

Wesleyan Assurance Society
Minutes of the Annual General Meeting
held as electronic meeting on
Thursday 18 June 2020 at 2.00 pm

Nathan Moss: Good afternoon and welcome to the 2020 Wesleyan Annual General Meeting.

This year due to Covid-19 we have taken the decision to keep our members and colleagues safe by holding our AGM electronically. This is the first time we have done this so we are all participating in a piece of history for the Wesleyan Group. We've worked really hard to ensure that the remote AGM is a great experience for you, but like you the majority of our directors are joining the meeting remotely from their homes, so please bear with us if there are occasional pauses in proceedings.

I would like to start with some housekeeping points. We have muted everybody except the director who is talking to ensure that feedback from microphones is kept to a minimum. This year, regrettably, due to the limitations of holding the meeting remotely we will not be taking any questions live however, if you do have any questions please email agm@wesleyan.co.uk. All questions will be responded to on our website and published in the formal minutes of the meeting.

Finally, when we move to the voting element of the meeting, our Company Secretary, Selena Pritchard will take us through how the voting software will work. A test will be conducted before we get to the formal votes so that everyone is comfortable using the voting software.

Before we move to the formal voting part of the meeting I would like to make some opening remarks and I have also asked our new CEO, Mario Mazzocchi to address us.

I would like to welcome Mario also to his first AGM, he became CEO on 1 August 2019 having joined Wesleyan as Chief Operating Officer. Previously he was CEO at the Insurance and Wealth Division of the Lloyds Banking Group, so he brings plenty of experience to the Group. We believe he is undoubtedly the right person to lead the next phase of Wesleyan's development and he's already made a great start in leading us through these very difficult times.

I would also like to take this opportunity once again to thank Craig Errington whose announcement to retire as CEO was made at the AGM in 2019. Craig oversaw the growth of the Society over some 15 years as CEO and he developed segment specialism which has become such a success. The Board and I wish him all the very best in retirement. 2019 was a good year for Wesleyan. Our flagship With Profits Fund delivered a 15.2% return, that's 1.2% above its competitive benchmark and this equates to a 7.3% return for policy holders after smoothing. Assets under management grew by 15% to a record £8bn. Our Life and Pensions new business grew 25% helped by our Point of Sale system which was launched back in 2018. Our two key subsidiaries, Practice Plan and Wesleyan Bank also made strong progress during 2019. This all led to an Operating Profit rising to some £35.7m in 2019 compared to £10m in 2018.

Members benefited not only from our success in investments, but also through the contribution of some £1.4m to general insurance policies in 2019, meaning members saved on average £100 on personal and commercial insurance premiums.

In our annual report we also announced our expectation to provide members with an additional bonus of 1% on their With Profits Fund investments. As you will have read in recent member communications given the market uncertainties and in line with regulator guidance we have decided to defer making that bonus payment at this time but the Board will keep this under active review.

Two further highlights from 2019 from me.

Firstly, the work of the Foundation, which had a major milestone in 2019, having donated over £2million to over 440 charities, community groups and not-for-profit organisations since its launch in 2017, a terrific achievement.

The second highlight for me was our focus on conscious inclusion. This has been a major priority for the Society over the last few years and each of our employee networks made a significant contribution to progress in 2019. On behalf of the Board I would like to acknowledge the terrific work they have done in making Wesleyan an ever more inclusive place to work, and also for their proactive response to the global Black Lives Matter movement. We are developing the necessary discussions on race and inclusion both in Wesleyan and in the broader community.

2019 also saw some changes to governance at the Board level. The year saw two of our Board members retire, Phil Green and Chris Brinsmead and on behalf of the Board I would like to thank them for their commitment and support over many years. With the retirement of Phil Green, Martin Bryant was appointed Deputy Chair and Senior Independent Director.

We also had two new members join, Linda Wilding joined us in June 2019 she's a qualified Chartered Accountant with diverse commercial background. She chairs the Remuneration Committee and sits on the Audit Committee.

Ian McCaig joined in November 2019, he has wide ranging experience across many industries and brings a particular focus on digital and transformation. He sits on our Risk Committee and our Unit Trust Board.

Looking to the future, clearly Covid-19 poses extreme challenges to the country and to businesses alike. Wesleyan has stepped up to help our customers and professions we serve. In April of this year we launched free access to a 24/7 health and wellbeing support hub. In addition, the Wesleyan Foundation has gifted over a hundred thousand pounds to multiple charities and organisations supporting the mental health needs of key workers. We've also supported our customers in a number of ways recognising their particular financial hardship and you can read about this on our website which provides more details.

Mirroring Wesleyan's commitment to customers the Board and Senior Management Team announced additional personal commitments in May this year to show our huge gratitude for the work being undertaken by the UK's key workers. Again, you can read about this on our website.

As we look further forward we believe our commitment to our professional sectors coupled with our financial strength and long-term investment track record means we are well placed to succeed whatever emerges from the environment and the 'new normal' post the COVID-19 crisis.

The Executive Team, led by Mario, has worked with the Board to sharpen our strategic focus and business purpose. We have developed an exciting new Blue Print for Wesleyan's long-term success, focusing on creating Brighter Financial futures for our professional customers. We launched new values and behaviours to ensure our company continues to thrive and

adapt. Mario will provide us with further detail on this, but I would just like to highlight some key points;

First, we need to evolve the way we distribute our products and services and that's why we have a special resolution before members today which would allow us the optionality to leverage our With Profits expertise for more customers.

Secondly, continue to invest in technology to maintain our operational resilience and protect ourselves against cyber crime.

Third, we are absolutely committed to ensuring sustainability and carbon reduction which is integral to our business plans going forward.

Before handing over to Mario I would like to thank our amazing members and customers for what they are doing and our Wesleyan colleagues for the terrific support and commitment they are providing to them.

Thank you very much and now I will hand over to Mario.

Mario Mazzocchi: Thank you very much, Nathan. Good afternoon everyone. It's a pleasure to join my first AGM as CEO. As Nathan said, I joined back in December 2018 as Chief Operating Officer, when I was given the opportunity to become the CEO back in August 2019 after fifteen years at Lloyds Banking Group. I think it's a very exciting time to join the Society. I think we have tremendous capabilities, tremendous opportunities and it's a question of how we leverage those capabilities and opportunities for the benefit of our members.

First of all, we should recognise that we are in the position that we are in thanks to the management and the CEO that we have had for many years. Craig Errington has done a fantastic job in keeping this business healthy and full of opportunity. I want to share my personal impressions having been in position for almost 12 months. I want to say how welcoming this business is and I want to thank all the colleagues and the executive team and the Board and Chair because everyone who joins this business feels welcome. That makes it a fantastic place to work in.

What I would like to cover today is two things. The first one is a quick reflection on Covid-19 and how the business has adapted to this major emergency. Then I will spend the majority of time on the strategy and bring to life a bit more the key elements of the strategic blueprint.

So, Covid 19. I think my assessment overall of how the business has reacted to something that was clearly very unexpected and took the world by surprise is that we adapted very quickly. I remember back in February/March when this issue was materialising, that we set up a Silver Team with a specific task to get ready to serve our members in spite of what we thought was going to happen which ultimately became reality. So, we adapted quickly and the majority of our approximately 2000 staff have been working from home since March. We have about 100 people in the building in Birmingham. We are still meeting customer needs by working from home. I just want to stress that our member and customer investments are in safe hands. Historically, we have always taken a counter-cyclical approach to investments, we take advantage of downturns in the market. In this way, Covid-19 presents a very good opportunity in terms of medium and long-term returns for our customers. The financial strength of Wesleyan, which is a key trait of this organisation, continues to be one of the characteristics of this business. We remain industry leading, despite current market volatility. Finally, because of the nature of our business and very clear focus on specific segments, our key sectors have been disproportionately affected by Covid-19. My thanks and gratitude to all of you for supporting the nation in a major effort. In summary, we are ready for some form of return to normal, but we have learnt from how the world has evolved during this crisis.

I now move to Strategy, and two interconnected elements of this. I want to give you an update on the latest thinking in terms of strategic priorities. We launched a new Blueprint which is a pictorial way to synthesise what the business is about and the key focus for our transformation. In a very succinct way, we want to continue what we have been doing in terms of supporting our customers and members, but in a more modern and contemporary way. We want to continue to evolve the offering and the way we interact with our customers and members but we want to leverage on the great characteristics, skills and capabilities of this organisation.

Our purpose remains the same, which is about creating brighter financial futures for the professions we all trust. On the right-hand side we have a series of internal behaviours indicating how we can best achieve that purpose and on the left-hand side we have our strategic drivers which I would like to spend a bit more time on. These are the key priorities to take the Wesleyan to its next phase in its strategic journey. So let me take them in turn.

Lifelong partner. The description is very representative. This is about supporting our customers and our members throughout their careers and lifecycles. A couple of examples. We have been running free country-wide retirement seminars to support customers who are going through the process of considering retirement and giving our customers a bit more information on the options they have in a complex process. It can be a complex decision given some of the options and pensions freedoms and we support and inform customers when they take that decision that will influence the rest of their life. At the opposite end of the spectrum from an age perspective, we are supporting the final year students in our core markets to give them a bit more education and information on their financial needs as they embark on starting a career, for example. But it's not just about the financial element, we're very proud to talk to them about their wellbeing which is more and more critical, especially in our sectors, during the Covid-19 and post-Covid-19 world. So, there we have two examples of how we are supporting our customers to be a true life-long partner, but it's also about how we offer the right propositions and products at the right prices. Income Protection, has been a very important part of our proposition for many years and will continue to be so, we did a review and found that the pricing was not as competitive as it should have been and therefore we did a full review over a few months and found we could reduce the pricing for the benefit of new customers as well as existing ones and we have implemented this. There is now a better return on the product members hold. So, this is another part of our aspiration to be a lifelong partner to our customers.

Let me now move to discuss 'Brilliant to do Business With'. We really want to make sure that we allow our members and our customers to interact with us in the way they think is the most appropriate. Clearly, we are still very reliant on, and will continue to be so, the face-to-face element. This is what many of you view as the differentiating proposition of Wesleyan. We are absolutely committed to that, but we also know that the world is evolving. When I was referring earlier to making sure we modernise and make our offer more contemporary, this is also about making sure that we have the tools to provide you with the right interaction levels digitally, telephonically, through your mobile app, in a way that serves your needs. That is what we are fully committed to. We talk a lot about multi-channel these days, so giving our members the opportunity to interact in the way you think is the most appropriate. Then it's about the basics, making sure we continue to answer the phone in a timely manner, continue to support you with all your queries, and of course making sure from a technology perspective we are as resilient as possible. In a world where, especially during Covid-19, we hear of so many organisations being the victim of cyber attacks, we think it's absolutely critical that the business is as protected as possible. Technological resilience is part of being Brilliant to do Business With.

The third point, and I think the wording is very powerful, is Mutuality with Edge. We want to retain all the elements of mutuality, this is what differentiates us and is why you, the members,

continue to want to do business with us, also because you are the owners of this business. Mutuality is at the heart of what we do, the DNA of this organisation and we remain committed to it. Mutuality means supporting our segments and our community. The work we are doing with the Foundation, diversity and inclusion with more to be done on this. But we want to be a mutual – with an edge. The reason we want the edge, which ultimately means we want to be commercial, manage our cost base in the best possible way, we invest and transform the business because it ultimately returns to our members and the sustainability of the business. Mutuality and Edge are not mutually exclusive, but they can be combined into a very powerful transformation message. For our customers, it will ensure that we are using their money wisely and to our colleagues because culturally it's an important message we want to drive forward.

Three elements. The purpose is clear. Four behaviours to achieve it, and the commitment to transform the business. Just a couple more points before I summarise.

There have been a few changes on the Executive Committee. We have a new Chief Operating Officer and a new Chief Distribution Officer. On the other hand, sad news but Ahmed, the Chief Financial Officer and Carline Hill, the Chief People and Strategy Officer are leaving us. We will announce a new CFO in due course. I want to say that Ahmed and Caroline have been absolutely instrumental in driving this chapter of Wesleyan transformation. It would be remiss of me not to mention their input at the AGM. Ahmed specifically has been kind enough to stay until the end of the year until he moves on to his next career challenge. As a result, we are asking everyone to re-elect Ahmed as a Board director.

So, a big thank you to everyone for making me feel so welcome, for their help on the transformation journey. Let me just summarise the four main points before I hand over. Covid-19 has undoubtedly posed a challenge to everyone and every business in the world, but also it has presented us with an opportunity. If anything, Covid-19 has allowed us to work quickly to make sure we can still support our customers in a new environment. It has also accelerated our strategic thinking and given us an opportunity to think about the next stage of transformation. So, we have a clear plan to deliver our strategic blueprint. We want to continue to deliver the strongest possible returns for our customers and we want to leverage our mutuality and strong culture to continue to be relevant to our members and customers. Thank you again.

Nathan Moss: I'm pleased to welcome my Board colleagues alongside me and with your approval I now turn to the formal part of the AGM.

1. Report and Accounts of the Society for the Year Ended 31 December 2019

It was agreed to take the Auditors' Report as read.

The Chair proposed that the Annual Report and Accounts for the year ended 31 December 2019 be received.

Moved by the Chair, seconded by Martin Bryant (Deputy Chair and Senior Independent Director) and carried unanimously:

“That the Annual Report and Accounts for the year ended 31 December 2019 be received”.

2. a. To confirm the appointment of Mario Mazzocchi as a Director

The Chair, Nathan Moss, reported that since the last Annual General Meeting Mario Mazzocchi had been appointed a Director of the Society and confirmation of his election by members of the Society was required.

Moved by the Chair, seconded by Martin Bryant and carried unanimously:

“That Mario Mazzocchi be confirmed as a Director of the Society”.

2. b. To confirm the appointment of Ian McCaig as a Director

The Chair, Nathan Moss, reported that since the last Annual General Meeting Ian McCaig had been appointed a Director of the Society and confirmation of his election by members of the Society was required.

Moved by the Chair, seconded by Martin Bryant and carried unanimously:

“That Ian McCaig be confirmed as a Director of the Society”.

2. c. To confirm the appointment of Linda Wilding as a Director

The Chair, Nathan Moss, reported that since the last Annual General Meeting Linda Wilding had been appointed a Director of the Society and confirmation of her election by members of the Society was required.

Moved by the Chair, seconded by Martin Bryant and carried unanimously:

“That Linda Wilding be confirmed as a Director of the Society”.

3. Election of Directors

The Chair reported that in 2013 the Directors had passed a Resolution under Rule 31(1) of the Society’s Rules that meant at each Annual General Meeting all of the Directors shall retire. All Directors stood for re-election and no other nominations in accordance with Rule 35 of the Society’s Rules had been received.

Moved by the Chair, seconded by Martin Bryant and carried unanimously:

“That each of the Directors:

- | | |
|-------------------|------------------|
| (a) Nathan Moss | (d) Andrew Neden |
| (b) Martin Bryant | (e) Anne Torry |
| (c) Nigel Masters | (f) Ahmed Farooq |

be re-elected as Directors of the Society”.

4. Re-appointment of Auditor

It was moved by the Chair, seconded by Martin Bryant and carried unanimously:

“To reappoint Ernst and Young LLP as Auditors of the Society to hold office until the next General Meeting at which accounts were laid before the Society and that their remuneration be fixed by the Directors”.

5. Directors’ Remuneration Policy

It was moved by the Chair, seconded by Martin Bryant and carried unanimously:

“That the Directors’ Remuneration Policy shown on pages 50 to 55 in the Annual Report be approved.”.

6. Annual Report on Remuneration for the year ended 31 December 2019

(It was noted that members were asked to approve the Directors’ Annual Report on Remuneration by way of an advisory vote, which was not a legal requirement and the outcome was not binding on the Directors. However, the Board considered it best practice to allow members to express a view on this issue).

It was moved by the Chair, seconded by Martin Bryant and carried unanimously:

“That the Directors’ Remuneration Report shown on pages 49 to 61 inclusive of the Annual Report and Accounts be approved”.

7. Special Resolution

(the full wording of the resolution can be found in the Notice of Meeting on page 51 of the 2019 Performance Review)

It was moved by the Chair, seconded by Martin Bryant and carried unanimously:

“That the Rules of Wesleyan Assurance Society, as set out in the document provided to the meeting and initialled by the Chair for the purposes of identification, be adopted as the Rules of Wesleyan Assurance Society in substitution for, and to the exclusion of, Wesleyan Assurance Society’s existing Rules.”

8. Proxy Votes

The Chair reported that the percentages in favour of all the resolutions were in the mid to high 90s in percentage terms for all of the resolutions. (Details of votes, including proxy votes, to be disclosed on the Society’s website – also attached hereto).

The Chair confirmed that the Society would donate £1 to its chosen charity, Magic Breakfast, for each member vote, including those cast at the meeting, giving a total donation of just over £3,200.

Wesleyan Assurance Society

Annual General Meeting – 18 June 2020
Voting Results (including proxy votes)

Ordinary Business		FOR	AGAINST	% IN FAVOUR	WITHHELD
1.	To receive the 2019 Report and Accounts	3,181	22	99.31	18
2a.	To confirm the appointment of Mario Mazzocchi as Director	3,112	72	97.74	37
2b.	To confirm the appointment of Ian McCaig as Director	3,120	59	98.14	42
2c.	To confirm the appointment of Linda Wilding as Director	3,121	61	98.08	39
3.	To re-elect as Directors:				
(a)	Nathan Moss	3099	78	97.54	44
(b)	Martin Bryant	3109	67	97.89	45
(c)	Nigel Masters	3100	73	97.70	48
(d)	Andrew Neden	3106	71	97.77	44
(e)	Anne Torry	3125	54	98.30	42
(f)	Ahmed Farooq	3100	68	97.86	42
4.	To re-appoint Ernst & Young LLP as Auditors	3,074	104	96.73	42
5.	To approve the Directors' Remuneration Policy	2,942	196	93.75	83
6.	To receive the Directors' Remuneration Report – advisory vote only (Note i)	3,022	139	95.60	60

Ordinary Business		FOR	AGAINST	% IN FAVOUR	WITHHELD
7	To amend the Rules of the Society (Special Resolution	3,124	61	98.08	36
	TOTALS – 2020 (Average)	3,095	80	97	44
	TOTALS – 2019 (Average)	3781	104	95.8	60
	TOTALS – 2018 (Average)	5,504	132	97.7	57
	2017 (Average)	4,157	114	97.3	54
	2016 (Average)	6,947	146	97.9	58
	2015 (Average)	7,061	136	98.1	58
	2014 (Average)	4,433	110	97.6	36
	2013 (Average)	4,939	119	97.6	Not available
	2012 (Average)	4,546	113	97.6	
	2011 (Average)	4,540	119	97.4	
	2010 (Average)	3,574	101	97.3	

Selena Pritchard
Company Secretary
16 July 2020

Appendix A AGM Questions and Answers to be published on the website

Due to the situation with the Covid-19 pandemic and lockdown at the time of the Annual General Meeting, the Board took the decision to host an electronic AGM and whilst members were able to vote the decision was taken to take questions before and after the AGM, but not during the live proceedings due to the limitations of the technology available.

Set out below are the questions that were received and answered on behalf of the Board during the 2020 AGM process.

Question: On investment principles: I feel we've all become more aware of the impact our pensions and other investments can have, especially regarding climate change. The With Profits fund includes 3.8% oil and gas holding. Our future depends on rapid contraction of the fossil fuel industry, yet our investments depend on its continued growth.

How do we as a society justify not building divestment from fossil fuels into our Investment Principles?

Answer: Wesleyan's Fund Managers, who are an integral part of our experienced in-house Investments team, review our asset allocation across all our funds on an ongoing basis. Both our Fund Managers and Analysts carefully consider marketplace trends, financial returns, sustainability, our customers' views, and other factors.

Earlier in 2020, Wesleyan launched its dedicated Socially Responsible Investment (SRI) team, which will work alongside our Fund Managers to build on our existing research capabilities for sustainability issues, such as reporting on Environmental, Social and Governance (ESG) factors for the companies we invest in or look to invest in.

Our SRI team's work will have a bearing on the future fund management decisions for all our funds. We are also introducing ESG targets for each fund we manage, to ensure that we are investing in an appropriately sustainable way.

We believe that socially responsible investment is very important, but we also invest on behalf of a large number of clients with a wide range of varying views, preferences and investment priorities. Therefore, we have to balance our approach, and our main objective is to achieve strong financial returns for everyone who trusts us to invest on their behalf.

If our Fund Managers were to remove all holdings that some clients may object to, it would risk leaving our funds with unbalanced portfolios, which would potentially jeopardise the future investment returns we can achieve for our clients.

The Investments team at Wesleyan takes a long-term view and we position ourselves accordingly to achieve what we believe will be the best outcome for those who invest with us, which we take very seriously as a mutual organisation.

While we do not attempt to invest on a purely ethical basis for some of our funds, we incorporate ESG factors into our decision-making process, to help determine the full impact of our investment decisions.

Wesleyan has in the past acted on the feedback we have received from our customers'. For example, we no longer have any *direct* tobacco investments (shares and bonds), which is a position we took after listening to our members' views and taking them into account.

We also offer ethical fund solutions, which have stricter screening criteria for the assets and companies our customers' can invest in. These funds may be of interest to you, so please speak to

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your Wesleyan Financial Services Consultant, for investment advice, particularly if you do not wish to invest in a fund that contains specific companies or sectors.

Question: It was very disappointing to see the mutual bonus delayed/potentially cancelled considering the losses that have been experienced with the investments. I note that fees and charges have not been reduced and has the Chief Executive and Executive team taken pay cuts and if so by how much. Looks like the small investor once more is carrying the can.

Answer: The Covid-19 pandemic continues to have serious implications for the global economy and the way in which we run our business. In order to protect our financial strength and ensure we continue to remain resilient in the current climate, we deferred the decision to pay the 1% Mutual Bonus in June. We will continue to review the economic outlook and the Society's capital position at each Board meeting until November, when we will make a final decision. The decision to review payment of the Mutual Bonus is consistent with guidance from our regulator, who has asked insurance companies to review any planned distribution of profits in the current climate of high volatility. Wesleyan's financial strength remains one of the highest in the industry, which means that we have capital reserves significantly above those required by the regulator. We are therefore in a stronger position to deal with stockmarket volatility. However, we still have much to understand about the impact of Covid-19 on the global economy and so we must protect our financial strength so that we can stay resilient in the current climate.

Our Board and Executive teams have also pledged to donate to support the fight against Covid-19. In May, each non-executive director declined the scheduled increase in their pay and allowances for 2020. They have also pledged 10% of their salary to charity for the next six months starting in May 2020. The Chair will not be taking his agreed pay rise and will donate 20% of his salary over the same period, and the Group Chief Executive Officer will donate 10% of his salary over the same window. These donations will be made to various charities that further support the Wesleyan Foundation's COVID-19 response supporting our chosen professions.

Acknowledging that the Covid-19 crisis has put pressure on many firms, including Wesleyan Group, our Group Executive Committee have decided to forego any performance related bonus that may be due to them this year.

We hope that the above demonstrates commitment to our members and to playing our part in the fight against Covid-19.

Note: Since this response was drafted the Board took the decision to pay the Mutual Bonus on 1 September 2020.

Question: I have a Wesleyan with-profits ISA which I have been paying into monthly over the past 5 years but the present value of my investment, which has been provided to me by Wesleyan bears no comparison to the published performance of this fund on the Wesleyan website as found here: <https://www.wesleyan.co.uk/news-and-insight/Wesleyan-with-profits-investors-enjoy-strong-returns> where it is claimed that the gross and cumulative return on the With-Profits Fund over this period is 34.7%.

I can find the annual bonus rates as found here: <https://www.wesleyan.co.uk/about-us/wesleyan-with-profits-fund> as follows:

Year	2019	2018	2017	2016	2015
With Profits ISA	1.75%	2.25%	2.50%	3.00%	3.00%

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But even using those bonus rates doesn't match the 34.7% performance of this fund because the Final Bonus rates are unpublished.

How can I ever know the full value of my investment at any moment in time? As it is, there is absolutely no transparency for an investor to properly monitor the actual performance of a Wesleyan With-Profits investment. Therefore, does the Board think that it is complying the FCA's Principle 2.1.1.6 and please inform me of how I might properly evaluate my investment?

Answer:

Due to the current pandemic, fund values have dropped across the world, covering many different asset mixes. This is a global issue, and therefore not solely one for the UK or Wesleyan's funds. Stock markets globally have been highly volatile during the last few months, due to the unprecedented impact of COVID-19.

Our With Profits Fund is invested in a range of assets including equities (also known as 'stocks' or 'shares'), property, fixed interest (including government bonds) and cash. The return on these investments is one of the factors that affects the value of your With Profits investment.

All the figures have been checked and that they are factually correct. All the differences in the returns quoted can be explained. I note that you mention a few different figures in your question, including:

Source	Period start	Period end	Gross return on invested assets, before charges	Smoothed return before charges	Smoothed return after charges for example policy
January 2020 factsheet	31/01/2015	31/01/2020	39.89%	48.6%	£13,362 / 33.62%
April 2020 factsheet	30/04/2015	30/04/2020	20.78%	22.9%	£11,029 / 10.29%
Annual Report and Accounts	31/12/2014	31/12/2019	Circa 45%	47.4%	n/a

Gross return on invested assets column – these are the investment returns on the underlying assets the With-Profits fund is invested in, before smoothing, charges and other Society profits/losses attributable to the With-Profits fund.

Smoothed return before charges – these are the investment returns on the underlying assets the With-Profits fund is invested in, after smoothing and after other Society profits/losses attributable to the With-Profits fund are added in. These returns do not include charges. The figures in this column are not included in the fund factsheet and we have calculated them to illustrate the impact of smoothing (and charges).

Smoothed return after charges for example policy – these are the values and returns that would have been achieved on a £10,000 investment in the With Profits fund, after charges such as Initial Advice Charge of 3% and Annual Management Charge of 1.2% (note these are the charges for a policy invested 5 years ago, other terms may have different charges).

The gross return on invested assets are not directly comparable with the smoothed returns after charges, as one includes charges while the other doesn't.

Also, the April 2020 factsheet figures and the January 2020 factsheet figures cover two different time periods, over which different returns were earned:

- The April 2020 factsheet does not include the return for the February-April 2015 period, while the January 2020 factsheet does
- The April 2020 factsheet includes the return for the February-April 2020 period, while the January 2020 factsheet does not

The main reason for the fall in return between the two Fact Sheets is the large market falls in March 2020 due to the pandemic.

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In addition to the charges and timings effects above, the position in the smoothing cycle will impact the actual returns seen on individual policies. Smoothing aims to reduce the effect of short-term volatility, meaning that policy values may be higher or lower than their underlying asset share. However, it is not possible to smooth out all volatility and we do not allow policy values to be significantly different to underlying asset share. There will always be a timing difference between the movements seen in underlying assets, and how quickly these are passed through the smoothing process. Over the long term we expect on average for pay outs on policies to be very close to underlying asset share and we monitor pay outs to make sure this is the case.

At the end of April 2020, the underlying assets had started to slowly recover from the worst of the market falls, but this had not yet been reflected in the smoothed returns. Since then the smoothed returns have also increased so that by the end of June the 5-year underlying return was 29.39% and the smoothed return (before any charges) was 30.2%.

It is not the case that smoothing denies investors the full return earned by the fund, after allowing for charges. All returns earned by the With Profits fund are passed on via the smoothed return. There are plenty of examples of where smoothing has benefited policyholders, but it will be different for each time:

- As mentioned above for the 5-year period to the end of June 2020 the smoothed return was slightly higher than the underlying return.

In 2018 the gross investment return was -2.9% compared to the smoothed return before charges of +6.6%.

Question:

1. Guaranteed Growth Bonds are no longer part of the portfolio of products offered by Wesleyan Assurance Society;
2. The rewards given to executive and director level colleagues at Wesleyan are too high and out of keeping with the professions that the Society serves e.g. NHS doctors, dentists and teachers. How can Wesleyan justify its status as a mutual;
3. Members are unable to express dissatisfaction in any concrete way by voting against the motion to accept the remuneration package because the vote is merely advisory. No change has to be implemented by the Board even if there was a huge rejection vote.

Answer:

1. Guaranteed Growth Bonds are no longer offered by the Society. Guarantees are not now favoured by our regulators, the Prudential Regulation Authority and the Financial Conduct Authority, unless they are chargeable to customers, otherwise there is a risk of other members paying for the cost of the guarantee provided to those benefitting from them. In the current low interest rate environment, the cost of offering this type of guarantee would be prohibitive to that which is fair to charge to a customer.
2. Executive pay and reward: The financial services industry is a very competitive market; our Directors' remuneration also has to remain competitive to ensure that we attract, motivate and retain senior leaders of the right calibre to run the business successfully and deliver value to our members and customers.

We regularly benchmark our salaries and our salary scales do not come anywhere close to the private sector. A report from KPMG shows that the median total earnings for a FTSE 250 Chief Executive Officer in 2018/19 was £1.7m. CEOs in other mutual organisations also receive higher rewards for example Liverpool Victoria and NFU Mutual (Source: 2019 Company Annual Reports). We believe that members will accept that the Wesleyan management team should receive

appropriate reward and incentives to deliver results that strengthen our business and benefit members.

3. **Remuneration vote:** The vote on the Directors' Remuneration Policy is an advisory vote, however this does not mean that the Board does not take the vote into account. Our Remuneration vote passed in 2019 at 95.6% in favour, thus giving the Board comfort that the majority of the membership support the Policy. If this vote was to drop significantly, or give the Board any concerns, then the Board would use the voting score in their discussions on the Remuneration Policy and review as appropriate.