



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.

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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.

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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.