16,333
2020 Deferred 3	March 2024	0	0	16,333	16,333
2021 Deferred 1	March 2023	45,833	45,833	25,667	25,667
2021 Deferred 2	March 2024	45,833	45,833	25,667	25,667
2021 Deferred 3	March 2025	45,833	45,833	25,667	25,667

Mario Mazzocchi's deferred bonus for 2018 represents payments made to compensate for bonus forfeited from his previous employment of which 50% has been deferred over three years (payable in 2020, 2021 and 2022) and is subject to performance of the ISA With Profits Fund and malus and clawback conditions.

Gillian Cass' deferred bonus for 2020 represents payments made to compensate for bonus forfeited from her previous employment of which 50% has been deferred over three years (payable in 2022, 2023 and 2024) and is subject to malus and clawback conditions.

LTIP AWARDS

2020 LTIP

The 2020 LTIP has 13 participants. In response to market uncertainties and the impact of the pandemic the Remuneration Committee decided uniquely that the 2020 LTIP had three separate sets of annual targets, rather than a continuous three year period. This arrangement meant meaningful and robust measures and targets could be established. Based on the performance against a balanced scorecard of measures designed to deliver the Society's strategy, the first tranche of the 2020 LTIP has vested in part and the second tranche will vest in part. The tranches will continue to be subject to a conduct risk underpin. The final tranche of the 2020 LTIP will be based on 2022 performance. An indication of performance against the targets for tranche 3 will be disclosed in next year's Directors' Remuneration Report with the final vesting amounts for each tranche confirmed.

2021 LTIP

The 2021 LTIP has 15 participants. The 2021 LTIP awards will only be payable if stretching financial and non-financial performance targets are delivered over the three year performance period starting on 1 January 2021.

2022 LTIP

The 2022 LTIP has 18 participants. The measure and weighting will be consistent with the 2021 LTIP measures. However, the ESG performance condition will be measured against a carbon reduction target.

Strategic Priority	2020	2021	2022	2023	2024	2025	2026
2020 LTIP	Tranche 1: On track to vest based on 2020 performance	Tranche 2: On track to vest based on 2021 performance	Tranche 3: Will be assessed based on 2022 performance	Payment will be paid at the end of the two year holding period			
	Risk underpin assessed over three years 1 January 2020 to 31 December 2022						
2021 LTIP		2021 LTIP awards will only be payable if stretching financial and non-financial performance targets are delivered over the three year performance period starting on 1 January 2021			Payment will be paid at the end of the two year holding period		
2022 LTIP			2022 LTIP awards will only be payable if stretching financial and non-financial performance targets are delivered over the three year performance period starting on 1 January 2022			Payment will be paid at the end of the two year holding period	

The weighting of the elements of the performance targets for the 2020, 2021 and 2022 LTIPs are summarised in the table below. All participants are measured against the same targets.

		2020 Tranche 1	2020 Tranche 2	2020 Tranche 3	2021	2022
Life long partner	Customer Numbers	7.50%	7.50%	15%	15%	15%
	Product Penetration	7.50%				
	Assets under Management		7.50%	15%	15%	15%
Brilliant to do business with	Customer Attrition	5%	5%	10%	10%	10%
	Culture / EOS	10%	10%	10%	10%	10%
Mutuality with edge	Cost Income Ratio	10%	10%	20%	15%	15%
	Return on Capital	10%	10%	20%	15%	15%
Diversity and Inclusion	Gender and Ethnicity	-	-	10%	10%	10%
Environmental	Sustainability				10%	10%
Transformation		50%	50%			
Total		100%	100%	100%	100%	100%

PAYMENTS TO FORMER DIRECTORS IN 2022

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

- Craig Errington received a payment of £38,288 in respect of outstanding deferred bonus awards, following his departure from the Society on 31 December 2019.
- Ahmed Farooq received a payment of £15,496 in respect of outstanding deferred bonus awards, following his departure from the Society on 31 December 2020.

No other payments have been made to former Directors for 2021 other than retirement benefits.

TABLE OF HISTORIC GROUP CHIEF EXECUTIVE DATA FOR THE LAST 10 YEARS

Year	CEO salary (£'000)	CEO Single figure of remuneration (£'000)	Annual bonus pay out against maximum opportunity (%)	LTIP vesting rates against maximum opportunity (%)
2021 (Mario Mazzocchi)	**500**	**833**	**70**	**–**
2020 (Mario Mazzocchi)	**492**	**549**	**0**	**–**
2019 (Mario Mazzocchi) [1]	**466**	**720**	**54**	**n/a**
2019 (Craig Errington) [2]	**502**	**807**	**55**	**n/a**
2018	492	674	0	59
2017	482	936	63	74
2016	473	870	74	67
2015	463	836	32	62
2014	453	966	60	71
2013	412	1,078	72	65

1 Remuneration pro-rated to full year in role as Group CEO
2 Based on full year in role

PAY RATIOS

The following illustrates the pay ratio between the Group Chief Executive and the wider workforce.

YEAR	METHOD	PERCENTILE		
		25th	Median	75th
2021	Mirroring approach to CEO single figure	29.12:1 £833,028:£28,607	18.07:1 £833,028:£46,103	11.94:1 £833,028:£69,780
2020		20.1:1 £548,958:£27,284	12.6:1 £548,958:£43,668	8.8:1 £548,958:£62,624
2019*		26.7:1 £720,273:£26,953	17.1:1 £720,273:£42,225	11.4:1 £720,273:£63,101

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

PERFORMANCE AND VARIABLE PAY

We have recently introduced performance pay for the 2022 annual pay review process for the wider workforce. Individual performance is assessed using the behaviour indicators and individual objectives. Senior Leaders have been provided with a 5% salary pot to make their pay recommendations. The increases awarded have been between 0% and 19% with an average increase of 5.10% being awarded, increases have also been reviewed through a gender and ethnicity lens. We have also continued our work on closing the gender pay gap and have increased female representation at Senior Leader level. There has also been focus on increasing the Black Asian Minority Ethnic (BAME) representation at the Senior Leader level and across the Society. All Senior Leader grades and above will have an Equality, Diversity and Inclusion (ED&I) objective set for 2022 to ensure that we are continuing our Environmental, Social Governance (ESG) work.

The bonus scheme multiplier for the annual Wesleyan Employee Bonus Scheme has paid out in full for 2021 due to the Operating Profit target being exceeded, this has resulted in employee bonus payments being increased by 1.5x.

A new one-off additional bonus scheme for 2022 only has been introduced for all employees (excluding Executives) and the aim of the bonus is to reward employees for their work in achieving the transformation plans during the year. The bonus is based on one measure from the Group BSC and one from the LTIP, it will only be paid in March 2023 if the targets are met.

ANNUAL REPORT ON REMUNERATION CONTINUED

RELATIVE IMPORTANCE OF SPEND ON PAY

Pay is a significant element of Society expenditure, representing 57% (2020: 53%) of operating expenses of the group.

	2021 (£m)	2020 (£m)	Change (%)
Expenses of the group (net operating expenses and investment expenses and charges)	183.4	177.4	(3.4)
Overall expenditure on pay	105.8	94.8	(11.6)

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 HR Director 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. Benchmarking data has been received from Willis Towers Watson to support remuneration decisions. 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 £7,000 for Deloitte.

STATEMENT OF VOTING AT 2021 ANNUAL GENERAL MEETING

The following table sets out the number of votes for, against and abstentions for the advisory vote on the Directors' Remuneration Annual Report on Remuneration at the Society's AGM held in May 2021.

Resolution text	Votes for	Votes against	% For	Withheld
To receive the Directors' Remuneration Report — advisory vote only	3,607	150	96	90

LINDA WILDING
Chair of the Remuneration Committee

31 March 2022