

Practice Plan
Holdings 2007
Ltd
6023648

ANNUAL REPORT AND ACCOUNTS

For the year ended
31 December 2019

Company number ZC000145

WESLEYAN
we are all about you

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COMPANIES HOUSE



CREATE BRIGHTER FINANCIAL FUTURES FOR THE PROFESSIONS WE ALL TRUST

Wesleyan Assurance Society has been helping people secure their financial futures for more than 175 years. Established during the Industrial Revolution, our original purpose was to help Birmingham's factory workers save so that they had money for sickness and funeral expenses.

Over the years we've stood strong in an ever changing and often challenging world. We have survived two world wars, global depressions and more recently the financial crisis of 2008 that saw the collapse or bailout of some of the biggest names in financial services.

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

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

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

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

2019 HIGHLIGHTS

2019 was a good year for Wesleyan and its members as the Group delivered a strong set of results. Group Operating Profit rose to £35.7m, while new business premiums increased by 25% on 2018 to £49.8m. There has also been continuing growth in the Wesleyan Bank balance sheet and strong performance in the Practice Plan Group.

Our Investments Team delivered another excellent performance with a 15.2% investment return on the flagship With Profits Fund. Those invested in the Fund will enjoy a very competitive gross annual increase of 7.3%.

Total assets under management have grown by 15% to a record £8 billion and our surplus capital position remains healthy.



gross annual increase to
With Profits investors (2018: 6.6%)*



Group Operating Profit
(2018: £10.6m)



awarded by the Wesleyan Foundation
since its launch in 2017 to support
more than 440 projects



of personal income protection claims
were paid compared with an industry
average of 88%*



Group Fund for Future Appropriations
which represents our financial strength.
This has reduced primarily due to the
possible £33m uplift to investment
returns planned (2018: £651m)



total assets actively managed or
administered by or on behalf of
the Group (2018: £7.2bn)



Net Promoter Score, representing
how likely customers are to
recommend an organisation. Average
score for insurance sector is +13**
(2018: +46)



Read more in Our performance
on pages 08 to 11



INTRODUCING OUR NEW GROUP CHIEF EXECUTIVE

Mario Mazzocchi joined Wesleyan in 2018 following a long and successful career at Lloyds Banking Group where he was Chief Operating Officer for the Insurance and Wealth division. Over 15 years at Lloyds he gained experience across the organisation, working in a range of different functions across retail and corporate banking, as well as insurance.

Mario took up the role of Wesleyan Group Chief Executive on 1 August 2019 having joined the Group in December 2018 as Chief Operating Officer.

Speaking at the time of his appointment Mario said: "This is a very special business with a fantastic proposition for our professional customers and a great reputation because of that.

"My focus will be on developing a more agile business ready to respond to the challenges of the future, with a continued commitment to driving value for our members while delivering the best service for our customers."

Mario is married and has twin children.

* This represents the change in cash-in value based on growth in investment from 1 January to 31 December 2019 after smoothing

** Association of British Insurers 2018 - figures published in 2019

† Group assets under management include the assets of the pension scheme of £51m (2018: £49m) and WJIM assets under management of £183m (2018: £149m)

†† Dec 2019 report January 2019

WE ARE ALL ABOUT YOU

Wesleyan is dedicated to the most trusted professions in society and is committed to creating brighter financial futures for doctors, dentists, teachers and lawyers – so they can focus on the vital work they do.

DOCTORS

We have a long-standing heritage of providing financial advice for medical professionals, including GPs and Hospital Doctors. Whether you're a student, a partner or a consultant, we can help with many areas of specialist planning, such as your NHS Pension Scheme.



DENTISTS

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



TEACHERS

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



LAWYERS

From law school to a senior partnership, we can offer financial advice every step of the way. Our knowledge, partnerships and key contacts including representatives on our Advisory Boards, mean we are well placed to understand the legal market and offer products and services that meet the needs of legal professionals.



THE MUTUAL DIFFERENCE

Mutuality is integral to our business. We work for the benefit of our members as we do not have shareholders. What does it mean to be a member?

YOU SHARE IN THE SUCCESS OF OUR BUSINESS

One way you benefit from our financial strength is through the distribution of our surplus capital

EXPECTED PAYMENT*



to boost the investment returns for our With Profits Open Fund investors in 2020

* Subject to economic conditions due to market volatility arising from Covid-19 and associated regulatory guidance

Financial Contribution

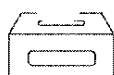


to provide member discounts on selected insurance policies

YOU GET A SAY IN HOW...

...we run our business

Every year you are invited to vote on some key matters impacting the business such as re-election of Directors and approving the annual accounts.



We welcome members to our Annual General Meeting where you can put questions to our Board of Directors

...we distribute money through our charitable foundation

The Wesleyan Foundation was set up to help good causes across the UK deliver vital support for their local communities



Members and customers are invited to nominate and vote for those causes they think are most deserving to receive larger grants

YOU ARE PART OF AN ORGANISATION THAT CARES...

...for its customers

OF OUR CUSTOMERS FEEL VALUED


Ratings of 8 and above (out of 10) in the Wesleyan 2019 Sales Survey


...about the future of our trusted professions

We want to support young people coming into the professions we serve.



"The Next Step" initiative supports young medical and dental students with the transition into working life

 Read more about our members in [Our business model](#) on pages 20 and 21

 Read more about [The Next Step](#) on page 8

Q&A WITH THE CHAIR

NATHAN MOSS

Nathan Moss gives an overview of Wesleyan's performance over the year and explains why 2019 was transformational with the appointment of a new Group Chief Executive and a renewed focus on a strategy for long-term success.

HOW WOULD YOU SUM UP 2019?

2019 was a year of continuing uncertainty as discussions over Britain's departure from the European Union dominated the UK political and news agenda. This impacted financial markets as business investment declined and UK consumer confidence reached a six-year low at the end of November. The global economy also slowed down. As the year came to a close however, we saw more certainty with the Conservatives winning a majority General Election and fears of global recession receding, supported by improving trade relations between China and America. This boosted market activity and consumer confidence.

HOW DID WESLEYAN PERFORM IN 2019?

2019 was a good year for Wesleyan and for our members as our investments team delivered another excellent performance. Our flagship With Profits Fund delivered a 15.2% investment return which will equate to a very competitive gross annual increase of 7.3% for policyholders*.

Assets under Management grew by 15% to a record £8bn and we maintained our position of industry-leading financial strength.

We had some work to do over the year to get back on track following the introduction of the new Customer Relationship Management and Point of Sales systems launched in 2018. As reported last year, there were some difficulties with the implementation of these systems which, while not affecting customers directly, caused a knock-on impact in terms of our financial performance. In 2019, we took time to embed the systems and recapture lost ground. This strategy delivered the required results and operating profit in 2019 rose to £35.7m.

Around the Group, Practice Plan continued to increase patient numbers and met its operating profit target while Wesleyan Bank made good progress against its strategic objectives and saw overall lending grow by 13% and an increase of 32% in own book lending.

HOW DO MEMBERS BENEFIT FROM YOUR SUCCESS?

Being part of a successful mutual means members, rather than shareholders, get to share the rewards.

We contributed £1.4m towards member discounts on insurance policies in 2019 which means members saved an average of £100 on personal and commercial insurance premiums.

You can read more about what it means to be a member of Wesleyan on page 3.

WHAT CHANGES WERE THERE AT WESLEYAN IN 2019?

2019 was a transformational year for Wesleyan as we welcomed Mario Mazzocchi as our new Group Chief Executive. Mario's extensive financial services experience makes him the right person to lead Wesleyan into the next phase of our strategic development.

We live in a fast-changing world and need a strong, customer-focused leader to ensure we meet the challenges ahead and help us realise our ambition to be a true lifelong partner to our customers. Mario has already shown himself to be that leader and I am looking forward to working with him and his Executive team to deliver continued success for members and customers.

We said a fond farewell to Craig Errington who announced his retirement at the 2019 Annual General Meeting (AGM). Craig led the Society as Group CEO for 15 years and spent 28 years with the organisation. He was instrumental in the Society's growth, playing a key role in transforming Wesleyan from an under-performing mass market brand in the early 2000s into one of the leading specialist financial services providers in the industry today. The Board and I thank Craig for the significant contribution he made to Wesleyan's success and wish him well in his retirement.

ARE THERE LIKELY TO BE ANY CHANGES TO WESLEYAN'S STRATEGIC FOCUS?

With a new leadership team comes a period of reflection and so we spent significant time in 2019 examining every aspect of our business and assessing whether it is delivering all it can to benefit our customers and our members. We have set out an exciting blueprint for Wesleyan's long-term success, focused on creating brighter financial futures for our professional customers.

We continue to believe that our specialist approach is absolutely the right one. Our customers value the advice we can give them over their lifetime based on an in-depth understanding of their professions. However there is more that we can do to ensure we have an unrelenting focus on our specialism and this will be a key strand of our strategy in 2020 and beyond.

We must also do more to ensure we are meeting all our customers' financial needs across their lifetime. As our business has grown, it has taken time for the different parts of the organisation to work together in a way that really benefits customers and provides them with a full range of personal and commercial financial solutions. Addressing this will be key to our growth.

We are committed to being a cost-efficient business balancing our core value of care with our commercial responsibilities as we continue to invest in our operations to face the challenges that lie ahead.

You can read more about our strategic plans on pages 8 to 11.

WHAT STOOD OUT FOR YOU IN 2019?

There were so many things to be proud of including the difference the Wesleyan Foundation continues to make, improving lives and transforming communities across the UK. I'm pleased to report that the Foundation has now awarded more than £2million in grants to not-for-profit

* This represents the change in cash-in value based on growth in investment from 1 January to 31 December 2019 after smoothing, a feature that helps protect investments against sharp market fluctuations and really comes into its own in times of market uncertainty.

Being part of a successful mutual means that members rather than shareholders get to share the rewards

NATHAN MOSS

Chair



organisations since its launch in 2017. You can read more about its work on page 26.

The Foundation really brings to life our mutual status which remains an integral part of who we are. We believe that our mutuality and all it represents is what makes Wesleyan different from many other financial services companies. We want all our customers to be a part of this and at the 2019 AGM, members agreed to the introduction of a new category of associate membership. We are currently in the process of defining the benefits this level of membership will confer.

There is a balance to be struck however as we pursue our strategy of mutuality with edge. The Society has been reviewing how it distributes its products and may seek to introduce new products which invest in the With Profits Policyholder Fund but are distributed through other channels. The Society does not wish the introduction of such products to dilute the rights and benefits of current members and we will consult members on this as part of the 2020 AGM process.

WILL WESLEYAN'S CULTURE CHANGE TO MEET FUTURE CHALLENGES?

The Board have been fully engaged with the work to create a new strategic blueprint that is being firmly embedded across the Group and designed to inspire our people to deliver an excellent service for customers and members. The Blueprint also embraces our continued commitment to creating an inclusive and diverse workforce and you can read more about progress we made in this area on pages 22-25.

The Board will continue to closely monitor Wesleyan's culture and capabilities, supported by the use of a new culture index that will help us measure this complex but critical area.

You can read more about the Blueprint on pages 8 to 11.

WERE THERE ANY CHANGES TO GOVERNANCE OF THE BOARD?

Linda Wilding joined us in June, a qualified chartered accountant with a diverse commercial background, she has extensive experience as a Non-Executive Director with a focus on remuneration and audit committees. Ian McCaig took up his place on the Board in November. He has wide-ranging industry experience and a great understanding of digital and transformation. His skill set makes him well placed to contribute to and challenge our strategic plans.

Phil Green, our Senior Independent Director and Deputy Chair, retired from the Board in November, having agreed to stay on slightly past his nine-year tenure to ensure a smooth transition for new Board members. Chris Brinsmead also retired at the AGM after nine years on the Board. Chris' role as Chair of the Remuneration Committee has been filled by Linda Wilding and Martin Bryant steps into the position of Senior Independent Director, as well as Chair of Wesleyan Bank. We thank both Phil and Chris for their significant contribution to the Society and wish them well in the future.

I'm confident our Board has the right skills and capabilities to lead Wesleyan into an exciting new stage of its history, working alongside Mario and his leadership team.

You can read more about our Board members on pages 40 and 41.

WHAT CAN CUSTOMERS EXPECT IN THE YEAR AHEAD?

We are facing an extremely challenging year as the full impact of COVID-19 unfolds for us all. Customers, colleagues and communities will face undoubted disruption to both working and personal lives in the months ahead and at Wesleyan, we are taking action to ensure we can continue to serve and support the professions we all trust. For further information on our contingency plans surrounding COVID-19 please see page 10.

As we start to put into action the plans agreed in 2019, customers will see a business even more focused on their needs,

dialling up our specialist knowledge and approach and uniting all aspects of the Group to deliver a cohesive service. We'll be reviewing our product range to ensure existing products are still appropriate and identifying potential gaps. We're completely reviewing our distribution strategy – how we interact with our customers – and we want to ensure we can serve their needs at a time and in a way to suit them. We're investing in the foundations of our business, working hard to protect ourselves from the very real risk of cyber crime and ensure we have the right technology and operational resilience for the future.

As climate change issues continue to concern people across the world, we are committed to acting in a sustainable and responsible way. We have defined our sustainability strategy which includes reviewing our customer offering and you can read more about our plans to enhance our approach to sustainable investing on page 15.

We remain committed to our mutual status and want to protect the benefits membership brings. We will however ensure we balance that with a more commercial approach – mutuality with edge – so that we deliver even better returns for our members and customers.

Whatever 2020 brings we know that our financial strength and commitment to investing in equity markets over the long-term will put us in a strong position to grow our business and continue to serve our professions, despite the volatility of the current economic climate.

On behalf of the Board and everyone at Wesleyan I'd like to pass on a message of thanks to all our wonderful members who are working so bravely to help save lives during the coronavirus pandemic. Thank you for everything you do, you are amazing and we are truly grateful to you.

NATHAN MOSS

Chair

14 April 2020



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KEY PERFORMANCE INDICATORS

1 GROUP OPERATING PROFIT

2019 £35.7m

2018 £10.6m

Operating Profit for the Group represents profit before investment fluctuations and other accounting and tax adjustments.

Further information: Please refer to Results and Performance Section on pages 12 to 14. Group Operating Profit has increased in 2019 due to stronger economic conditions which improved our reported Estate return, and good customer retention around retirement which was recognised in more favourable actuarial assumptions.

2 SOCIETY NEW BUSINESS (ANNUAL PREMIUM VALUE)

2019 £49.8m

2018 £40.0m

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

Further information: Increases in premium income experienced due to strong sales of investment products.

3 SOCIETY PREMIUM INCOME*

2019 £381m

2018 £345m

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

Further information: Increases in premium income experienced due to strong sales of investment products.

4 ASSETS UNDER MANAGEMENT**

2019 £8bn

2018 £7.2bn

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

Further information: Despite uncertainty surrounding Brexit and the US-China trade deal, investment returns were strong in 2019, making up for the worldwide stock market dips seen at the end of 2018. We achieved impressive performance across our fund range largely thanks to our UK stock selection and our level of exposure to overseas equities. Contributions from fixed income assets and property were positive, though more modest than equities. We continue to invest for the long term, with a core 'buy and hold' strategy. Additional investment commentary can be found on page 15.

5 INVESTMENT RETURN - WITH PROFITS FUND

2019 15.2%

2018 2.4%

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

6 GROUP FUND FOR FUTURE APPROPRIATIONS (FFA)

2019 £598m

2018 £651m

A measure of the Society's financial strength.

Further information: Reduction in FFA is predominantly due to the planned possible surplus capital distribution of £33m (see page 3) and a £20m reduction in the surplus assets of Wesleyan Staff Pension Scheme.

7 GROUP SOLVENCY RATIO

2019 304%

2018 276%

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

Further information: The Solvency ratio has reduced following an increase in the regulatory capital requirement, as well as a reduction in own funds resulting from an additional possible £33m payment into the With Profits Open Fund and a £20m reduction in the surplus assets of Wesleyan Staff Pension Scheme.

8 NET PROMOTER SCORE

2019 +47

2018 +46

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

Further information: We remain significantly above the insurance sector average of +13.

9 ENGAGEMENT SCORE

2019 7.8

2018 7.2

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

Further information: Employee engagement has increased by 0.6 points from 2018 continuing its upward trend over 18 months, reflecting improved stability in underlying systems.

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

** Group assets under management includes the assets of the pension scheme of £0.4bn (2018: £0.5bn) and WUIM assets under management of £0.2m (2018: £0.1m).

PERFORMANCE REPORT

MARIO MAZZOCCHI

In his first Performance Report, Group Chief Executive Mario Mazzocchi talks about his strategic vision and plans to ensure Wesleyan is a resilient business for the 21st century ready to withstand any future challenges and deliver excellent outcomes for members and customers.

INTRODUCTION AND OVERVIEW

I am privileged to deliver my first performance report as Wesleyan Group Chief Executive. I was appointed to the role on 1 August 2019 having joined Wesleyan in December 2018 as Chief Operating Officer. Prior to that I spent 15 years with Lloyds Banking Group. You can read more about my background on page 1

I must begin by paying tribute to my predecessor Craig Errington, who played such a crucial role in Wesleyan's significant growth during his 15 years as Group Chief Executive. I am grateful to him for all the support he gave me during my transition into the role and over the following months. We wish him every happiness in his retirement.

I must also thank our Chair Nathan Moss and the Board of Directors, my senior colleagues and everyone in the business for their support. Everyone has been incredibly welcoming and unstintingly generous in sharing their knowledge with me. Wesleyan is a truly great place to work and I'm delighted to be here. We have so much potential as a business and I am excited for what the future can bring us and our members.

OUR STRATEGY

Working with the Board and my Executive colleagues in 2019, we delved deep into the challenges that lie ahead for Wesleyan, our customers and the industry overall. Wesleyan has a fantastic business model and an enviable reputation. However, every business must continue to evolve and prepare to face the future. We saw over the course of the year some long-established firms struggle or fail to survive. We live in a time of technological advancements, changing customer expectations and increased competition. This brings opportunities for those businesses who tackle challenges like this head on as we plan to do.

Over a number of months we created a new strategic blueprint for our business. This five-year plan sets out the role we want to play in our customers' lives, what we want to achieve as a business and how we need to work together in order to get there. Delivering against this plan will ensure we remain a strong and resilient business that has an acute focus and understanding of the needs of our customers. We are already making progress as you can read in the following pages.

STRENGTHENING OUR SPECIALISM

Our business model, built on a deep understanding of our doctors, dentists, teachers and lawyers, is unique. Our insight-driven approach is strengthened by the relationships we have developed through our own work with customers, our Advisory Boards and also our affiliation with organisations such as The Law Society and the NASUWT, the teachers' union. We were pleased to be named by the NHS in 2019 as one of 12 firms able to give doctors expert advice on tax issues. These are some of the reasons our customers value our service so highly and our customer satisfaction scores are industry leading.

We want to make sure we meet more of our customers' needs through better access to our full range of services across the Wesleyan Group. We also want to serve more customers and have the capability to grow our business by attracting new customers, particularly in our teachers and lawyers markets. We must make it easier for everyone to do business with us and provide more choice in when and how they interact with us. We must also be relentless in executing our plans.

To support us in this, we have identified three strategic drivers that will keep us focused in the years ahead:

- To be a lifelong partner
- To be brilliant to do business with
- To demonstrate mutuality with edge



LIFELONG PARTNER

Our focus is on building a lifelong partnership with our customers, from their student years through to retirement and beyond. This means understanding their needs and ambitions at every stage of their life and developing propositions and advice to help meet them.

An example of us seeking to build relationships with our younger customers can be clearly seen through The Next Step. This is a programme of events that we ran throughout 2019 designed to help final year students in our chosen professions to move confidently into the world of work. These events, which took place at universities across the UK, were led by a panel of recently qualified professionals who gave first-hand advice and guidance on all aspects of starting work, from maintaining a good work-life balance and mental wellbeing to managing money.

Feedback from the first programme of events was extremely encouraging with 75% of attendees rating them excellent. The 2020 programme of events is already underway, supported by online content and social media activity.

In addition to looking at new ways of delivering for our customers, we must make sure that what we currently offer continues to meet their needs and gives best value. To that effect we carry out regular reviews of our products to identify changing needs or gaps. In 2019, we completely reviewed our personal income protection product, a flagship product that is critical to the needs of our professional customers. While our product is industry leading, it became less competitive as new entrants moved into this space. As a result of the review we reduced premiums for all new customers and ensured existing customers also benefitted. We enhanced the range of features and benefits with an increased

Delivering against our plan will ensure we remain a strong and resilient business that has an acute focus and understanding of the needs of our customers.

MARIO MAZZOCCHI
Group Chief Executive



focus on health and recovery to help customers get back to work more quickly

These changes have been welcomed by our customers and sales also increased. The product remains one of the best in the industry, receiving a five star rating in 2020 for the fifth year running from Defaqto, an independent researcher. We continue to maintain our market leading claims rate paying over 97% of all claims, compared to the industry average of 88%*, ensuring we are there for our customers when they need us most.



BRILLIANT TO DO BUSINESS WITH

Our aspiration is to deliver an easy and seamless customer experience so customers can access all that we have to offer them in a way that suits their needs.

In 2019, we launched our Customer Experience Hub which brings together experts from across the business to identify ways in which we can improve customer outcomes in an agile and efficient way, taking a test and learn approach. The team's first project was a pilot scheme working with dental customers in the South East of England. The purpose was to find a way in which we could ensure customers had access to all of the Wesleyan Group services from dental plan memberships and commercial loans to investments advice and retirement planning. This has already benefitted customers who now have access to a one-stop shop for their financial needs. The pilot will continue into 2020.

Our team of Financial Consultants (FCs) build strong relationships with our customers based on an in-depth understanding of their specific needs. 93% of customers tell us their FC is very good or excellent, rating them eight and above out of 10. However, we recognise that customers do not always want to interact with us face-to-face. We are committed

to transforming the way we do business providing a range of options.

In 2019, we piloted the Customer Digital Dashboard which, when fully operational, will give customers more visibility and control of their financial plans, allowing them to view and manage progress towards their goals and objectives, as well as top up and buy selected products on-line. Throughout the project we are talking with customers to ensure the dashboard truly meets their needs and we will continue to improve it in line with feedback before we roll it out fully.

We were also pleased to launch an innovative partnership project with the Investment Association in 2019 to ensure investors benefit from the latest technological advances. Velocity Birmingham is a new FinTech hub based in our Head Office where we are providing free space for up to ten of the most pioneering firms. We hope to share in their innovative thinking to benefit our customers and members.

BUILDING STRONG FOUNDATIONS

To deliver against our aspiration of being brilliant to do business with, we must have strong foundations so that we can face the challenges ahead and continue to offer the best service for our customers and address issues of regulation and resilience. In recent years we have invested in our infrastructure with initiatives like the new Customer Relationship Management and Point of Sale systems that were embedded last year. The project was a difficult one and didn't deliver all that we hoped it would. We have significantly strengthened our approach to major project work and have an ambitious Transformation portfolio for 2020 onwards. This will ensure Wesleyan develops stronger technological resilience as we invest in capabilities for the future so that we can deliver our strategic priorities. I am confident that we will successfully deliver our programme in a more rigorous environment with a stronger focus on costs, execution and agility.

STRATEGY IN ACTION



Lifelong Partner

Practice launched a new series of events for NHS dentists in 2019 designed to create greater understanding of the implications of the English dental contract reform, which is due to come into effect in 2020.

The expert-led panel discussions looked at how the contract might affect dental practices and how best to prepare for its rollout.

Panel members included high profile industry experts, as well as dentists already running prototype practices who shared their experiences.

Seven events were held across England with over 365 delegates attending. Further events are planned for 2020; to find out more visit www.practiceplan.co.uk/events/what-next-for-nhs-dentistry

Association of British Insurers 2018 figures published in 2019

** Wesleyan Sales Survey 2019. (Based on scoring 8, 9 & 10 out of 10. Base size: 1702)

PERFORMANCE REPORT (CONTINUED)

A major step forward in 2019 was the successful completion of a complex project to migrate our legacy business onto a leading-edge technology system. This work has been ongoing over several years and involved moving 400,000 customer policies. The final policies were moved onto the vastly improved system in November, enabling us to provide a smoother and more cost-efficient customer service.



MUTUALITY WITH EDGE

We remain proud of our mutual status and recognise the importance it has for our professional customers. We intend to build on our culture of care but we must not forget that we are a business, operating within a competitive landscape. Over the next three years, we will be investing £96m in our transformation programme and with that in mind we have to become more cost conscious.

We must therefore maximise the benefits of our mutuality to strengthen the business while reducing costs to ensure stronger returns for our members.

As mentioned earlier, we developed a One Wesleyan Blueprint in 2019, which we shared with all employees in December. The Blueprint is an internal document that sets out why we exist as a business, what we want to achieve and how we will achieve it – the way in which each of us must work. This will be the basis for how we work together and ensure everyone is focused on delivering the right end results for our customers in the right way.

We want our people to be accountable and autonomous – to have the freedom to do what is required to grow the business. We have introduced a new way of setting objectives for 2020 which align across the business to ensure that we are all working to the same end results and are clear about the expectations on us.

You can read on page 18 about some of the other people initiatives we introduced in 2019 to ensure a more cohesive and inclusive culture.

CHANGES TO THE EXECUTIVE TEAM

To ensure we are best set up to meet our strategic objectives and deliver the right outcomes for our customers, I have made some changes to my Executive Committee. I was pleased to promote David Stewart to Chief Operating Officer from Head of Technology and Transformation. In addition, James Needham, Chief Actuary, and Andrew D'Arcy, CEO of Wesleyan Bank, both of whom are well established at Wesleyan, have joined the Committee. James has taken on responsibility for the Life and Pensions product teams alongside his actuarial work. Andrew brings understanding of Wesleyan Bank and our commercial customers to the Executive and the significant expertise he has gathered from various roles across the Group including Managing Director of Practice Plan and Chief Customer Officer.

COVID-19 STATEMENT

At the time of writing, the UK was in the 'delay' phase of its plan to reduce the peak of the coronavirus. Due to the way in which our Annual Report and Accounts are audited and signed off, by the time this pack reaches you, our handling of the situation will have undoubtedly moved on. As a result, we have set up a dedicated website where you can find the latest Wesleyan update on coronavirus: www.wesleyan.co.uk/coronavirus.

However, the scale of disruption anticipated led to us wishing to offer reassurance as best we can, around the benefits of being a customer of Wesleyan at a time of uncertainty and market volatility.

From a markets perspective, your investments are in good hands with us. Our in-house Investments team continue to monitor the situation closely and are looking for opportunities that arise during periods of market volatility. We take a 'counter-cyclical' approach, which basically means moving in a different direction to the markets by identifying out-of-favour equities with a long-term potential to grow in value.

Our financial strength is also a key factor. As you will read on page 14, Wesleyan's financial strength remains one of the highest in the industry, meaning we have capital reserves significantly above those required of us by the regulator. This means

we are in a better position to make long-term decisions to benefit our customers and members when faced with market volatility. We will continue to monitor the impact of COVID-19 on our financial position through the usual governance mechanisms, including the Board's regular oversight of solvency capital coverage and other strategic monitoring triggers.

There has been unprecedented market volatility in recent weeks. This volatility coupled with regulatory guidance has meant many firms have chosen to delay and even cancel the distribution of profits. Around the time of making a Mutual Bonus distribution in 2020, we may take the decision to defer payment until markets are more settled, or in extreme circumstances to cancel. Members will understand that any decision to defer or cancel would be taken to benefit their interests over the long-term.

Richard Harrison joined us at the start of 2020 as Chief Distribution Officer, bringing with him a wealth of experience of financial services and an impressive track record of delivering positive outcomes for customers while improving commercial results.

After four years as Chief Customer Officer Victoria Wentworth left Wesleyan to concentrate on the next stage of her career. She made a major contribution to the business and we thank her for her hard work and wish her luck in the future.

You can see our leadership team on page 39.

LOOKING AHEAD

In the immediate future, we are working hard to continue to look after our customers financial needs during the COVID-19 pandemic. We will continue to monitor government advice closely to ensure we look after the health and wellbeing of our employees and the communities within which we work.

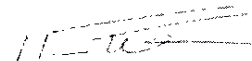
We have a clear plan of what we need to achieve in 2020 and beyond to provide long term stability and growth for the

business, building on our rich heritage and experience to ensure Wesleyan is a resilient business for the 21st century. We will improve our profitability across the Group and carefully manage costs so that we can invest more in delivering our strategy. We have exciting plans to increase our specialist approach, deliver a better customer experience across a number of channels, allowing our customers to engage with us whenever and however they choose, with an enhanced range of propositions to meet their needs.

Our Transformation portfolio over the next three years will deliver change to address regulation, resilience and cost challenges while ensuring we are investing for the future and can deliver our strategic priorities in the right way. Using technology and data better will help us provide an excellent customer service which revolves around customer needs. We will be disciplined in how we execute our plans so we can fully realise the benefits of our investment.

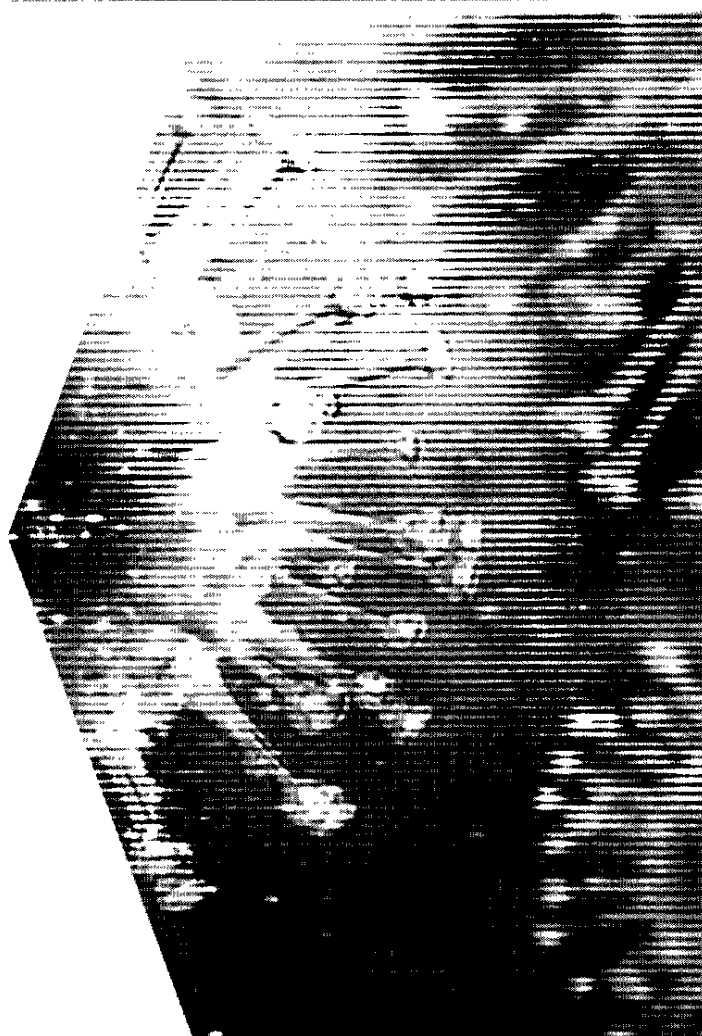
And of course, we will continue to build a strong culture so that we have the right people in place to deliver the right outcomes for our members and customers. Embedding our One Wesleyan blueprint will ensure everyone is working to the same aims. We are on a journey to be a brilliant business for our members and customers, creating brighter financial futures for them and for Wesleyan. Our mutual status remains important to us and we want a stronger business to benefit our customers today and in the years to come.

We have clear measures of success across the organisation and I look forward to updating you at the AGM on the progress we are making against our exciting plans.



MARIO MAZZOCCHI
Chief Executive Officer
14 April 2020

We have contingency plans in place to ensure we can continue to serve your needs in the months ahead. Our customer operations call centres will remain a key point of contact for you throughout, and if you are unable to see a financial consultant face-to-face we will do all we can to provide the advice you need remotely.



OUR FINANCIAL PERFORMANCE

AHMED FAROOQ, CHIEF FINANCIAL OFFICER

Ahmed Farooq, Wesleyan's Chief Financial Officer gives a detailed overview of Wesleyan's performance which includes impressive investment returns and continuing financial strength.

OVERVIEW

The Wesleyan Group delivered a strong financial performance in 2019 with impressive investment returns ensuring good outcomes for our members. Group Operating Profit rose to £35.7m, while Society new business premiums at £49.8m increased by 25% on 2018. There has also been continuing growth in the Wesleyan Bank balance sheet and strong performance in Practice Plan.

Total assets under management have grown by 11% to a record £8 billion and our surplus capital position remains healthy. We had planned to once again make an additional payment of £33m (2018: £28m) to the With Profits Open Fund providing policyholders invested in this Fund with a mutual bonus, however due to the unprecedented market volatility in recent weeks as a result of Covid-19, around the time of making this distribution we may take the decision to defer payment until markets are more settled, or in extreme circumstances, to cancel (see page 10 for more details).

HOW WE MEASURE GROUP OPERATING PROFIT

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

This includes:

- Operating profit for Life and Pensions new business sales, calculated as the discounted value, at the point of sale, of future profits expected to be earned over the term of each new policy
- Operating profit for each of the subsidiary companies;
 - Wesleyan Financial Services, including the General Insurance broking operation
 - Wesleyan Bank
 - Practice Plan Group
 - Wesleyan Unit Trust Managers
- Group costs
- The (short-term) best estimate investment return on the Society's estate

- Project costs incurred by the Society
- Exceptional one-off costs, including impairment of fixed and intangible assets
- Actuarial assumption changes
- Certain items of experience on the Society's in-force book over the year, for example the impact of lapses and sickness claims.

Exceptional costs in 2019 related mostly to an impairment of intangible assets, as well as costs relating to a reorganisation within the leadership team. The Group Operating Profit definition is used to measure the success of the business and its people during the year and excludes balances which cannot be influenced by Wesleyan employees. Group operating profit before project costs and actuarial experience adjustments was £17.1m (2018: £2.9m), and after project costs and actuarial assumption changes was £35.7m (2018: £10.6m).

	2019 £m	2018 (restated) £m
Group Operating Profit (before project costs, experience adjustments and exceptional costs)	17.1	4.9
Project costs	(13.7)	(16.8)
IF Experience	3.5	3.4
Experience Assumptions	43.8	211
Exceptional Costs	(15.0)	(2.0)
Group Operating Profit (after project costs, experience adjustments and exceptional costs)	35.7	10.6
Adjusting for the following items:		
Short-term Income and Cost Variances		
Investment Returns	107.5	(82.9)
Other Estate variances	(20.0)	23.3
Tax	(19.4)	1.9
	68.1	(57.7)
Benefits to Policyholders		
Cost of providing new business guarantees	(7.2)	(4.3)
Cost of providing guarantees on existing business	(3.0)	7.7
Mutuality, Membership and Charity	(2.8)	(3.1)
Transfer to policyholders	(116.6)	(0.1)
	(129.6)	0.2
Movement in Internal Available Capital	(25.8)	(46.9)
Statutory Accounting Adjustments	(26.6)	41.8
Transfer from the FFA	(52.4)	(5.1)

Maintaining a high level of financial strength sits at the core of our strategy

AHMED FAROOQ
Chief Financial Officer



FUND FOR FUTURE APPROPRIATIONS

The Fund for Future Appropriations (FFA) represents the excess of assets over liabilities and is a measure of financial strength. In 2019 the FFA reduced from £651m to £598m. This was predominantly due to the expected surplus capital distribution of £33K, as well as a reduction of £20m in the surplus assets of the Wesleyan Staff Pension Scheme. Despite this reduction, due to updated economic assumptions, the employee pension scheme remains well funded and in a surplus position.

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

SHORT-TERM INCOME AND COST VARIANCES

Investment return fluctuations are driven by the wider market performance of assets. The impact of investment return fluctuations in 2019 has been positive, both as a result of good performance in the overall market and exceeding our benchmark returns.

Other estate variances include economic assumption changes such as inflation and interest rates which cannot be influenced by the Society.

Tax costs incurred during the year including movement in tax reserve.

BENEFITS TO POLICYHOLDERS

Costs of providing guarantees on new and existing business which provide a benefit to customers. Existing business guarantee costs relate to changes caused by market and assumption movements.

Mutuality, membership and charity includes costs of the Wesleyan Foundation and other charitable donations, as well as member benefits outlined on pages 24 to 27.

Transfers to policyholders reflecting the profit made in the year which is allocated to With Profits policyholders.

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

The Group has continued to invest in new technology and IT infrastructure, with a total investment in projects of £24.3m, including £10.6m of capitalised computer software costs. Project expenditure relates to a number of different projects, the largest of which has been £6.1m of additional expenditure on our Closed Book policy platform as part of the project to migrate policies from our legacy system, which was successfully completed in November 2019, as well as £3.2m of investment in the digital strategy of the Society.

Our investments team delivered very strong returns in 2019 with our flagship With Profits Fund showing a return of 15.2%, which is 1.2% ahead of the benchmark we use to monitor our investment performance (see more overleaf). This equates to an increase of 7.3% in cash-in values after smoothing, a feature of with profits policies that helps protect investments against sharp market fluctuations and really comes into its own in times of market uncertainty.

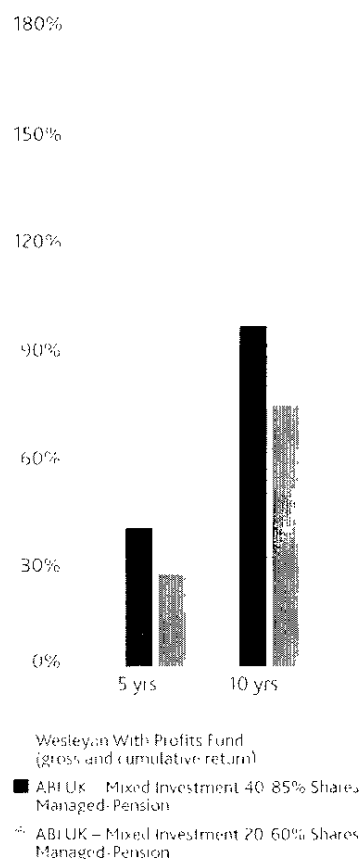
AROUND THE GROUP:

WESLEYAN FINANCIAL SERVICES (WFS)

The key challenge for 2019 was to improve stability within WFS following the launch of our Customer Relationship Management and Point of Sale systems (see page 09). Over the year the business significantly improved with new business income of £49.8m, 25% higher than 2018. WFS is now in a stronger position to continue its growth objectives through stable technology, enhancing product range and increasing customer channel choice.

Our General Insurance broking business, which provides a range of personal and commercial products and services, enjoyed a strong year with growth in income of £0.3m.

The following graph shows how Wesleyan's With Profits Fund has performed over a five and ten year period compared to other indices.



INVESTMENT RETURN ON OUR WITH PROFITS FUND IN 2019

OUR FINANCIAL PERFORMANCE CONTINUED



GROUP OPERATING PROFIT (BEFORE PROJECT COSTS AND EXPERIENCE)



SOCIETY PREMIUM INCOME

WESLEYAN BANK

The Bank continues to pursue its strategy of increasing longer-term secured loan products. It has grown the loans and advances to customers on its balance sheet by 48% to £274.9m, with £228.2m of loans provided to our customers in 2019, an increase of 32% on 2018, further demonstrating our commitment to meet the commercial needs of our customers. We anticipate further accelerated growth within Wesleyan Bank given market opportunities, requiring further capital input from the Group. This has implications with lower returns on capital in the short-term but better in the medium- to long-term.

PRACTICE PLAN GROUP

Practice Plan and DPAS combined are the largest providers of practice-branded dental membership plans in the UK. It was pleasing to see the Group's customer numbers continue to grow in 2019. This helped achieve an operating profit of £6m, in line with budget. Practice Plan subsidiary, Medenta Insurance, collaborated with Wesleyan Bank to launch a lending portal to allow dental plan customers to seek finance to fund dental treatment. This finance is provided by Wesleyan Bank.

FINANCIAL STRENGTH

Maintaining a high level of financial strength sits at the core of our strategy. We believe that equities and property continue to provide the best returns for policyholders over the longer-term and we manage our financial strength so that we can continue to support a higher than average exposure to these asset classes.

Our regulatory capital position is reported under the Solvency II requirements. Our Group Solvency Ratio – a measure of our financial strength – was 304% at 31 December 2019, a decrease from 376% in 2018. The Society manages its capital to a much higher level than the minimum requirement. This financial strength, along with enhanced risk management, ensures we can grow the business without exposing policyholders to undue risk, particularly at times of market volatility such as that experienced in recent months as a result of COVID-19 and oil prices.

ENHANCING OUR PRODUCT RANGE

We know that our customers value the specialist service we offer, with 82% of them rating their overall satisfaction with Wesleyan as very good or excellent¹.

We must continue to make sure that our product range meets their specific needs and will continue to review this. In 2019, in addition to reviewing and refreshing our income protection product (see page 08), we also reviewed our personal pension offering to give customers more flexibility in retirement. Following feedback from customers, we launched a new commercial investment opportunity allowing businesses to invest into our unit trust funds managed by Wesleyan Unit Trust Managers. By adding commercial investments alongside individual ones, we can work more closely with school academy trusts, law firms, dental and GP practices as well as other business clients. Given the positive performance of these funds since launch – with two-thirds in the top 50% against their peers at the end of the year – this is a good outcome for our commercial customers.

Plans are also in place to develop our With Profits Fund to make sure it stays competitive.

OUR FOCUS FOR THE FUTURE

As you'll have already read, we have ambitious plans to grow our business in the coming years, focusing on creating brighter financial futures for our professional customers. In doing this we will be investing heavily in a major change programme that will give us the necessary infrastructure to deliver our strategy and the technology we need for the future. We will work hard to ensure our large scale projects deliver financial results according to the business case.

We will also keep a razor-sharp focus on cost management; as we grow our business we have a responsibility to our members and customers to ensure costs are controlled and we have a healthy cost income ratio. We have set ourselves a significant cost challenge for 2020 and given the uncertain economic climate we must hold ourselves rigorously to account.

AHMED FAROOQ
Chief Financial Officer
14 April 2020

¹ Wesleyan 2019 Society Survey (based on scoring 8-9 & 10 out of 20). Base size: 1702

INVESTMENTS UPDATE

We remain committed to our long-term investment strategy of 'buy and hold' which means our funds are well-positioned for volatility both in the UK and overseas markets.

MARTIN LAWRENCE

Director of Investments



MARKETS AT A GLANCE

After a turbulent end to 2018 when stock markets fell sharply, 2019 got off to a nervous start facing headwinds from Brexit, the US-China trade deal and slowing global growth. As the year progressed, pockets of clarity emerged as a 'phase one' trade deal between the US and China was agreed and fears of a global recession receded.

The result of the UK general election in December, which saw Prime Minister Boris Johnson emerge with a clear Parliamentary majority, also boosted market confidence and helped UK equities to achieve impressive double-digit returns. Both property and bonds achieved positive returns too, although they fell short of equities. Cash returns, meanwhile, were minimal, affected by the continuance of low interest rates.

STRONG INVESTMENT RETURNS

Against this background, we are pleased to report strong performance across our fund range for 2019. At the end of the year, two-thirds of our managed funds were ranked in the top 25% for investment performance compared to their benchmarks, within their respective sectors, since launch.

Our With Profits Fund delivered excellent returns with an underlying performance of 15.2%. It was also rated top in its peer group of five with profits funds worth more than £1 billion in the 2019 report by independent consultancy firm Barnett Waddingham.

There was positive news regarding our unit trust funds, offered by Wesleyan Unit Trust Managers (WUTM). For the three years to the end of December, two-thirds of these funds were ranked in the top 50% for investment performance against their peers, within their respective sectors.

Once again, our property portfolio has performed exceptionally well; this is the fifth consecutive year that our in-house Property Managers have outperformed the

market, despite the challenges present in the sector, including a difficult high street retail environment.

INVESTING FOR THE FUTURE

Sustainable investing is important to both us and our customers. In 2020 we will be enhancing our existing approach with the launch of a dedicated Socially Responsible Investment team. They will research and report on a range of areas including environmental, social and governance factors across our funds and holdings. Any form of change takes time to fully embed, especially when it's a worldwide issue as complex as climate change. However, we are committed to encouraging a significant shift towards sustainability among the companies we invest in.

As professional investors, we are able to get our voice heard through meeting management teams and through our voting rights. We do not take this responsibility lightly, and it goes hand-in-hand with our ability to achieve strong financial returns in the future.

LOOKING AHEAD

It remains to be seen whether a trade deal between the UK and EU can be agreed before the year is out. The markets will be monitoring the likelihood of such a deal and market confidence will undoubtedly rise if the necessary signatures are on the dotted line before 2021. Similarly, although the question mark hanging over the US-China trade deal is all but erased, the result of the US Presidential election could have an impact on global investments.

Investment markets will face a number of hurdles in 2020. The new coronavirus (COVID-19) has already had widespread economic consequences. With no vaccine yet available, COVID-19 is likely to disrupt international supply chains and economic growth. However, central banks and governments have already intervened to try and protect their economies.

STRATEGY IN ACTION



**Investment team of the year
re/insurer**

**Brilliant to do business
with**

We were proud to be named Investment Team of the Year at the 2020 Insurance Asset Risk Awards, recognising the hard work and achievements of our Fund Managers and the wider in-house Investments Team.

We will continue to pay close attention to events across the world and remain committed to our long-term investment strategy of 'buy and hold' which means our funds are well-positioned for volatility both in the UK and overseas. We are dedicated to achieving the best possible results for our members and customers using our expertise and award-winning approach.

MARTIN LAWRENCE

Director of Investments

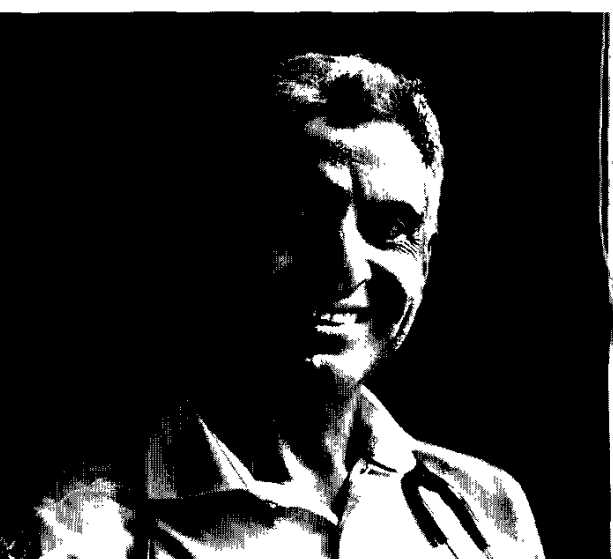
14 April 2020

ISSUES IMPACTING OUR PROFESSIONAL CUSTOMERS

A core part of our specialist offering is having an in-depth understanding of the issues facing our professional customers in their working environment. This helps us to ensure our advice and products remain relevant to their needs. In recent years there has been a huge amount of change in these professions. Here we look at just some of the challenges that dominated 2019.

A NEW CONTRACT FOR GPs

Details of the new GP contract were announced in February 2020 to a mixed response. An increase in funding for Primary Care Networks was particularly welcomed. The increase in the number of GP trainees and the offer of a golden handshake to those moving into partnership will go some way to addressing workforce problems but there is little to support retention of existing staff.



PENSIONS TAXATION: STANDING UP FOR DOCTORS.

The impact of the Annual Allowance – and more specifically the tapered Annual Allowance – caught the attention of the media in 2019 as senior clinicians refused to take on extra clinical work leading to longer patient waiting lists and impacting on patient care.

The reason behind this was that by working extra hours, thousands of senior clinicians in the NHS Pension Scheme found themselves facing unfeasibly large tax bills as a result of the complicated and opaque pensions taxation system. We worked incredibly hard to support our customers, helping them to understand their situation and plan accordingly. We also added our voice to government consultations calling for an end to the taper.

Our expertise in this area was valued by our customers, the wider profession and by the media who called on our experts for comment, briefings and articles. The NHS has named Wesleyan as a company able to give doctors expert advice on pension tax issues



UNCERTAINTY FOR DENTISTS

The long awaited new NHS dental contract is due for delivery in April 2020 which is causing uncertainty in the profession. According to Practice Plan's research 84% of dentists involved in the NHS say they are not confident in their understanding of the proposed new contract and many believe it will lead to more work and less profitability¹. The survey also showed that 84% of dentists predominantly in the NHS, felt that their job was impacting their mental health. Perhaps not surprisingly, there is an increased trend towards private practice and we are seeing a large number of corporates moving into the market.

¹ 2019 Dentistry Confidence Monitor

TEACHERS' PENSION CHANGES

In September there were changes to the amount employers contribute to the Teachers' Pension Scheme (TPS). While this was good news for many teachers who will receive more in their pension, it put a strain on some independent schools that have had to find the budget for the extra contributions. It is believed around 100 schools were planning to leave the TPS at the end of last year as they felt it no longer affordable. This clearly has implications for teachers in those schools and we have been working closely with them to help them understand what this means for their long term retirement plans.



IMPROVING ACCESS TO THE LAW

We hosted a Round Table event in conjunction with the Law Society to discuss inclusion and diversity, looking at ways of attracting and inspiring the best people to the profession whatever their ethn city, gender or background. The discussion threw up many interesting points that have been captured in a White Paper available on our website. The conclusion was that things are changing for the better but there is a need to keep discussions like this alive and at the forefront.

Not all of these issues will impact our customers' finances but in order for us to offer an excellent customer service we need to really understand the world they live and work in so that we can deliver the right services and propositions.

EMPLOYER OF CHOICE



OUR PEOPLE

We aim to be an employer of choice so that we can attract and retain the best people to serve the needs of our customers. We also believe that the culture of an organisation is critical to the way its employees behave and we worked hard in 2019 to set a strong framework for our people that will drive the right outcomes for members and customers.

Our One Wesleyan Blueprint was launched in 2019 to align “what” we need to do and “how” we intend to deliver it. We believe our new company behaviours will make us even more customer centric and ensure everyone is accountable for their contribution towards our goals.

We held a number of employee events led by the Group Executive team to ensure all employees understood our strategy and were able to set their own personal goals and objectives against it for 2020.



EMPLOYEE VOICE

Ensuring our people have a voice is the best way to drive improvements that benefit members, customers and employees. In addition to our bi-annual Employee Opinion Survey we have an employee forum (The Partnership Council) that is owned and run by our employees and has both Executive and Non-Executive representation to act upon feedback and ideas from across the Group.

In 2019, we launched a new survey that sought to get a deeper understanding of our culture. This additional information will help us to track the evolution of our culture over time. We believe proactively managing organisational culture is essential to the success of the business, the engagement of those who work here and our ability to attract new talent.



REMAINING AN EMPLOYER OF CHOICE

In 2019, our employee engagement scores were above the targets we set ourselves. The November survey produced a Wesleyan Group score of 7.8 (above a target of 7.2 out of 10) this continues the upward trend from the previous 18 months with an increase of 1.1 since June 2018. This is a fantastic result for everyone at Wesleyan and reflects the investment being made in attracting and retaining the talent we need to deliver our strategy on behalf of customers and members.

We made a number of improvements to the non-monetary benefits associated with being a Wesleyan employee. This included offering a second volunteering day, improvements to the working environment at our Head Office in Birmingham City Centre and a new partnership with The Doctors Clinic Group to offer online GP consultations to employees as well as a number of face-to-face appointments at various locations suited to our employee base.

With a growing number of large companies making Birmingham their home, paired with an aggressive recruitment strategy for our remote sales teams, competition for talent will continue to increase and so further work will continue into 2020 on how we reward and retain our people.



FOCUSING ON THE FUTURE

People development remains a key focus as we recognise the need to continually evolve to meet the ever-changing needs of our customers. In 2019 we sought to ensure that the makeup and skills of our senior leadership population remain fit to deliver our strategic ambitions. Each of our leaders went through a rigorous assessment process followed by a Group Executive review of our results. We were delighted with the outcome of the process and have a forward training plan that will help to further develop our people in 2020 and beyond.

We recognise the importance of the culture and behaviour of financial services organisations to the outcomes experienced by our customers. We have proudly taken important steps to tracking and measuring these quite complex areas and look forward to sharing the results of these improvements in next year's report.

I really care about financial planning. I genuinely want all our customers to receive a first class service.



MEET THE TEAM

Parminder Gill, Advice and Policy Consultant

Parminder Gill plays a key role in Wesleyan's financial planning process providing essential support to our Financial Consultants (FCs). It's Parm's job to develop the policies and guidelines our FCs follow when providing specialist advice to our customers. In this interview Parm gives us an overview of his role and explains how he helps to ensure Wesleyan keeps its professional customers at the heart of the advice process.

TELL US ABOUT MORE ABOUT WHAT YOU DO.

At Wesleyan, we have a team of over 300 FCs offering face-to-face advice to customers. Their role is to be on the front line talking with clients and ensuring they have bright financial futures. My role is to make sure that I have a thorough and unshakeable knowledge of legislation and regulation that could impact the advice they are giving so that we stay truly relevant as a specialist financial adviser.

WHAT IS YOUR BIGGEST CHALLENGE?

Recently there's been huge amount of discussion around the NHS Pension Scheme and Teachers' Pension Scheme. It can be a challenge to filter through all of the noise and speculation to get a clear idea of what the issues are and whether they are going to impact our clients' financial futures. If they are, then I need to respond quickly, update the business and adapt the advice policy accordingly.

HOW DOES YOUR ROLE HELP TO SUPPORT WESLEYAN'S SPECIALIST APPROACH?

As regulation and markets change, we need to constantly assess our activities to ensure we're staying relevant. This may require updated or additional tools and materials to help our FCs deliver a truly specialised service. In 2019 a major issue for our medical clients was the impact that Annual Allowance charges could have on their pension plans. It is a complicated area and I've been involved in designing an online tool that will help customers understand the impact on their finances and plans.

WHAT ASPECTS OF THE JOB DO YOU ENJOY MOST?

I like the variety; in one day I can go from discussing a complicated case with an FC to briefing a journalist on the intricacies of pensions tax planning. There was a lot in the media in 2019 about the Annual Allowance because it was ultimately impacting patients; some doctors chose

not to work overtime because the extra payments were pushing them into paying higher tax charges. I wrote a number of media articles and also briefed journalists to help them understand how these complex tax charges work. It's great when people outside of the professions we serve recognise the specialist knowledge we have and the part we play in our customers' lives.

WHAT MOTIVATES YOU?

I really care about financial planning. I genuinely want all our customers to receive a first class service. I enjoy being a part of a team that can help make a difference in this area, and it's fantastic when I get feedback from an FC on how they were able to help a client better manage their retirement or investments because of the guidance I developed.

OUR BUSINESS MODEL

WHO WE ARE

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

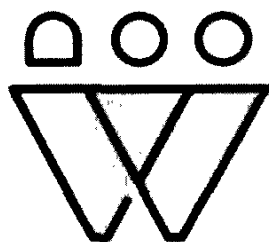
We are a UK-based financial services mutual, with financial advice at the core of our offering. We have a network of more than 300 financial consultants offering a face-to-face advice service, building strong personal relationships with our customers.

We do this by offering tailored products and services to meet the financial needs of our trusted professions throughout every stage of their life, from graduation to retirement and beyond.

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

HOW WE DELIVER

WE HAVE THREE KEY STRATEGIC DRIVERS WHICH REPRESENT WHAT WE NEED TO DELIVER AS AN ORGANISATION:



Gather rich insight into both current customer needs and future ambitions.

Develop and deliver propositions and advice in line with these needs and ambitions

Focus on establishing and maintaining enduring and meaningful relationships with customers

Utilise insight from both our Advisory Boards, made up of 30 prominent professionals, and affinity partnerships with leading organisations to serve our customers better

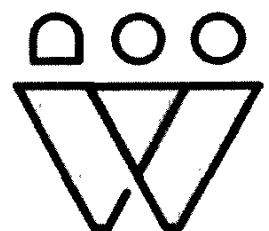


We aspire to deliver

Easy and efficient service for all customers.

Customer experience that seamlessly integrates technology and our people.

One Wesleyan at every touchpoint.



Drive commercial and rigorous performance management

Share and invest profits for the benefit of members.

Build a modern and progressive mutual brand identity that leverages our unique strengths and right to win.

WE ARE ALL ABOUT YOU

LIFE STAGES

**STARTING A CAREER**

Through university, graduation and transitioning into working life.

HOW WESLEYAN SUPPORTS:

Financial education programme, The Next Step
Student Income Protection
Gadget insurance
Savings options

**STARTING A BUSINESS**

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

HOW WESLEYAN SUPPORTS:

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

**IN RETIREMENT**

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

HOW WESLEYAN SUPPORTS:

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

**UNDERPINNED BY SPECIALIST FINANCIAL ADVICE****BUYING A HOME / STARTING A FAMILY**

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

HOW WESLEYAN SUPPORTS:

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

**BUILDING YOUR WEALTH**

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

HOW WESLEYAN SUPPORTS:

Range of saving and investment products
Buy to Let Mortgages advice and Landlord Insurance
Retirement planning advice backed by specialist knowledge of occupational pension schemes
Retirement options including Pension, Flexible Access Drawdown and Annuities

OUR STRATEGY

2019 was the first year in which our revised strategy was implemented. It ensures that Wesleyan has a clear direction and we are able to respond to the external pressures that both we and our professional customers are facing.



Lifelong Partner

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

Our relationship with our professional customers begins while they are at university and continues into retirement.

In 2019 we rolled out a programme of events for students in our chosen professions helping them to become more financially aware and to prepare for the transition from university to work

We know that getting on the property ladder is really important to our younger professionals and provide mortgage advice to find the best option.

We have enhanced our propositions for those customers who are more established, through the introduction of commercial mortgages (helping customers make the move into owning their own business), repriced a key product (income protection) to ensure our customers get the best value possible and launched a new corporate investment enabling business owners to invest in our unit trust funds.

THROUGHOUT AND BEYOND 2020 WE WILL:

- Develop propositions that continue to support our customers and their changing needs
- Build our Responsible Investing credentials



Brilliant to do Business With

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

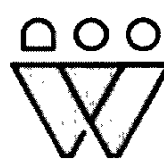
We know it's important for our customers to be able to interact with us in ways that suit them.

To make sure that we meet these expectations we have in 2019 improved our telephone based support and online capability.

We have also improved the support we give to our face-to-face advisers, creating more time for them to spend on the important things – advising our members and customers

THROUGHOUT AND BEYOND 2020 WE WILL:

- Focus on developing our online and telephone services, giving greater and better choice to our customers
- Continue to support our people's specialist understanding of the professions we serve through tailored training, tools and support
- Develop choices for customers on how they pay for services and advice



Mutuality With Edge

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

Our mutuality is important to us – it's what makes us who we are and it's important for us to be able to demonstrate and share this with our members.

Following approval from members at the 2019 AGM, to create an associate membership class, adding an additional layer to our thriving member base and allowing us to better support full members, we have been working on identifying new ways to express our mutual advantage.

We will increase our general insurance discount to 20% for full members in 2020 and also provide funding for additional member benefits for full and associate members

We have also been able to donate over £2m to good causes via the Wesleyan Foundation

THROUGHOUT AND BEYOND 2020 WE WILL:

- Continue to support our members and communities through the Wesleyan Foundation
- Understand how we can drive and deliver more benefit from our mutual status.

I've seen the difference we can make, helping dentists to see another way of working that usually allows them to fall back in love with their profession.



MEET THE TEAM

Nigel Jones, Sales and Marketing Director, Practice Plan part of Wesleyan's portfolio of companies

Nigel Jones is Sales and Marketing Director at Practice Plan Group, part of Wesleyan's portfolio of companies. He has more than 24 years' experience working in the dental industry and in his 11 years at Practice Plan has supported many dentists in successfully running their business. Nigel was named one of the Top 50 most influential people in dentistry by readers of Dentistry magazine in 2019 in recognition of his impact on the profession.

TELL US A LITTLE BIT ABOUT WHAT YOU DO.

In a nutshell, I aim to help dentists make a success of their practice lives so that they can enjoy their work. Practice Plan offers support to practices choosing to move into the private sector at every stage of the transition and once they're up and running we stay close to them providing a range of business development services.

WHAT DO YOU LIKE ABOUT YOUR JOB?

I've met some really amazing people through my work and built strong and lasting relationships, not only with dentists but also their practice staff and even their families. I've seen how tough things have become in the profession and the increasing pressure dentists are under, particularly those working in the NHS. I've also seen the difference we can make, helping dentists to see another way of working that usually allows them to fall back in love with their profession.

WHAT DO YOU SEE AS THE BIGGEST CHALLENGES FACING THE DENTAL PROFESSION?

As well as the issues created for dentists by the Covid-19 pandemic, morale isn't great at the moment.

Dentists want to give their patients the best treatment they can but pressures in the NHS mean that they aren't able to deliver the level of care they want. The pressure is leading to increasing number of dentists turning to drugs or alcohol and there have been many reports highlighting increased cases of mental health issues, including burnout. When dentists move to private practice, it's rarely a financial decision but one driven by the desire to offer their patients a better standard of sustainable care.

YOU'VE BEEN VOTED ONE OF THE MOST INFLUENTIAL PEOPLE IN THE DENTAL PROFESSION. WHY DO YOU THINK YOU'VE RECEIVED THIS RECOGNITION?

It's a real honour to be on that list alongside so many respected industry figures. However high up I go in my job, I never lose the chance to meet with dentists whether that's hosting events or catching up with clients. This keeps my insight and knowledge fresh and I know what the big issues are and what's coming down the line. I write a lot of articles for the media and host a regular podcast so I've built a reputation as an industry commentator.

CONSCIOUS INCLUSION

Since we launched our Inclusion and Diversity strategy in 2017, we have made some significant progress with the help of our employee networks. We asked each of the networks to give us a brief round-up of the highlights of the year.

GENDER

Our mission statement is 'working together for gender parity'. We are committed to addressing the under-representation of women in leadership roles, as well as nurturing a diverse pipeline of talent. In 2019

We became signatories of the Working Forward initiative, a nationwide campaign to support pregnant women and new parents at work. We also continued to support Wesleyan's involvement with the 30% club.

We celebrated International Women's Day with a focus on the achievements of Wesleyan women and, in conjunction with NEW, we marked International Men's Day with an event on men's health and wellness.

We proudly sponsored the 2019 Women in Finance Awards and Midlands Women in Technology Awards; we ran internal campaigns to shine a spotlight on the exceptional women we have in these areas.



OPEN MINDS GROUP AKA OMG!

2019 was a great year for the OMG! Network as we

Launched our Transitioning at Work Policy and carried out a complete review of all HR policies to ensure they are LGBT friendly.

Flew the Pride flag outside our Head Office for the entire Pride season (May to August) and represented Wesleyan at Birmingham Pride for a second year.

Received confirmation of our 2020 position in the Stonewall Workplace Equality Index, rising 54 places over the year to 316 out of 503 submissions - the highest ever number of submissions. This is a great achievement and shows we are going in the right direction with our work on LGBTQ+ inclusion although we have more to do.





To find out more about our Conscious Inclusion activity please look at our Inclusion & Diversity Annual Report on www.wesleyan.co.uk

NETWORK FOR EMPLOYEE WELLBEING (NEW)

2019 was a big year for NEW as we

- ▶ Continued to challenge stigma around mental health issues launching This is Me at Wesleyan - a video campaign featuring our people talking honestly about how mental ill-health affects them and how we can better support each other.
- ▶ Hosted our first event on Managing Menopause in the Workplace.
- ▶ Raised awareness of prostate cancer with 65 men taking advantage of screening tests that we offered in conjunction with the Graham Fulford Trust, raising £1,609 for the charity.
- ▶ Supported Wesleyan in reaching the first step in becoming a Disability Confident Leader and creating a workplace in which people with disabilities and long-term health conditions have the opportunity to fulfil their potential.



BLACK ETHNIC MINORITY AND EVERYONE (BE ME)

We aim to make under-represented groups more visible and provide social networking opportunities both within Wesleyan and further afield. In 2019 we

Hosted a hugely successful panel discussion with high profile external speakers in the BAME space to help employees overcome real or perceived barriers to progressing their careers. This generated a lot of thought provoking discussion and received fantastic feedback from our colleagues.

Organised a second round of our successful cross company mentoring programme which we launched in 2018, attracting 70 participants from 15 firms across the West Midlands.

Ran a series of lunchtime sessions to help direct people to appropriate training to support their needs, including promoting our internal mentoring scheme.

Celebrated cultural and religious events throughout the year including Black History Month, Diwali, Ramadhan, and Chinese New Year.



WESLEYAN FOUNDATION

2019 was another rewarding year for the Wesleyan Foundation as we reached the magnificent milestone of awarding £2 million to great causes across the United Kingdom.

The Foundation has gone from strength-to-strength, since its launch just over two years ago. We have worked with more than 440 grass roots, volunteer and community led organisations that improve lives and transform communities. These organisations are often reliant solely on public support to survive

The Foundation plays a key role in bringing our mutual values to life and we're particularly pleased that our customers continue to get involved, nominating and voting for those causes that have a place in their hearts.

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

Here are just some ways in which the Foundation is making a difference:

HELPING CHILDREN START THE DAY THE HEALTHY WAY

A charity that provides healthy breakfasts to children in schools across England and Scotland received a special £50,000 donation from the Wesleyan Foundation to help support its vital work.

Magic Breakfast works with more than 480 partner schools and helps serve more than 48,000 breakfasts each day, giving children at risk of hunger a healthy meal each morning.

The grant from the Wesleyan Foundation will provide 854 children with breakfast each day for a full year – the equivalent of 166,666 meals.

Alex Cunningham, the charity's Chief Executive Officer said: "We're absolutely delighted to receive this support that will help us to tackle the problem of hunger and malnutrition in the classroom.

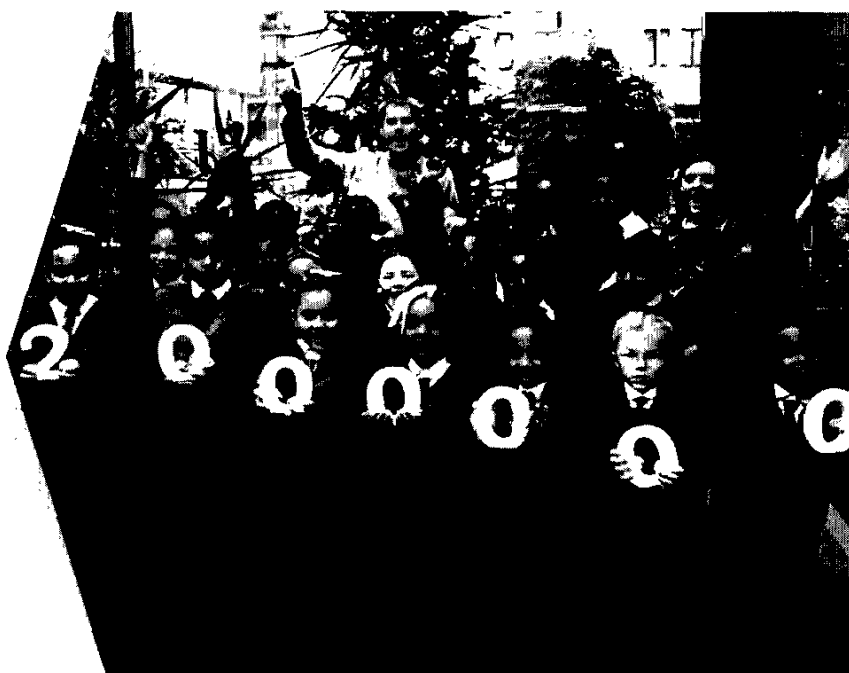
"This money will mean that Magic Breakfast can provide tens of thousands of healthy breakfasts and wrap-around support to schoolchildren living with food insecurity, helping to give a new generation the education they need to succeed in life."

An independent evaluation of Magic Breakfast's model by the Education Endowment Foundation and Institute for Fiscal Studies found that supporting schools to run a free-of-charge, universal breakfast club before school delivered an average of two months' additional progress for pupils per year.

“ This money will mean that Magic Breakfast can provide tens of thousands of healthy breakfasts ... helping to give a new generation the education they need to succeed in life. ”

St Chad's School

On the back of the Foundation's support for Magic Breakfast, Wesleyan colleagues have fostered strong relationships with St Chad's school close to our Birmingham Head Office after visiting its Breakfast Club. The children are predominantly from low income families and go without many things so many other children take for granted. Staff raised enough money to deliver 50 Christmas hampers to the school, as well as donating winter coats. The Wesleyan Foundation stepped in to ensure every child had an Advent calendar for Christmas and to show their thanks the school choir visited Head Office to give us a special carol concert.





A London-based, dementia-friendly choir has received an £8,000 grant from the Wesleyan Foundation to help with its ever-expanding programme.

Founded in 2017 Songhaven was launched to deliver dementia-friendly music events, featuring classically-trained artists, that provide great music performances and foster genuine connection and joy. Kindness and understanding are the key qualities of these relaxed events.

Vivien Conacher, founder of Songhaven, said: "I want our events to be joyous and fulfilling for everyone involved. Music is great for making connections, improving well-being, reducing social isolation, de-stigmatising dementia, and creating a very real and thriving community.

"We will work tirelessly to ensure as many people as possible living with dementia can experience the magic of great music through Songhaven, in a space where they feel part of a community, and are treated with kindness and understanding

"The award from the Wesleyan Foundation comes at a really vital time for the expansion of the organisation. We delivered 85 professional dementia-friendly music events last year, but we simply cannot continue to work at that pace without financial support being in place."

"We will work tirelessly to ensure as many people as possible living with dementia can experience the magic of great music.



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

SUPPORTING VULNERABLE YOUNG PEOPLE IN NORTHERN IRELAND

Seventeen vulnerable young people were given vital support and training as part of a six-month charity pilot project supported by a £2,000 grant from the Wesleyan Foundation.

Dreamscheme used the grant to provide pastoral services to at-risk young people in Belfast, giving support and intervention to those who have faced severe challenges in their lives.

David Nicholl, Chairman at Dreamscheme, said: "Our support project in schools in Belfast has been a great success. During the period, we've been able to achieve more than we'd originally hoped, providing 12 weeks of one-to-one mentoring to 17 pupils with severe personal, social and emotional challenges.

"We've also delivered two series of life skills workshops, covering subjects such as 'dealing with peer pressure' and 'looking after your mental health.'"

Mrs Gordon, vice principle of Breda Academy in Belfast, said: "Dreamscheme has been a lifeline for our school – they offer a particular skill set that schools usually have no access to.

"Their capacity to engage with disaffected pupils has been amazing. They're so flexible in their methods and can deliver such high quality and innovative approaches to engage positively with young people. We would be lost without them."

Dreamscheme Northern Ireland provides long term, weekly support to at-risk young people, with the aim of encouraging ambition, building potential and promoting self-worth.



OUR RISKS

RISK APPETITE

MANAGING OUR RISKS

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

We recognise that in a fast moving and challenging external world, our strategy may need to change to respond to developments in our operating environment and the Board therefore regularly reviews the Society's long-term strategic plans. In developing and monitoring strategy, the Board's priority is to ensure that strategic initiatives do not compromise the future financial strength or reputation of the Society or its ability to provide fair outcomes for our customers.

OUR RISK APPETITE

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

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

CAPITAL

We will ensure that we remain financially strong with above average financial strength, in line with our strategic objective and consistent with our communications to policyholders. We will also ensure that we do not become too financially strong, where alternative uses of our surplus capital may be possible which would be of greater benefit to current and future policyholders. We will achieve these objectives by holding sufficient capital to withstand a 1 in 2000 event, which is our Internal Capital Requirement (ICR).

CONDUCT

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

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

REPUTATION

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

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

BUSINESS

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

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

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

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

The Board regularly reviews and monitors our actual risk profile and risk limits against the approved risk appetite for each element. In addition to the four key elements detailed above, the Society closely monitors its Market, Insurance, Liquidity, Credit and Operational risks. Further details can be found on pages 87 to 93.

RISK MANAGEMENT FRAMEWORK

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

The definition of Wesleyan's appetite for our key risk types

Management information such as Key Risk Indicators and Key Performance Indicators which reports our position relative to our risk appetite.

A review of the significant internal and external risks that may impact us and our target markets

Significant new emerging risks are considered and reviewed and reported on a regular basis

A risk identification, categorisation and assessment methodology for operational risks.

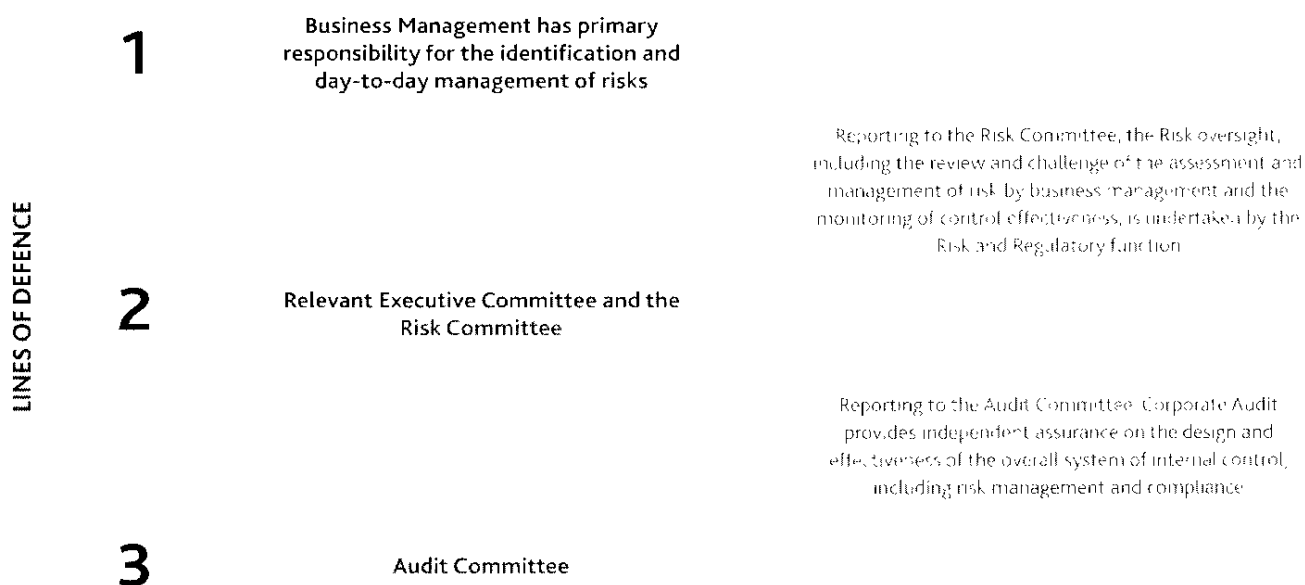
A specialist Group Security team to manage risk regarding cyber and business continuity

Risk identification, management and governance procedures are in place for major change initiatives.

The detailed review of and reporting on certain material risks including those that have an impact on our financial position

GOVERNANCE AND OVERSIGHT

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



WESLEYAN'S KEY RISKS

On the next page is a summary of the key risks we face, including our view of whether each risk has increased, decreased or remained the same in 2019 and actions taken to manage and mitigate them

BREXIT

Following Brexit, we have considered how the UK's future trading arrangements could impact Wesleyan and its customers. The highest impact is anticipated by commentators to be from negotiations not resulting in a favourable trade deal with the EU, which may adversely affect financial markets and discourage customer investment. In general, we believe that Wesleyan would not be significantly impacted, mainly because we are strong financially, and because of the profile of our core target market. Prior to Brexit happening, an exercise was undertaken internally to identify any regulatory impact of Brexit on Wesleyan's operational ability, which concluded that no major longer term regulatory impact is expected.

CORONAVIRUS (COVID-19)

On the 31 January 2020, the World Health Organization declared the outbreak of a new coronavirus a global emergency. The virus originated in China but has now spread to many parts of the world including the UK. The situation is still evolving, and we will continue to monitor any potential impact on us and our customers, and we will follow all official advice to limit any impact. We have initiated our contingency procedures to ensure that we are able to service our existing customers throughout this period of uncertainty

OUR RISKS CONTINUED

DESCRIPTION OF THE RISK	2019 TREND	ACTIONS TAKEN TO MANAGE RISK
ECONOMIC CONDITIONS Policyholder Returns and our financial strength are negatively impacted by investment market and general economic conditions.		Various policies and procedures are in place to ensure that our investment funds are managed in line with risk appetite, including the need to balance risk and return.
CUSTOMER EXPECTATIONS Expectations of our customers are changing rapidly, including the price they are willing to pay for our products. Therefore, the risk exists that our business model does not adapt quickly enough to these changes.		We monitor closely any changes affecting our target market as part of our strategic and business planning process, so that mitigating actions can be identified and taken in a timely way.
REGULATORY CHANGES Regulatory changes and challenges negatively impact our business model.		We closely monitor regulatory developments and we review our distribution model if necessary to ensure that it remains in line with what our customers and the regulator expect.
CHANGE PROJECTS Change projects are not effective, the envisaged benefits are not delivered and customer needs are not met, or the amount of change impacts the business adversely.		We have an agreed project lifecycle which sets out the project delivery framework, with all projects being monitored and managed through a Portfolio Steering group. Each major project has a business case agreed by the Board setting out the benefit to customers.
CYBER ATTACKS As cyber attacks become more sophisticated against all organisations cyber security is becoming a more prominent business risk for Wesleyan. This risk increased in 2019 due to advances in the sophistication and ability of attacks by cyber criminals.		We have a variety of tools to protect our IT infrastructure and continue to enhance our approach to cyber security, including detection and response to increased sophistication of cyber attacks. This risk increased in 2019 due to advances in the sophistication and ability of attacks by cyber criminals.
UNSUITABLE FINANCIAL ADVICE Wesleyan is exposed to the risk that unsuitable financial advice might be given by its Financial Consultants.		All of our Financial Consultants are qualified to the required standard and are regularly assessed, trained and monitored to ensure they remain competent.
CLIMATE CHANGE Impacts arising from Climate Change could negatively affect our long term business objectives.		The Society recognises the importance of sustainability risk management (including climate change) and we are actively developing our risk management processes in response.
ACQUISITION ACTIVITY Wesleyan is exposed to the risk that acquisition activity does not realise the anticipated benefits for the business or our policyholders.		We have an established governance structure for assessing and implementing acquisitions, drawing on external assistance for due diligence as appropriate. Ongoing monitoring is undertaken with regards to benefits of acquisition activity being realised.
FINANCIAL AND SERVICE PERFORMANCE The desired returns, both to our customers in terms of service received and outputs provided, as well as the overall financial return to the Society, from the Subsidiary entities of the Society are not in line with plans and associated risk appetite.		We closely monitor the financial and service performance of the subsidiaries, and management actions are taken when required if performance is not in line with expectations.
ULTIMATE LIABILITY Wesleyan underwrites risks where the ultimate liability is dependent on variable rates of mortality, morbidity (i.e. sickness), persistency (the proportion of policies that remain in force) and our expenses.		We have extensive experience and expertise to assess and set our price for known risks.
EXTERNAL EVENTS External events in the wider UK (such as post Brexit trading arrangements) and global economy result in a major and prolonged economic downturn and/or stock market crash, which could lead to a failure to meet targets and to a significant under-performance of our business plan.		We monitor the potential impact on the achievement of our business plan closely through our governance structures so that any mitigating actions required are taken in a timely way.

VIABILITY STATEMENT

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

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

IDENTIFYING AND MANAGING THE IMPACT OF RISK

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

A reporting process is in place to monitor our risk profile and ensure we stay within our agreed risk appetite. This is reviewed monthly by the Group Executive and at each meeting of the Risk Committee. The most significant risks to the Society, along with an overview of the framework in place to manage them, are set out on pages 28 to 30 of this report.

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

OUR APPETITE FOR RISK

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

Our Internal Capital requirements are established as part of the ORSA process. These are defined as the capital required to stay within our capital risk appetite, both now and across the five year business planning period. We set this at a much higher level than the minimum regulatory requirements, in line with our strategy of maintaining financial strength. If our surplus capital nears or falls below our risk appetite triggers, then appropriate mitigating actions are immediately discussed and implemented, as can be evidenced by the decision to review the payment of the mutual bonus to with profit policyholders.

APPLYING RIGOUR TO RISK MANAGEMENT

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

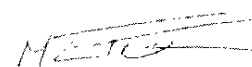
Scenario testing analyses the impact on the Society's capital of some possible 'real world' events that could result in more than one of our most significant risks

occurring at the same time. The scenarios are appropriate for the nature, scale and complexity of the Society and are reviewed and approved by the Executive, Risk Committee and Board. In addition, the Directors have also considered specific COVID-19 stress scenarios which include the impact of a reduction in premium income, increased claims costs, reduction in investment income, decrease in equity values and credit spreads widening. The ORSA also includes an assessment of the capital required to be held for a pandemic scenario. This pandemic scenario includes far more extreme assumptions for equity falls, credit spreads widening, property valuation falls, increased mortality, morbidity and expenses than has been evidenced so far as a result of COVID-19.

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

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

The Strategic Report on pages 6 to 37 was approved by the Board on 14 April 2020 and signed on its behalf by



MARIO MAZZOCCHI
Group Chief Executive
14 April 2020

NON-FINANCIAL INFORMATION

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



Employees

POLICIES/GUIDANCE/STATEMENTS

Employee Conduct Policy
Employee Assistance Programme
Career Break Policy
Talent and Development Policy
Family Leave Policy
Health and Safety Policy
Inclusion & Diversity Policy

INITIATIVES

Partnership Council, an enhanced staff consultative body which can report to the Board and has a named Non-Executive Director representative
Three apprentices taken on during 2019
Agreed expenditure from apprenticeship levy since 2017 is £310,676.21
Employee Networks continue to improve inclusion and diversity.
LGBT+ - Open Minds Group!
Black, Ethnic Minority and Every-one Network (Be Me)
Gender Employee Network (GEN)
Network for Employee Wellbeing (NEW)
Mental Health First Aiders
All staff undertake Conscious Inclusion training
Dress for your day - Employees can choose what they wear based on their day's activities
Employee Engagement – Employee Opinion Survey undertaken twice yearly



Environmental Matters

POLICIES/GUIDANCE/STATEMENTS

Environmental Policy

INITIATIVES

Group sites have recycling procedures in place. For our main Head Office site, Energy Savings Opportunity Scheme (ESOS2) completed installation of LED lighting throughout South / West wings
Printer paper reduction of 6.26% equating to a CO₂ saving of 3,891 kg CO₂
Waste to landfill of 0% (90% recycled, 10% as Refused Derived Fuel)
Head office water saving - 89,000 litres
Printer toner cartridges 80% reuse 20% recycled. Zero to landfill or incineration
Introduction of re-usable bio-degradable plates replacing more than 4,600 single use paper plates when providing hospitality
To offset the effect of paper printing we planted 471 trees in 2019 in Brazil, Madagascar, Dominican Republic and Ireland
Scope of BS8555 accreditation extended to include field-based employees



Social Matters

POLICIES/GUIDANCE/STATEMENTS

Volunteering Policy

INITIATIVES

Partnered with the Trussell Trust to collect food twice yearly for North Birmingham Food Bank
Part of Homelessness Task Force in Birmingham
Wesleyan Foundation marked its £2m milestone in 2019
Employees in 2019 took 295 volunteering days which equates to 2,215 hours, they were also given a second day from 2019 to give them more opportunities to support causes that matter to them
Moved away from a charity of the year partnership to give employees more flexibility to support the causes that matter most to them. Instead employees were asked to choose a charity for a one off £50,000 donation from the Foundation and we chose to support Magic Breakfast
Launched MicroTyco in Birmingham, a month long entrepreneurial training programme that enables participants to practice fundamental business behaviours in a safe, 'micro' environment. Employees have been supporting partner schools in the city and we will be expanding this opportunity to other key sites in 2020
Employees have supported students from across Birmingham with mentoring through the Social Mobility Foundation and The Girls Network
Achieved fundraising target of £100k for Partnership for Children at the start of 2019
Continued to collect gently used business wear for Suited for Success and items for the local Food Bank
Staff also chose to support St Chad's Catholic Primary school. They raised money and purchased a variety of items to provide every child in the school with a Christmas hamper along with a package of essential items for their parents/guardians
Working with the charity 'BookTrust' to give a gift to disadvantaged children across the UK who would otherwise not receive anything at Christmas. A book parcel has been sent to a child in need on behalf of every person who works in the Wesleyan group



Read more in [Our employee case studies](#) on pages 19 and 23



Respect for Human Rights

POLICIES/GUIDANCE/STATEMENTS

Anti-Bullying and Harassment Policy
Inclusion and Diversity Policy
Slavery and Human Trafficking Statement

INITIATIVES

Inclusion and Diversity Project led by the Chief Risk Officer, Roger Dix
Signed up to Women in Finance Charter Chair, Nathan Moss, signed up to the 30% Club
Target of 33% of women in top roles by 2023



Anti-corruption and Anti-bribery

POLICIES/GUIDANCE/STATEMENTS

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

INITIATIVES

All staff undertake annual training to recognise and combat corruption, bribery, Conduct Rules and financial crime
All staff declare and record gifts or hospitality offers of any value monthly

WESLEYAN CREATES NEW WOODLAND LEARNING SPACE FOR CHILDREN


Southall School is a secondary school in Telford for pupils with a range of complex needs.


With a £6,000 grant from the Wesleyan Foundation, volunteers from the Smallwoods Association, a charity that protects pockets of woodlands across the UK, helped the school create an outdoor learning area in a nearby woodland.


Mrs Abi Martin, Head Teacher at Southall School, said: "We have not had any safe outside learning areas before for the children and this project will allow us to create a space that will be engaging, accessible and provide opportunities for enriched learning."

The project at Southall School is part of a wider project between Wesleyan and Smallwoods Association to develop more woodlands across the Telford and Wrekin areas, making them accessible for local communities while also promoting the conservation of the forests.



 [Read more about the Wesleyan Foundation](#) on pages 26 and 27





 [Read more about Our Mutual Difference](#) on page 03

 [Read more about Inclusion & Diversity](#) on pages 24 and 25

SECTION 172 REPORTING

Set out below is an overview of matters discussed by the Board of Directors for the year ended 31 December 2019, in accordance with its duties under Section 172 (1) (a) to (f) of the Companies Act 2006. This includes evidence of how the interests of the Society's key stakeholders have been considered in Board discussions and decision-making.

The stakeholders for the Society are identified as the following:

STAKEHOLDER	REASON FOR KEY STAKEHOLDER STATUS	BOARD ENGAGEMENT METHODS	SEE ALSO
 Members	The Society is a mutual organisation and is owned by its Members who have a say in how the business is run as they can vote on important decisions, such as a change in the Society's rules.	The Board uses direct means to engage, such as through the AGM and attendance at the Members Advisory Boards, and indirect means, such as through the outputs of research using customer focus groups. It receives and considers the views of the With Profits Committee, which independently considers the interests of With Profits Policyholders.	Pages 3, 8, 16-17 and 34
 Customers/ Associate Members	The Society exists to serve its customers by providing products and services that meet their needs. Some customers are also Members or Associate Members.	The Board supports areas of research linked to our core markets, for example Practice Plan carry out an annual NHS Dentistry Confidence Survey to assess how dentists feel about working in the NHS.	Page 8, 16-17 and 34
 Employees	The Society's employees help to deliver products and services to customers/ Members. They are integral to the business and it is important to offer them terms and conditions that are fair and attractive to retain the right talent.	The Board engages directly through a number of routes such as informal 'Meet the Board' sessions and through the Senior Independent Director who has specific responsibility to meet with the Partnership Council. The Board also receives regular feedback on employee matters, for example through the Employee Opinion Survey and regular reports from the Chief People and Strategy Officer	Pages 18, 24-25 32 and 55
 Regulatory Authorities	The Society understands the importance of complying with regulation and seeks to have an open and cooperative relationship with its regulators.	The Board engages with the Society's main regulators directly from time to time through meetings and by attending events run by the regulator. The Board also receives regular information on the business's interactions with its regulators and keeps up to date with regulatory changes through the work of the Risk & Regulatory Team	Pages 48, 62 and 64

	Suppliers	The Society seeks to work collaboratively with its suppliers as they are integral to the running of the business. The Society looks to build good long-term relationships, particularly with suppliers to whom we outsource critical activities. Suppliers will be replaced if they underperform, a better partner emerges, or they do not uphold the same standards and values as the Society.	The Board receives information on suppliers through updates on key relationships such as through information from the Supplier Management Team. The Board approves the Slavery and Human Trafficking Statement which is reflected in the way we agree our contractual terms with suppliers. A breach of the law on their behalf would represent a material breach of the contract and allow us to terminate	
	Affiliates	The Society works with affiliations that are linked to its professional markets and aims to work collaboratively so that the relationships are mutually beneficial and enhance the reputation of the Society and the affiliate.	The Board will generally engage by receiving information on the relationships through the Supplier Management oversight information	Page 2
	Community/ Environment	The Society seeks to support the wider community through the work of the Wesleyan Foundation in areas aligned to professions of the customers it serves.	The Board engages directly with the wider community through events run by the Wesleyan Foundation. It also receives regular updates on the work the business does with the wider community and oversees sustainability actions.	Pages 15, 26, 27, 32 and 33

PRINCIPAL DECISIONS DURING 2019

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

Board meetings follow an agenda agreed in advance between the Chair, CEO and Company Secretary. These cover the financial performance of the Society, including updates from the CEO and CFO and a review of risk across the Group, Progress on strategic initiatives, Customer and Product related reports and People, Culture and Communication matters. The Board receives reports from its sub-committees and reviews its performance after each meeting, as well as annually. The Risk and Audit Committees particularly pay consideration to fair outcomes for customers in their discussions and pay due regard to expectations of our Regulators. The Nominations Committee has a remit to consider wider governance matters including such areas as diversity and inclusion and sustainability, considering both outcomes for employees and the wider community. The With Profits Committee focuses on the needs of With Profits Policyholders and seeks to independently protect their interests.

SUMMARY OF DECISION	IMPACT	STAKEHOLDER CONSIDERATIONS	SEE ALSO
Approve the appointment of a new Group Chief Executive Officer, Mario Mazzocchi and two new Non-Executive Directors, Linda Wilding and Ian McCaig.	<p>The recruitment of the new Group Chief Executive Officer has been focused on selecting an individual who can help the Society deliver the next phase of its Strategy.</p> <p>Mario has proven experience in the Financial Services industry, in particular delivering transformational change</p> <p>New Non-Executive Directors have been recruited to enhance the overall Board capability and they bring knowledge of digital and technology and entrepreneurial capability.</p>	<p>The recruitment process took into account the needs of the business and its stakeholders in order to best enhance and deliver its customer focused and transformational strategy. When developing our strategy, customer research was carried out to ensure it was built around the needs of our customers</p> <p>The expectations of our Regulators were also considered as part of the selection process and all appointments have since received regulatory approval.</p>	Pages 1, 8, and 40-41

SECTION 172 REPORTING

SUMMARY OF DECISION	IMPACT	STAKEHOLDER CONSIDERATIONS	SEE ALSO
Approved the next phase of the Society's Strategy for 2020-2022 including a range of new critical success factors to monitor execution of the strategy and a new Long-Term Incentive Scheme to link Executive remuneration to successful delivery	<p>The Strategic Plan has been designed to:</p> <ul style="list-style-type: none"> Develop and implement propositions, products, solutions and services that align to our customers' needs Transform our distribution capability to meet current/future customer needs, providing choice of how and when they interact with us Use technology and data to leverage more efficient ways of working to improve services to our customers Evolve our ways of working to achieve a modern and vibrant work place and drive accountability and empowerment in response to changing workforce needs 	<p>We have used external consultants to understand the wider market place and changing customer needs.</p> <p>Following Board direction, a study was conducted using a specialist external consultant. This work sought to gain a deeper insight into the motivations and values of the Society's professional segments. This has helped shape the Strategy and is being used to improve the way the Society interacts with its customers and works as a true 'trusted partner' by understanding the needs, demands and motivations in the Society's core markets.</p> <p>An event was held for key decision makers and influencers across the business to share and discuss future plans in an open and honest way and a similar format was used to share future plans with the whole business, with a number of Board Members participating in the event. Feedback from employees has been used to help shape the Society's Purpose statement and to shape future engagement on strategy.</p>	Pages 8-12 and 22
Approved 2020 budget including the scale of investment to enhance resilience and develop the right infrastructure for the future	<p>The agreed budget will:</p> <ul style="list-style-type: none"> Ensure the Society moves to a sustainable business model while continuing to deliver the right value proposition for customers Support delivery of our digital strategy to offer greater choice for customers/members in how they interact with us Continue to invest in cyber resilience to ensure we protect our business for customers and employees Support greater holistic working across the Wesleyan Group to ensure we effectively meet all our customers' personal and commercial needs 	<p>Business leaders across the group have been consulted to determine the right prioritisation of the transformation plans for the Group</p> <p>The budget aligns to the overall strategy which is based on extensive customer research and consultation with our advisory boards. We have consulted with expert external partners in determining our cyber resilience strategy and carried out due diligence to ensure we are working with the right suppliers to deliver this.</p>	Pages 8-11 and 12-14
Reviewed and approved the pricing strategy including a review of the Society's income protection product leading to improvement in product features and a reduction in price for new and existing customers	<p>This has led to:</p> <ul style="list-style-type: none"> Enhanced product features for new and existing customers Better value for money and a more competitive proposition 	<p>The Board considered feedback from our Financial Consultants on the improvements made to the product features and pricing.</p> <p>The Board reviewed the competitive position of the product to ensure it was meeting the needs of customers before the changes were approved.</p>	Page 8

SUMMARY OF DECISION	IMPACT	STAKEHOLDER CONSIDERATIONS	SEE ALSO
Approved the Society's new Sustainability Strategy. The Strategy is principle-based and includes the overarching principle that 'we believe that we should act in a sustainable and responsible way in all our business operations. We acknowledge that this is a journey for us, but we should make allowance in all our decisions for sustainability matters'. This has given the Society a direction and a purpose in order to act in a sustainable way for future generations	<p>The new strategy is now being implemented across the business, including:</p> <ul style="list-style-type: none"> Instigation of a carbon neutrality project to better measure and reduce the Society's carbon footprint. Consideration of environmental, social and governance principles in investment decisions based on enhanced analysis. Aligning purchasing decisions with partners who have similar sustainability values. The Investment Committee has approved a new Sustainable Investing Policy to incorporate environmental, social and governance factors into our investment decision making process We have assessed the risk from climate change on the Society's activities and incorporated this into our Own Risk and Solvency Assessment (see page 30) 	<p>We have carried out some research to understand customer views on sustainability and are actively seeking further insights. Initial views suggest our customers consider this to be important and this has influenced the direction we are taking and the changes to our approach to investment analysis.</p> <p>We have considered the work of the wider task forces driving change in these areas including the focus of our Regulators and wider global regulation.</p> <p>We have consulted with the Partnership Council to take on board wider employee views on how we can improve sustainability</p> <p>We are receiving regular updates on Sustainability to ensure we make progress against our Directional Strategy.</p>	Pages 5, 15 and 32-33
Reviewed and approved bonus declarations for Members' bonuses and an uplift to investment returns of 1% in the With Profits Open Fund which will be applied in 2020	This ensures fair smoothed returns for policyholders and additional benefits for With Profits Policyholders.	The Board commissioned research to better understand customer views on the uplift to returns made last year. They have taken this into consideration in the way that they have asked for the uplift to be communicated to customers in future	Page 63
Introduced a new category of Associate Membership, as approved at the AGM, and received updates from the business on development of new benefits for Full and Associate Members	<p>Develop deeper relationships with all our customers so that Associate Members feel the benefits of belonging to a mutual and feel more engaged while being rewarded for loyalty.</p> <p>A growing and increasingly loyal customer base will lead to a financially stronger Wesleyan and better outcomes for Full Members</p>	We commissioned Member research before asking Members to vote on the Special Resolution to amend the rules of the Society and add the definition of Associate Member. The resolution was passed with 96.3% majority at the 2019 AGM and we are now working to develop the benefits offering	Page 5
Requested a deep dive into lessons learned from the launch of the Customer Relationship Management and Point of Sale systems for application to future transformation projects	<p>Learns were applied to the project governance framework to enhance delivery of future projects. In particular it was applied to the successful migration of c85,000 policies from the TRUST system to a new platform during the year.</p> <p>As a result of lessons learned, there is now greater focus on culture and transparency in projects and across the Society with new employee behaviours launched.</p>	<p>We used external consultants to assist with the lessons learned review which involved interviews with a range of stakeholders and project team members from across the business.</p> <p>The review focused on culture as well as processes and examined root causes including accountability and how issues are escalated</p>	Pages 9 and 13

* Note: In light of Covid-19 the Board has decided to review this decision before authorising any payment.



GOVERNANCE

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SENIOR LEADERSHIP TEAM



1 MARIO MAZZOCCHI
Group Chief Executive Officer

2 SELINA PRITCHARD
Company Secretary

3 ANDREW D'ARCY
Chief Executive, Wesleyan Bank

4 AHMED FAROOQ
Chief Financial Officer

5 RICHARD HARRISON
Chief Distribution Officer

6 JAMES NEEDHAM
Chief Actuary

7 DAVID STEWART
Chief Operating Officer

8 CAROLINE HILL
Chief People and Strategy Officer

9 ROGER DIX
Chief Risk Officer

OUR BOARD OF DIRECTORS



NATHAN MOSS

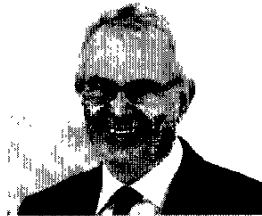
Society Chair and Chair of the Nominations Committee

B D F

Nathan was appointed Chair in January 2018, having joined the Society's Board in July 2017.

He has more than 40 years' experience in the wealth management, bank and insurance sectors, including with HSBC, Scottish Widows, Lloyds TSB and Friends Life.

Nathan currently serves as a Non-Executive Director at Canada Life Group and MGM Retirement Advantage. He is also Chair of Stonehaven UK Ltd.



MARTIN BRYANT

Senior Independent Director and Chair of Wesleyan Bank Limited

A D

Martin was appointed to the Board in June 2011 and became Senior Independent Director in 2019 and Chair of Wesleyan Bank in 2013.

He has more than 30 years of sales, marketing and strategy experience, having worked for The Boots Group in various roles, including Group Director of Business Development. Previous roles include Chief Executive at The Shareholder Executive, Strategy Director at the Home Office and Chief Operating Officer of BP Retail.

He is a Non-Executive Director of Scout Shops Ltd and Deputy Chair of Nuffield Health.



NIGEL MASTERS

Chair of the Risk Committee

A C E

Nigel joined the Board in November 2012 and has more than 40 years' experience in the life insurance industry. He was Group Chief Life Actuary for Zurich Financial Services and a past President of the Institute of Actuaries.

Nigel was a partner at PwC for 14 years where he was involved in extensive mergers and acquisition activity.

He is the Non-Executive Chair of JP Morgan Life Limited.



ANDREW NEDEN

Chair of the Audit Committee

A C

Andrew was appointed to the Board in November 2014. He joined the Board of Wesleyan Unit Trust Managers in 2019. He worked for 30 years at KPMG, the global accountancy firm, including 18 years as a partner. His roles included Head of Financial Sector Transaction Services in the UK and Global Chief Operating Officer for Financial Services.

Andrew also chairs Aetna Insurance Company Limited, is Vice-Chair at the Nottingham Building Society, and is a Non-Executive Director at ABC International Bank PLC.



ANNE TORRY

Chair of the With Profits Committee

B D E

Anne joined the Board in January 2019. She is Chair of Wesleyan's With Profits Committee and also on the Remuneration and Nominations Committees.

She has more than 30 years' experience of insurance, strategic leadership and change working internationally in both the life and savings and general insurance sectors, most recently as CEO of Zurich UK Life.

Anne is a Non-Executive Director at Homeserve Membership and Aon UK Ltd.



LINDA WILDING

Chair of the Remuneration Committee

A B

Linda joined the Board on 1 June 2019 and was appointed Chair of the Remuneration Committee later in the year.

She has extensive experience in the private equity investment and healthcare sectors and worked in the private equity division of Mercury Asset Management from 1989 to 2001.

She is currently Chair of the Remuneration Committee with UDG Healthcare plc and a Non-Executive Director at Electra plc and BMO Commercial Property Trust plc.

**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 joined the Board of Wesleyan Unit Trust Managers in 2019.

He has worked across a number of sectors, most recently as CEO of First Utility Ltd. He led the company through several years of successful transformation and significant growth before its acquisition by Shell at the end of 2017. Prior to that Ian was CEO of lastminute.com.

Ian also serves on the Boards of M-Kopa Ltd, Seedrs Ltd, English Heritage and Festicket, of which he is Chair.

**AHMED FAROOQ**

Chief Financial Officer
Chair of Wesleyan Unit Trust Managers Limited

F

Ahmed became Chief Financial Officer in November 2015 after holding a number of senior roles at Wesleyan. Having joined the Society in 2010, he was appointed Head of Finance in 2011 and Managing Director of the General Insurance division in 2014.

Ahmed is an attendee of the Audit and Risk Committees.

He now leads the Finance, Investments and Actuarial teams.

Ahmed was named the West Midlands Young Director of the Year by the Institute of Directors in 2017.

**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 Nominations Committees.

He moved from Lloyds Banking Group where he was Chief Operating Officer for the Insurance & Wealth Division having held a number of other senior appointments in the Group.

Before working at Lloyds, Mario gained extensive experience in different industries, markets and sectors including marketing, sales and strategy.

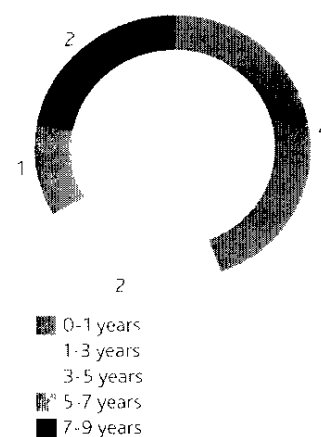
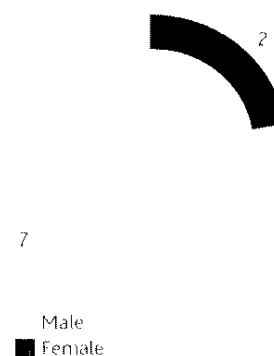
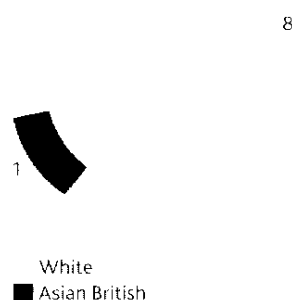
Key**Membership of Board Committees**

- A Audit
- B Remuneration
- C Risk
- D Nominations
- E With Profits
- F Investment

Directors

Non-Executive Directors

■ Executive directors

BOARD DIVERSITY**TENURE****BOARD GENDER MIX****ETHNICITY DIVERSITY**

Data as at 14 April 2020

CORPORATE GOVERNANCE

The Society aims to meet the highest standards of corporate governance. The Board is responsible to the Society's policyholders and has chosen to adopt the UK Corporate Governance Code.

This report summarises the Society's governance arrangements and continued enhancements and, in accordance with the UK Corporate Governance Code, identifies those areas of the Code where the Society does not comply, for which an explanation is given. The Board has assessed the changes made to the Code in 2018 which came into effect from 1 January 2019 and continues to reflect these in its assessment.

COMPANIES ACT 2006 AND SOCIETY'S RULES

The Society is an unregistered company, being incorporated under its own Act of Parliament. However, our Rules have adopted, where appropriate, the provisions of the Companies Act 2006.

GOVERNANCE BY DIRECTORS THE BOARD

The Board meets regularly to lead, control and monitor the overall performance of the Society, including high-level consideration of succession planning. The Board regularly assesses the opportunities and risks to the future success of the business, the sustainability of the company's business model and the delivery of its strategy.

Senior management provides the Board with appropriate and timely information and is available to attend meetings and answer questions. The Chief Risk Officer and Company Secretary attend all Board meetings. There is a formal schedule of matters reserved for the Board's decision. The roles of Chair and Group Chief Executive are separated and the Chair has primary responsibility for the effective functioning of the Board. Authority is delegated to the Group Chief Executive for implementing strategy and managing the Society.

ANNUAL BOARD EVALUATION

The Board carries out an annual evaluation of its effectiveness. In 2019 the review was internally facilitated following an external review in 2018. The 2019 evaluation covered a broad range of areas including, Board composition, expertise, stakeholder

engagement, strategic oversight, culture, committee effectiveness, risk management, meeting management and key priorities. All members of the Board contributed to the evaluations, as did the Chief Risk Officer, the Company Secretary and other members of the Group Executive.

FINDINGS FROM THE 2019 REVIEW

The review found that there had been good progress during 2019, with increased Board diversity and a good mix of skills and experience, including new expertise in technology, which aligned to the business strategy. The relationship between the Board and the Group Executive was seen as collaborative and transparent with high levels of engagement, effective challenge and quality discussions at Board Meetings. The Board recognised the need to continue to shift focus to the longer term and to build on the enhancements to stakeholder engagement made during 2019.

The leadership by the Chair was strong, supported by the Board, who demonstrated ethical leadership through their actions and behaviours. Board Committees were felt to work well and be well chaired and managed effectively. Improvements in board agendas and papers had been seen, but more work was needed to allow time for greater focus and debate on key options and alternative scenarios.

Board education was augmented in 2019, with more opportunity for external insights planned for 2020. The Board reviews its performance after every meeting, reflecting on its effectiveness and any immediate actions needed to improve. In addition, new Board behaviours have been agreed which align to the desired behaviours for all employees of the Group and these are considered when reviewing Board performance. The delineation of Non-Executive and Executive responsibilities has also been reviewed and redefined providing improved clarity of roles for Executive and Non-Executive Board Members.

The Board has agreed an action plan for 2020 to focus on the key areas for improvement identified by the 2019 review. It has also engaged an external evaluator to visit the Board in July 2020 to review progress since the 2019 review and update on Board best practice.

The Chief Actuary reports to the Audit Committee and to the Board on the actuarial methods and assumptions he recommends are adopted for the calculation of the Society's liabilities. He also reports annually, or more frequently as required, on the following aspects of the calculation of the technical provisions in the Society's balance sheet: their adequacy and reliability; the appropriateness, accuracy, reliability and completeness of the data used to calculate them; and the appropriateness of the methods, models and assumptions adopted to calculate them.

The roles of Chief Actuary and With Profits Actuary are separated. The With Profits Actuary makes recommendations on bonus and payout levels to be declared in respect of the different classes and generations of With Profits policy. It is the Board's responsibility, based on these recommendations, to seek to achieve fairness between these different classes and generations. The With Profits Actuary also provides advice on other matters relating to obligations to policyholders.

The Board and its Committees have access to the Chief Actuary, With Profits Actuary, Chief Risk Officer and Company Secretary. They may also obtain independent professional advice, at the Society's expense, about any matter concerning the Society relevant to their duties.

The current Board member profiles are shown on pages 40 and 41. All Directors either hold, or are making arrangements to hold, policies with the Society in accordance with the Rules of the Society. The Remuneration Report on pages 49 to 61 explains the basis of remuneration of the Executive and Non-Executive Directors.

The main areas discussed by the Board in 2019 were:

TOPIC	KEY ACTIVITIES AND DISCUSSIONS
Strategy	<p>Held a dedicated Board strategy meeting and reviewed and agreed the Society's Strategy including critical success factors and new Long-Term Incentive Scheme to link Executive remuneration to successful delivery</p> <p>Agreed the Society's Sustainability Strategy</p> <p>Received regular updates on progress to implement the Strategy</p> <p>Received reports from the Chief Risk Officer on risks to the Strategy</p> <p>Received updates on the Society's Product and Pricing Strategy</p> <p>Received reports on the development and embedding of the Society's culture</p>
Customers/members	<p>Received a report on the motivations and values of customers in the Society's professional segments.</p> <p>Reviewed and approved a distribution of capital to With Profits policyholders, including the distribution of excess surplus capital</p> <p>Reviewed and approved With Profits bonus rates and Mutual Bonus award</p> <p>Introduced a new category of Associate Membership, as approved at the 2019 AGM</p>
Finance	<p>Approved 2020 budget including investment to enhance resilience and develop the right infrastructure for the future</p> <p>Received regular updates on the financial position of the business</p> <p>Reviewed and approved the annual report and accounts and related documents</p> <p>Received reports on the capital management of the business</p> <p>Received reports on Investment Performance</p> <p>Reviewed opportunities for mergers and acquisitions</p>
People/culture	<p>Approved the appointment of a new Group Chief Executive Officer and two new Non-Executive Directors</p> <p>Discussed and agreed changes to the organisational structure to support the strategy</p> <p>Discussed and agreed the cultural values and behaviours required to drive forward the agreed strategic direction</p> <p>Received reports on culture from Corporate Audit and Risk</p> <p>Reviewed key People metrics including the results of the Employee Opinion Surveys undertaken during the year and the associated actions</p> <p>Received updates from the Partnership Council, introduced in 2019 to drive strong engagement between leadership and employees across the business</p> <p>Discussed progress to meet the Group's diversity and inclusion targets</p>
Performance	<p>Received regular updates on the Group's performance and updates from Group subsidiaries</p> <p>Received regular reports on progress of the Group's IT transformation programme.</p>
Assurance	<p>Received regular updates on the key risks faced by the business and mitigating actions</p> <p>Requested a deep dive into lessons learned from the launch of the Customer Relationship Management and Point of Sales Systems for application to future transformation projects</p> <p>Reviewed and approved the Solvency and Financial Condition Report</p> <p>Reviewed and approved the Own Risk and Solvency Assessment Report</p>
Governance/ risk	<p>Held a facilitated risk session on risks to the Strategy, including in relation to sustainability</p> <p>Received reports from the Board's Sub Committees</p> <p>Reviewed and approved key policies and statements of investment principles for investment funds</p> <p>Discussed the results from the Board Effectiveness review covering Board Sub Committees including agreement of actions to address.</p>

THE CHAIR

Nathan Moss has held the role of Chair since 1 January 2018. In addition to his responsibilities with the Society and its subsidiaries, Nathan's other significant commitments are as a Non-Executive Director of Canada Life Group UK Ltd and MGM Retirement Advantage Ltd. He is also Chair of Stonehaven UK Ltd.

EXECUTIVE DIRECTORS

There are currently two Executive Directors on the Board, the Group Chief Executive and the Chief Financial Officer. During the year, Craig Errington retired as Group

Chief Executive and Mario Mazzocchi was appointed as his successor from 1 August.

NON-EXECUTIVE DIRECTORS

There are currently seven Non-Executive Directors on the Board, including the Chair. Their diverse experience, skills and independent perspectives provide effective review and challenge of the Society's activities. The UK Corporate Governance Code requires that at least half of the Board should comprise Non-Executive Directors, excluding the Chair. The Society complied with this requirement at 31 December 2019 and expects to continue to do so. The

Board remains confident that the strength of its independent Non-Executive Directors continues to be sufficient to ensure that an individual or small group cannot dominate the Board's decision-making. The Board is satisfied that each Non-Executive Director is in a position to devote sufficient time to the role in order to carry out their duties effectively.

Martin Bryant will have served nine years in June 2020. It has been agreed to extend his term to assist with the integration of the new Non-Executives who joined in 2019.

CORPORATE GOVERNANCE CONTINUED

The Chair and the Deputy Chair / Senior Independent Director are appointed by the Board. The Board appointed Martin Bryant as Deputy Chair / Senior Independent Director in December 2019 following the retirement of Phil Green. This role provides a sounding board for the Chair and serves as an intermediary for the other Directors and stakeholders. Led by the Senior Independent Director, the Non-Executive and Executive Directors meet without the Chair present at least annually to appraise the Chair's performance, and on other occasions as necessary.

The Board considers all Non-Executive Directors to be independent of the Society in all matters notwithstanding their policies and their fees. These assessments are based on the character of the individuals in respect of independent mindedness when it comes to the raising of relevant issues and the rigorous process of assessment, judgement and follow through. Great emphasis is also placed on their knowledge and experience.

APPOINTMENTS TO THE BOARD

All appointments are subject to review by the Board, as advised by the Nominations Committee. It is anticipated that a minimum term of three years will be served with a further three-year term subject to the agreement of the Board. Annual extensions may be considered thereafter for Non-Executive Directors, normally up to a maximum nine-year term. Directors follow an induction programme on joining the Board and further training on specific subjects is undertaken as necessary. New Directors must retire and seek re-election at the first Annual General Meeting (AGM) following appointment. All other Directors submit themselves for re-election annually.

LEADERSHIP STRUCTURE

BOARD OF DIRECTORS

AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its responsibilities in respect of the Annual Accounts and Regulatory Returns to the Prudential Regulation Authority (PRA).

RISK COMMITTEE

The Risk Committee assists the Board by providing independent oversight of the Group's risk management across all of its subsidiaries and reviews the Society's Own Risk and Solvency Report (ORSA).

INVESTMENT COMMITTEE

The Investment Committee provides oversight over the Society's investment performance and monitors that investments are managed within the agreed investment strategy.

REMUNERATION COMMITTEE

The Remuneration Committee determines the terms of remuneration for Executive Directors and members of the Executive, including short and long-term incentive plans.

NOMINATIONS COMMITTEE

The Nominations Committee reviews and assesses the structure, size and composition of the Board, the balance of skills, knowledge and experience and nominates candidates to fill Board vacancies.

WITH PROFITS COMMITTEE

The With Profits Committee acts in an advisory capacity to inform the decision-making of the Board. The Committee acts as a means by which the interests of the with-profits policyholders are appropriately considered within the Society's governance structure.

CHAIR'S COMMITTEE

The Chair's Committee meets on an ad-hoc basis to consider any matters reserved for the Board, to discuss important matters between scheduled meetings.

In 2019 there were four appointments to the Board. Anne Torry joined on 1 January, Linda Wilding on 1 June and Ian McCaig on 30 September. In addition Mario Mazzocchi succeeded Craig Errington as Group Chief Executive Officer on 1 August.

BOARD DIVERSITY

As part of our commitment to diversity we believe in the benefits of having a diverse Board and see increasing diversity at Board level as important to ensure our Board delivers optimum performance. The Board is a place where challenge, support, diversity of thought and teamwork are essential, therefore a diversity of skills, experience, gender, race and personal strengths are an important driver of good decision making by creating different perspectives among our directors and breaking down a tendency towards 'group think'.

The Board remains committed to ensuring that diversity is taken into consideration in its broadest sense. The Chair leads the Board Diversity agenda and sets measurable objectives to continuously improve diversity.

The Chair has signed up to the 30% Club and has committed to 33% of top roles, Board, Executive and Senior Management to be filled by women by 2023. The Society is current at 27% against the target and two out of the four appointments to the Board in 2019 were female. Further targets may be set in the future in line with the Society's wider Inclusion and Diversity Policy.

During 2019 the Nominations Committee has assisted in encouraging a diverse range of candidates by using an executive search firm that is accredited under the Hampton-Alexander Enhanced Code of Conduct (<https://www.gov.uk/government/publications/ftse-women-leaders-hampton-alexander-review>).

The search briefs provided have placed emphasis on diversity of skills and background and have included searching in a wider pool to identify diverse talent. The Committee have also ensured that 'long lists' include a diverse range of candidates.

The Board has assisted in the development of a pipeline of high-calibre candidates by encouraging a diverse range of high performing female senior individuals within the business to take on activities to gain board experience. This has included opportunities to present

at Board, attend informal board dinners and meet with Board members to discuss their progress. The Board has received presentations from and attended meetings with the Society's Employee Networks including the Be Me Network and Partnership council. Board members have also provided mentoring to women outside the organisation through the 30% Club and top female talent within the business has been encouraged to participate in the 30% Club as both mentees and mentors.

BOARD COMMITTEES

The Board delegates specific responsibilities to a number of Board Committees, supported by senior management.

AUDIT COMMITTEE

Andrew Neden has served as Chair of this Committee from his appointment to the Board with effect from 17 November 2014.

The Committee comprises three other Non-Executive Directors following the appointment of Linda Wilding in June 2019. Nigel Masters is a member of the Audit Committee and also acts as Chair of the Society's Risk Committee. Nigel was previously a partner in PwC and a Past President of the Institute of Actuaries. Other attendees include the Group Chief Executive, the Chief Financial Officer, the Chief Actuary, the Chief Risk Officer and the Head of Corporate Audit. A separate Audit Committee for Wesleyan Bank was established in September 2015.

The Audit Committee assists the Board in fulfilling its responsibilities in respect of the Annual Accounts and Regulatory Returns to the Prudential Regulation Authority (PRA). The Committee keeps under review the Society's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Society has in place an arrangement for employees to contact an independent confidential advice line.

The Committee's Terms of Reference are available on request and from the Society's website – www.wesleyan.co.uk

RISK COMMITTEE

The Risk Committee's principal role is to consider the risks faced by the Society and its subsidiary companies and to advise the Board. Nigel Masters was appointed Chair of the Risk Committee on 31 January 2013. The Committee comprised two other Non-Executive Directors during 2019. Anne Torry was a member of the Risk Committee to the September 2019 meeting, after which she stepped down and was replaced by

Ian McCaig. The other member, Andrew Neden, is the Chair of the Society's Audit Committee. Other attendees include the Group Chief Executive, the Chief Financial Officer, the Chief Actuary, the Chief Risk Officer and the Head of Corporate Audit. A separate Risk Committee for Wesleyan Bank was established in September 2015.

It is the Chair's practice to meet separately with the Chief Risk Officer ahead of most meetings. The Committee's main activities during 2019 included:

- Reviewing and assessing the risk oversight provided by management in connection with current and emerging risk exposures;

- Assessing the impact of management's strategic plans as well as external events on the risk profile of the Group;

- Gaining assurance that an appropriate culture in relation to the management of risk continues to be maintained; and receiving reports from the Chief Risk Officer on a wide range of issues, including potential acquisitions, new products and regulatory change;

- Assessing operational resilience and business continuity planning.

The Committee's Terms of Reference are available on request and from the Society's website – www.wesleyan.co.uk

INVESTMENT COMMITTEE

The Investment Committee was established as a Board sub-committee in November 2016. The purpose of the Investment Committee is to provide independent oversight of the Society's investment performance and monitor that the investments are in line with the Society's investment strategy. Phil Green stood down as Chair of the Committee following the July meeting and was replaced by Priscilla Davies, a non-Board Non-Executive Director, who has been a member of the Committee since October 2018. The Committee also comprises two other Board Non-Executive Directors, Ian McCaig and Nathan Moss. In addition, the Group Chief Executive Officer and the Chief Financial Officer are members and other attendees include the Chief Actuary, the Chief Risk Officer and Director of Investments. The Committee's main activities during 2019 included:

- Reviewing the strategy for all funds (including With Profits, Estate and Wesleyan Unit Trust Managers funds) in light of the Board's risk appetite and risk framework;

CORPORATE GOVERNANCE CONTINUED

Reviewing investment performance using external benchmarks as appropriate;

Considering and examining governance / audit and compliance issues

Approving the Society's Sustainable Investing Policy

The Committee's Terms of Reference are available on request and from the Society's website – www.wesleyan.co.uk.

REMUNERATION COMMITTEE

Linda Wilding was appointed Chair of the Committee after Chris Brinsmead stood down in May 2019. The Committee comprised two other Non-Executive Directors during 2019. The Group Chief Executive and the Chief People and Strategy Officer are in attendance as required. The Committee is responsible for the terms of remuneration for Executive Directors and other members of the Executive, including arrangements for short and long-term incentive payments and for ensuring risk is appropriately taken into account in all aspects of remuneration for Executive Directors and other members of the Executive. The Committee also exercises oversight over the Society's Remuneration Policy. No individual takes part in the setting of their own remuneration.

The Remuneration Committee's Terms of Reference are available on request and from the Society's website – www.wesleyan.co.uk

NOMINATIONS COMMITTEE

Nathan Moss was appointed Chair of the Committee from 1 January 2018. The Committee comprises two other Non-Executive Directors and the Group Chief Executive, with the Chief People and Strategy Officer also in attendance as required.

The Committee's main nomination related activities during 2019 included:

Regularly reviewing the structure, size and composition of the Board, in particular the balance of skills, knowledge and experience, and considering succession planning for Directors and other Senior Executives

The Committee has considered the current composition of the Board and determined that it continues to be appropriate to the requirements of the business identifying and nominating, for

the approval of the Board, candidates to fill Board vacancies as and when they arise giving due consideration to driving diversity in its broadest sense, including gender, ethnicity, background, skill set and breadth of experience.

Potential candidates are identified using a variety of methods, including external consultants, and undergo a rigorous interview and appraisal process before appointment to the Board.

Recommending Directors for re-election at the AGM giving due regard to their performance and ability to contribute to the Board in light of the knowledge, skills and experience required to ensure the continuing balance and progressive refreshing of the Board.

Other Board members with particular skills relevant to the nomination of new appointments may be invited to attend for all or part of any meeting, as and when appropriate. Nathan Moss, as Chair of the Society's Board, would not chair the Committee if it were dealing with the matter of succession to his role.

The Nominations Committee's Terms of Reference and the terms and conditions of appointment of Non-Executive Directors are available on request and from the Society's website – www.wesleyan.co.uk.

WITH PROFITS COMMITTEE

The Committee covers both the Open Fund and the Medical Sickness Society (MSS) Fund, which is closed to new business. The members of the Committee at 31 December 2019 were:

Anne Torry (Committee Chair, Non-Executive Director)

Nigel Masters (Non-Executive Director)

Andrew Peck (independent external appointee)

Roy Spragg (independent external appointee)

Priscilla Davies (independent external appointee)

Chris Davidson (independent external appointee from 1 December 2019)

During the year, the Committee's key activities were to assess, report on, and provide clear advice and, where appropriate, recommendations to the Board on:

The way in which the Open Fund and MSS Fund are managed by the Society and whether this is properly reflected in the respective Principles and Practices of Financial Management (PPFM);

Whether the Society is complying with

the principles and practices set out in the PPFMs;

Whether the Society has identified, and addressed effectively, the conflicting rights and interests of With Profits policyholders and other policyholders, or stakeholders, in a way that is consistent with treating customers fairly; and

Any other issues that the Board or the Committee considers With Profits policyholders might reasonably expect the Committee to be involved in or are required to be considered under FCA rules.

The Committee can engage external professional consultants to assist in delivering its objectives effectively. The Committee's Terms of Reference, and the PPFMs, are available on request and from the Society's website – www.wesleyan.co.uk.

CHAIR'S COMMITTEE

The Chair can call an ad-hoc Committee of the Board in exceptional circumstances should approval be needed for a matter reserved for the Board in between scheduled meetings. Where possible the need for a Chair's Committee to be established and its membership, purpose and agreed delegation is agreed by the Board in advance. Details of any actions taken by the Chair's Committee are reported to the next Board meeting, or immediately, if the Chair considers it appropriate.

ADVISORY BOARDS

The Board's insight and understanding is bolstered by the Advisory Boards made up of highly talented doctors, dentists, teachers and lawyers who help the Board shape strategy

WESLEYAN FOUNDATION

The Wesleyan Foundation is governed by an internal Grants Panel and our charitable partner Heart of England Community Foundation. Following internal approval for funding (by the Group Executive Committee), Foundation monies are distributed to a network of community foundations for onward distribution. Grants of £2,000 or more are reviewed at a quarterly Grants Panel which has cross business representation including a Group Executive Director.

SUBSIDIARY COMPANY GOVERNANCE

The Society's main subsidiaries are set out in Note 21 on pages 113 to 115 of these accounts. The Group is managed as far as possible as an integrated whole. Other than for Wesleyan Bank Limited, the Boards of the Society's subsidiary companies are chaired by a senior executive, with other senior executive colleagues appointed to the particular board relevant to their role.

COMMITTEE MEMBERSHIP AND ATTENDANCE AT MEETING

	Society's Board	Audit Committee	Risk Committee	Investment Committee	Remuneration Committee	Nominations Committee	With Profits Committee
Meetings in the year	9	5	5	2	7	3	4
Non-Executive Directors:							
Nathan Moss	9	-	-	2	7	3	-
Chris Brinsmead	4/4	-	1/2	-	5/5	-	-
Martin Bryant	9	5	-	-	-	3	-
Phil Green	8/8	-	-	2	6/6	3	3/3
Nigel Masters	9	5	5	-	-	-	4
Andrew Neden	9	5	5	-	-	-	-
Anne Torry	8/9	-	4/4*	-	5/7	-*†	4
Linda Wilding	6/6	2/3	-	-	2/2	-	-
Ian McCaig	2/2	-	1/1	-	-	-	-
Executive Directors:							
Craig Enington	6/6	-	-	2	-	2/3	-
Mario Mazzocchi	3/3	-	-	-	-	-	-
Ahmed Farooq	8/9* **	-	-	2	-	-	-

* Anne Torry attended the Risk Committee until 23 September 2019, following which she stepped down from the Committee

*† Anne Torry joined the Nominations Committee in November 2019 and the first meeting she will attend will be in March 2020.

† Ahmed Farooq did not attend a special meeting of the Board in April 2019 to approve the appointment of the Group Chief Executive Officer

Andrew Neden and Ian McCaig are Non-Executive Directors of Wesleyan Unit Trust Managers

The Board of Wesleyan Bank Limited is chaired by Martin Bryant, an independent Non-Executive Director of the Society. The other Directors of Wesleyan Bank currently include another three independent Non-Executive Directors, who all have significant experience of the banking industry, and an Executive Director. As part of its governance arrangements, Wesleyan Bank Limited has established its own Audit Committee, Risk Committee and Nominations Committee.

MANAGEMENT OF THE SOCIETY

In accordance with the Society's Rules, the Board has delegated authority to the Group Chief Executive for implementing strategy and managing the Society. The Group Chief Executive has formed certain Executive Committees to assist him in carrying out his responsibilities. The Executive Committees comprise the Group Chief Executive, the Chief Distribution Officer, the Chief Financial Officer, the Chief Operating Officer, Chief People and Strategy Officer, Chief Risk Officer, the Chief Actuary, Company Secretary and Head of Corporate Audit. Area Directors and other members of senior management attend as appropriate. The Executive Committees meet regularly to manage business activities. Papers are prepared and presented to the Board after agreement by the appropriate Executive Committee or Executive Committee Member.

ACCOUNTABILITY AND AUDIT

The Board of Directors is ultimately responsible for the Society's system of internal control and for reviewing its effectiveness, including any outsourced activities. This system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, not absolute, assurance against material loss or misstatement.

The Board actively seeks to minimise the exposure to unnecessary risks and, in doing so, takes into consideration the materiality of the risks to be managed and the cost effectiveness of the relevant aspects of the necessary risk mitigation (including the use of derivatives and internal control) in light of the particular environment in which the Society operates.

CONTROL ENVIRONMENT

The Society is committed to the highest standards of business ethics and conduct and seeks to maintain these standards across its operations. The Society's governance manual is subject to regular review, confirming the governance structure for the business and the guiding policies for the organisation.

An appropriate organisational structure for planning, executing, controlling and monitoring business operations is in place to achieve the Society's objectives and comply with laws and regulations. The structure is reviewed and updated on a regular basis, taking into account the pressures and conflicting priorities on the Society's business, to ensure that it provides clear responsibilities and control for key areas. Separate internal functions have been established for internal audit, compliance, risk management and change programme management. Through this structure the Board receives an overall summary and recommendation of control effectiveness based on the Risk Assessment and Corporate Audit reports.

CORPORATE GOVERNANCE (CONTINUED)

CONTROL PROCEDURES

The Society operates a number of control procedures to safeguard policyholders' assets and investments, including:

- Group Executive Committee meetings, chaired by the Group Chief Executive, which consider significant risk and control issues as part of their remit and receive reports from relevant Committees on such matters, including:

- The work of the Risk and Regulatory Compliance functions and of Corporate Audit and the timely resolution of actions agreed as a result of their work and that of the external auditors;

- Compliance with laws and regulations, business policies, codes of conduct and customer agreements, good business practices and rules including changes in the regulatory environment;

- The business continuity plans that the Society has developed to manage situations in which buildings, systems or significant employees are unavailable, for example, in the event of a flu pandemic or the loss of utilities.

- A risk assessment methodology;

- Physical controls, segregation of duties and reviews by management;

- Reviews carried out by Corporate Audit (refer to section headed 'Internal Audit');

- Reports from the Society's Compliance Officer who has oversight of the compliance with the FCA's/PRA's business standards on a day-to-day basis;

- Preparation and monitoring of budgets for functional business segments, and

- A Portfolio Steering Group function to structure, co-ordinate, monitor and report on the most significant projects that the Society is undertaking.

INFORMATION AND COMMUNICATION

Regular management information in respect of financial performance, customer service, complaints handling and investment performance is prepared and reviewed by senior management, the Executive and the Board. Additionally, projects have their own management information processes reviewed by senior management, the Executive and the Board.

The Society prepares an annual business plan and budget to assist in the monitoring of results. Actual performance against these plans is actively monitored and,

where appropriate, corrective action is agreed and implemented.

The Audit Committee receives regular reports on how the financial advice and marketing functions are complying with FCA regulations.

INTERNAL AUDIT

The Society has an internal audit capability (Corporate Audit), providing assurance over its system of governance, risk management and internal control. The programme of internal audit reviews is designed to provide assurance that the controls implemented by management are adequate and working effectively. Appropriate external expertise is engaged where necessary to support its activities. It is committed to operating in line with the best practice guidelines set out by the Chartered Institute of Internal Auditors. It carries out reviews by applying a risk-based approach, the results of which are reported to the relevant Executive Committee and to the Audit Committee.

RISK MANAGEMENT

Key risks are referred to in the Strategic Report under 'Principal Risks and Uncertainties'

Details of other risks to the Society, and its approach to risk management, are set out in Note 2 of the Notes to the Accounts.

MONITORING AND CORRECTIVE ACTION

The Risk function reports to the Chief Risk Officer, the Risk Committee and the Board on the results of the risk assessment including significant changes in the risk register and specific reports on elements of risk and their management as required. Assurance is provided to the Audit Committee on the effectiveness of the key controls through:

- Reporting by the Society's Corporate Audit function on the key controls reviewed;

- The work of other independent advisers commissioned to report on specific aspects of internal control; and

- Reports provided by the Society's external auditors.

The Audit Committee monitors the status of corrective actions for the improvement of the effectiveness of the system of internal control.

STAKEHOLDER COMMUNICATIONS

The Board is committed to openness in its communications with policyholders. During the year, the Board has sought to keep relevant stakeholders informed on all major issues. At its Annual General Meeting, the

members of the Board are available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration. In compliance with the UK Corporate Governance Code the Society publishes the results of the valid proxy votes received at each Annual General Meeting on its website. Policyholders can gain access to the Society's Annual Report and Accounts and further information on the website at www.wesleyan.co.uk

GOING CONCERN

The Directors are responsible for making a formal assessment as to whether the 'going concern' basis is appropriate for preparing these financial statements. The going concern basis presumes that the Society will continue to be able to meet its guaranteed obligations to policyholders and other creditors as they fall due. To do this, the Society must have sufficient assets, not only to meet the payments associated with its business, but also to withstand the impact of other events that might reasonably be expected to happen.

The Directors have examined the various issues relevant to the going concern basis and will take proactive action to maintain regulatory solvency at all times.

Furthermore, the financial position of the Society has been projected under a range of economic scenarios and the Directors are confident of the Society's financial strength and its ability to withstand market shocks. In addition, the Directors have also considered specific COVID-19 stress scenarios which includes the impact of a reduction in premium income, increased claims costs, reduction in investment income, decrease in equity values and credit spreads widening. Our capital modelling also includes an assessment of the capital required to be held for a pandemic scenario.

Under these stress scenarios the Society's capital was projected to remain above regulatory requirements and sufficient liquidity existed to meet liabilities as they fell due.

Accordingly, the Board considers it has given due consideration to all the potential risks and possible actions available to it and has concluded that it remains appropriate to prepare these financial statements on a going concern basis.

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

LINDA WILDING

Chair of the Remuneration Committee



DEAR MEMBER

On behalf of the Remuneration Committee I am pleased to present the Directors' Remuneration Report, my first as Chair of the Remuneration Committee after taking over in September 2019. Since becoming Chair of the Committee, I have been working closely with the Board and Executive team to ensure we offer a reward package that attracts and retains talented people who will continue to deliver great results on your behalf.

2019 was a pivotal year for the business. As announced at our AGM last year Craig Errington stepped down from the Board with effect from 31 July 2019 after 15 years as Group Chief Executive and 28 years with the Society. In order to facilitate a smooth transition Craig's employment continued until 31 December 2019. Mario Mazzocchi was appointed as our new Group Chief Executive with effect from 1 August 2019 and work has begun on the next phase of our strategy.

Following the appointment of Mario as our new Group Chief Executive, the Remuneration Committee has reviewed the Society's Executive remuneration policy taking into account external market practice and the strategic priorities for the business. The aim of this review was to ensure our Executive remuneration policy is competitive and as such helps us to recruit, motivate and retain senior leaders of the calibre required to run the business successfully. We will continue to monitor the effectiveness of our policies to ensure they support the business and the long term interests of our members and other stakeholders.

REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

The maximum annual bonus achievable in 2019 for the Directors was 78.75% of base pay. Against the context of good performance compared to a balanced scorecard of measures designed to deliver the Society's strategy, the Remuneration Committee determined that on average the bonus payable to the Executive Directors in respect of the Society's performance for 2019 was 41% of base salary.

The Remuneration Committee can withhold or reduce the amount of variable pay if they feel undue risk has been taken in achieving our business objectives. As all risks were managed within our risk appetite there were no deductions made.

Reflecting the many years of outstanding service as well as his significant contribution to the success of the Society during his tenure as Group Chief Executive, the Remuneration Committee concluded that Craig Errington should be treated as a good leaver. The amounts paid to Craig Errington in January 2020 as payment in lieu of notice are included in the single figure table on page 56. The further payments to be paid to Craig Errington in December 2020 and June 2021 are detailed on page 55.

REMUNERATION POLICY - PROPOSED CHANGES FROM 2020

Our remuneration policy has been updated to provide further alignment with our strategic priorities, our desired behaviours and to ensure that it is market competitive. In summary the changes made to our remuneration policy are as follows.

We are introducing a new cash settled Long Term Incentive Plan ("LTIP") aligned to the successful delivery of our business strategy. The maximum awards under the LTIP will be up to 100% of salary for the Group Chief Executive and up to 75% of salary for the Chief Financial Officer. Members of the wider Group Executive and certain Senior Leaders key to delivery of the strategy will also be invited to participate. The maximum awards under the LTIP for members of the Group Executive and Senior Leaders will be 75% and 50% respectively. These awards will only be payable if stretching financial and non-financial performance targets are delivered over a three year performance period starting on 1 January 2020. In line with best practice, LTIP awards will then be

subject to a two year holding period such that participants are only entitled to be paid the value of LTIP awards vesting after a period of five years in total. We believe that the new LTIP will strengthen the link between the rewards received for the performance delivered for our members and the long term financial health and stability of the business.

Taking into account the changes to the UK Corporate Governance Code and best practice, we are also reducing the pension provision / cash allowance in lieu of pension for our Executive Directors. From 1 April 2020, the pension and/or cash in lieu of pension will be reduced from 15% of salary to 10% of salary for our Chief Financial Officer. This is in line with the rate for the wider workforce and the rate applied to our new Group Chief Executive on his recruitment.

Further details of the Society's remuneration policy are on pages 50 to 55.

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 Society is not required to submit the Remuneration Policy to a binding vote of members. However, as a mutual organisation, we believe it's right to understand and be guided by your views. As such, if you are eligible to vote at the Annual General Meeting (AGM) you will be able to vote on the Directors' Remuneration Report (including the Directors' Remuneration Policy) on an advisory basis so we can take on board your views in setting our policy for the future.

I hope that you will support these resolutions.

LINDA WILDING

Chair of the Remuneration Committee

14 April 2020

www.wesleyan.co.uk

DIRECTOR'S REMUNERATION POLICY

CONTINUED

INTRODUCTION

Our remuneration approach uses a Balanced Scorecard of measures aligned to the Society's Strategic Plan and desired behaviours to help shape workforce culture and performance. The policy for Directors' remuneration follows the principles laid out in the Society Remuneration Policy.

In line with the Society's Remuneration Policy, there are a number of key considerations:

- our overall target position in the market, bearing in mind the need to attract and retain suitably skilled Directors, taking into account the Society's situation;
- the balance between base salary, bonus, long-term incentives and other benefits;
- the balance between short-term and longer-term reward;
- how risk should be effectively managed;
- what behaviour and performance we should incentivise and reward, aligned with our business strategy and desired behaviours; and
- the degree of alignment between remuneration arrangements for Executives and other employees.

In addition, from the perspective of our members, customers and employees, our arrangements need to be transparent, understandable, fair, reasonable and proportionate

The remuneration structure is also aligned to the longer-term interests of the Society and our policyholders.

To protect the interests of members, the Remuneration Committee has the right to recall paid variable pay or retain any or all deferred variable pay, and this right will be exercised in a fair and reasonable manner. In deciding if this should apply, the Remuneration Committee consider, but not exclusively, material misstatement of financial statements, inappropriate risks and behaviours and any other factors that should reasonably be taken into account.

AT A GLANCE – TOTAL REMUNERATION PACKAGES FOR OUR EXECUTIVE DIRECTORS

The table below summarises the implementation of the Executive Directors' remuneration policy for 2020

PAY ELEMENT		APPROACH	MARIO MAZZOCCHI	AHMED FAROOQ
Fixed pay	Base salary		£500,000 (increased with effect from 1 April 2020 to reflect performance in role, external benchmarking and reduction in pension entitlement)	£283,000 (increased with effect from 1 April 2020 to reflect external benchmarking and reduction in pension entitlement)
	Pension	Fixed elements of pay set at competitive levels	10% of salary in line with wider workforce	10% of salary in line with wider workforce (reduced from 15% with effect from 1 April 2020)
	Benefits		Car/car allowance, private medical cover, medical screening, group product discount and death in service	Car/car allowance, private medical cover, medical screening, group product discount and death in service
Pay linked to performance	Annual bonus	Incentive linked to short term targets	Maximum 78.75% of salary Balanced scorecard based on Society and individual performance 50% deferred for three years paid in annual tranches	Maximum 78.75% of salary Balanced scorecard based on Society and individual performance 50% deferred for three years paid in annual tranches
	LTIP	Incentive linked to long term performance	Maximum 100% of salary Three year performance period based on: Cost income ratio, Culture, Customer, Assets under Management, Product Penetration	Maximum 75% of salary Three year performance period based on: Cost income ratio, Culture, Customer, Assets under Management, Product Penetration
			Risk underpin	Risk underpin
			Two year holding period	Two year holding period

REMUNERATION POLICY TABLE

Details of the main elements of Executive Directors' remuneration are set out in the table below.

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE METRICS
Base salary	To attract and retain high performing individuals to lead the Society.	<p>Base salary is reviewed annually, or more frequently if there is a significant change in an individual's role or responsibilities, or if another exception arises</p> <p>Any decision on base salary is influenced by a range of factors including but not limited to:</p> <ul style="list-style-type: none"> level of experience; Society affordability and performance; ability to attract/retain/motivate; pay awards for the wider workforce; prevailing market conditions; and periodic external benchmark data 	<p>Increases in base salary will normally be in line with those awarded to other Society employees but higher increases may be made, for example, to reflect:</p> <ul style="list-style-type: none"> increase in scope of role or responsibility; or an Executive Director falling significantly behind the market rate for that role 	Subject to annual review of individual contribution and Society performance.
Benefits	To operate a competitive benefits and pension structure that provides appropriate protection to our employees	<p>Benefits currently provided are:</p> <ul style="list-style-type: none"> a car allowance or the provision of a car (including all maintenance costs); private medical cover for the individual and their partner; medical screening; Group product discounts (available to staff and directors on the same terms); and death in service benefit of 8x pensionable base salary. 	<p>There is no restriction on the benefits provided and other benefits may be added if considered appropriate. However, the cost of these benefits is taken into account in assessing affordability.</p>	N/A
Retirement benefits	To provide post-retirement benefits for participants in a cost-effective manner.	All Executive Directors are either a member of the Society's defined contribution scheme or receive a cash allowance	<p>Defined contribution: From 1 April 2020, the Society contributes 10% of base salary</p> <p>If a cash allowance is taken, then the amount paid to the individual is reduced to allow for the cost of employer's National Insurance Contributions.</p> <p>The Society periodically reviews pension benefits for the wider workforce taking account of affordability and tax and legislative changes and may amend benefits for future service or introduce different levels or types of benefit for both new and existing Directors</p>	N/A

DIRECTOR'S REMUNERATION POLICY

CONTINUED

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE METRICS
Annual bonus	To ensure that there is an appropriate incentive for Executive Directors to meet the annual objectives of the business.	<p>Individual performance evaluations for bonus are recommended by the Group Chief Executive following a similar procedure to the wider workforce but based on an individual balanced scorecard linked to delivery of the Society's overall strategy. The evaluation considers the individual's contribution towards the Society's desired behaviours and strategic goals, engendering good risk and compliance management and customer outcomes. This recommendation is discussed and approved by the Remuneration Committee. Performance evaluation of the Group Chief Executive is recommended by the Society's Chair with input from the other Non Executive Directors.</p> <p>50% of any bonus earned will be deferred for three years. Any deferred amounts will be paid to the Executive Directors in three equal tranches after one, two and three years. Variable pay is subject to malus and clawback provisions. Malus provisions will apply to a deferred bonus award and clawback provisions will apply to cash payments made for variable pay for three years following the year in which the award was made.</p>	<p>Overall cash payment of:</p> <p>35% of base salary if both the Society and individual perform on target; and a further 43.75% (up to 78.75%) of base salary if both the Society and individual perform at stretch target</p> <p>During the deferral period any deferred 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.</p>	<p>Balanced scorecard approach for both Society and Individual performance based on financial, customer, employee and strategic metrics.</p> <p>The Remuneration Committee may adjust pay-outs based on the evaluation of personal behaviours and any risk, compliance or other concerns.</p>
Long Term Incentive Plan ("LTIP")	To strengthen the link between the rewards received for the performance delivered for our members and the long-term financial health and stability of the business.	<p>Any payment will be made in cash. The awards will vest following the assessment of the relevant performance conditions which will be assessed at the end of a three year performance period and then will be subject to a further holding period of two years.</p> <p><i>The Remuneration Committee may adjust pay-outs based on the evaluation of personal behaviours and any risk, compliance or other concerns.</i></p> <p>LTIP awards will be subject to malus and clawback provisions up to the end of the holding period.</p>	<p>The maximum award is up to 100% of base salary.</p> <p>For awards granted in 2020, the maximum award for the Group Chief Executive will be 100% of salary and 75% of salary for the Chief Financial Officer.</p> <p>All LTIP payments are subject to approval by the Remuneration Committee and are non-pensionable.</p>	<p>LTIP awards will be subject to financial and non financial measures that are aligned to the Society's strategy. Vesting of any LTIP award will be subject to satisfactory overall risk and behavioural performance.</p> <p>Awards will vest at 25% of the maximum award for threshold performance rising to full vesting at stretch target.</p>

REMUNERATION FOR THE CHAIR AND NON-EXECUTIVE DIRECTORS

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

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

EXPLANATION OF CHOSEN PERFORMANCE MEASURES AND HOW TARGETS ARE SET FOR EXECUTIVE DIRECTORS

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

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

PAY POLICY FOR OTHER EMPLOYEES

The principles underlying the pay policy for Executive Directors apply to the wider workforce. In particular:

the Society's total employment package needs to be sufficient to attract, retain and motivate high-calibre individuals. As part of this, remuneration needs to be competitive compared to the market, reflect the responsibilities of the role and be reflective of performance of the individual and the Society;

annual bonus payments need to vary sufficiently to genuinely reflect performance fluctuations from year to year, taking into account not only financial performance, but also risk management, customer outcomes and desired employee behaviours. A number of different annual bonus arrangements are in place reflecting the different nature and responsibilities of different business units and roles within the Society; and

bonuses for employees should be based on Society and individual results, with quality measures to ensure alignment with good customer outcomes and desired employee behaviours.

REMUNERATION POLICY FOR NEW APPOINTMENTS

Remuneration packages for new director appointments will comply with the pay policy set out

New director appointments will be offered an appropriate package taking into account, but not exclusively, the following factors:

- the need to attract and retain a suitable calibre of candidate;
- the remuneration of other employees;
- affordability of the proposal;
- the Society's desired behaviours; and
- prevailing market practice.

Additional awards may be made when hiring new directors 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 conditions attached to awards forfeited (and the likelihood of meeting those conditions), the time over which they would have been paid 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.

DIRECTOR'S REMUNERATION POLICY

CONTINUED

POLICY FOR SERVICE CONTRACTS AND PAYMENTS FOR LOSS OF OFFICE

Each Executive Director has a continuous service contract with the Society, which is considered appropriate for the requirements of the Group. 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 below provides a framework for any payments made in respect of an Executive Director's loss of office.

ELEMENT OF REMUNERATION	POLICY
Notice period	Up to twelve months by either the employing entity or the employee.
Termination payments	<p>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 (including company car/car allowance, private health insurance and pension contributions).</p> <p>Benefits may also be provided in connection with termination of employment and may include, but are not limited to, outplacement and legal fees and payments in respect of accrued holiday.</p>
Annual bonus	<p>Leavers during the annual bonus performance year Awards may ordinarily only be granted to individuals that remain an Employee as at the time of the grant of bonus awards, however, the Remuneration Committee has the discretion to determine an appropriate bonus amount taking into consideration the circumstances in which an Executive Director leaves.</p> <p>No bonus award will be granted unless the Executive Director 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 on cessation of employment or, at the Remuneration Committee's discretion, be paid in line with the deferral schedule.</p> <p>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 usual date. The Remuneration Committee has full discretion which it can apply as it deems appropriate.</p> <p>Clawback and Malus The Committee may decide at any time before the 3rd anniversary of bonus award that it should be paid back subject to claw back and malus provisions that include: <ul style="list-style-type: none"> 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 </p>
Long Term Incentive Plan (LTIP)	<p>Leavers during the three year performance period Unless determined as a 'good leaver' unvested LTIP awards will lapse upon cessation of employment. For a 'good leaver', LTIP awards will usually be paid on the ordinary release date (at the end of the holding period) although, the Remuneration Committee retains the discretion to release the award early. The award will vest to the extent determined by reference to the performance conditions and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed at cessation.</p> <p>Leavers during the two year holding period If an Executive director ceases employment following the end of the three year performance period vesting but before the end of the two year holding period, the LTIP award will be paid in line with regulation requirements and scheme rules.</p>
'Good leaver'	<p>A good leaver for the purposes of the variable pay will be any Executive Director who leaves employment for reasons of:</p> <ul style="list-style-type: none"> 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 Committee so decides.

EXISTING CONTRACTUAL ARRANGEMENTS

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office not in line with Policy, if the terms of payment were agreed as part of a previous Directors' Remuneration Policy that came into effect before the Policy above was agreed.

ILLUSTRATION OF REMUNERATION POLICY FOR 2020

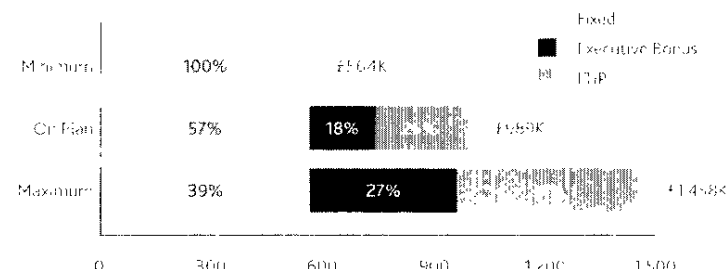
The charts to the right illustrate the amounts that Executive Directors would be paid under three different performance scenarios.

Minimum — this shows the fixed elements of pay (base salary, pensions and benefits).

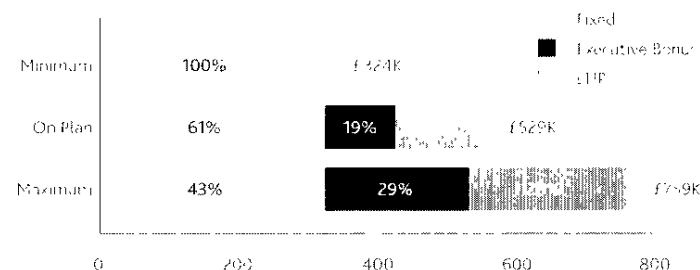
On plan — assuming we deliver target levels of performance against the measures set out in our annual bonus and LTIP.

Maximum — this assumes that our annual bonus and LTIP pay out in full - this would only occur if performance had been truly exceptional across all of the measures set.

MARIO MAZZOCCHI – GROUP CHIEF EXECUTIVE PERCENTAGES/AMOUNTS (£000'S)



AHMED FAROOQ – CHIEF FINANCIAL OFFICER PERCENTAGES/AMOUNTS (£000'S)



MINIMUM PERFORMANCE	FIXED ELEMENTS OF REMUNERATION ONLY — BASE SALARY, BENEFITS AND PENSION
On plan performance	<p>Annual Bonus: For illustrative purposes all Executive Directors have been assumed to be paid the same level of variable pay (35% of base salary) but the actual amount payable to each Director would depend on the Remuneration Committee's evaluation of individual performance and would range from no bonus being payable (unacceptable performance) to 52.5% of base salary (stretch performance).</p> <p>LTIP: 50% of maximum LTIP potential available to the Executive Directors is assumed (50% of salary for the Group Chief Executive and 37.5% of salary for the Chief Financial Officer).</p>
Maximum performance	<p>Annual bonus: For illustrative purposes all Executive Directors have been assumed to be paid the same level of bonus (78.75% of base salary) assuming both the Society and individual have performed at stretch performance.</p> <p>LTIP: 100% of the maximum LTIP opportunity has been shown (100% of salary for the Group Chief Executive and 75% of salary for the Chief Financial Officer).</p>

WIDER WORKFORCE REMUNERATION

In setting remuneration policy, the general increase in salaries is applied to both Executive Directors and employees.

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

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

MEMBER ENGAGEMENT

The Directors' Remuneration Policy was subject to an advisory vote as part of the Directors' Remuneration Report as a whole, at the 2019 AGM. Over 93% of those voting were in favour. In line with the regulations for listed organisations, the Policy will be subject to an advisory vote at the AGM every three years, or earlier if there is a

significant change in policy. The Directors' Remuneration Report (including the Directors' Remuneration Policy) are subject to an advisory vote at our 2020 AGM.

ANNUAL REPORT ON REMUNERATION

SINGLE FIGURE OF REMUNERATION FOR EACH DIRECTOR

The remuneration of the Directors of Wesleyan Assurance Society for the year ended 31 December 2019 and the previous year is set out in the tables below. This is audited information

Director	Base salary/ fees(a)	Benefits(b)	Bonus(c)		Long-term incentives(d)	Pension(e)	Sub-total- ongoing	Other(f)	Total Remuneration
			Cash	Deferred					
Year ended 31 December 2019 £'000									
Executive									
Mario Mazzocchi (appointed to the Board 1 August 2019 – see note below)	425	13	85	85	-	48	656	-	656
Craig Errington (left 31 December 2019 – see note below)	502	14	110	110	-	71	807	811	1,618
Ahmed Farooq	250	12	45	45	-	33	385	-	385
Non-Executive									
Phil Green (Senior Independent Director until 30 November 2019 when he stepped down from the Board)	80	-	-	-	-	-	80	40	120
Chris Brinsmead (left 31 May 2019)	22	-	-	-	-	-	22	-	27
Nathan Moss	128	-	-	-	-	-	128	-	128
Martin Bryant (Senior Independent Director from 1 December 2019)	55	-	-	-	-	-	55	-	55
Nigel Masters	53	-	-	-	-	-	53	-	53
Andrew Neden	53	-	-	-	-	-	53	-	53
Ian McCaig (appointed 30 September 2019)	13	-	-	-	-	-	13	-	13
Anne Torry (appointed 1 January 2019)	53	-	-	-	-	-	53	-	53
Linda Wilding (appointed 1 June 2019)	35	-	-	-	-	-	35	-	35
Total	1,669	39	240	240	-	152	2,340	851	3,191

Director	Base salary/ fees(a)	Benefits(b)	Bonus(c)		Long-term incentives(d)	Pension(e)	Sub-total- ongoing	Other(f)	Total Remuneration
			Cash	Deferred					
Year ended 31 December 2018 £'000									
Executive									
Craig Errington	492	13	-	-	84	85	674	-	674
Ahmed Farooq (appointed to the Board 8 August 2018)	233	11	-	-	34	30	308	-	308
Non-Executive									
Phil Green	78	-	-	-	-	-	78	-	78
Chris Brinsmead	52	-	-	-	-	-	52	-	52
Nathan Moss	125	-	-	-	-	-	125	-	125
Martin Bryant	52	-	-	-	-	-	52	-	52
Nigel Masters	52	-	-	-	-	-	52	-	52
Andrew Neden	52	-	-	-	-	-	52	-	52
Total	1,136	24	-	-	118	115	1,393	-	1,393

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

The base salary for Ahmed Farooq excludes salary sacrifice of £1,488 for childcare vouchers.

The 2018 figures for Ahmed Farooq show his full year remuneration; on his appointment to the Board no additional remuneration was provided at the time although his base pay was increased to £250,000 with effect from 1 January 2019 to reflect his Board responsibilities.

Non Executive fees are inclusive of £8,859 per annum for Committee/Chair work. The Senior Independent Director role is inclusive of an additional fee of £26,561 per annum.

Craig Errington retired and stepped down from the Board with effect from 31 July 2019 after 15 years as Group Chief Executive and 28 years with the Society. In order to facilitate a smooth transition Craig's employment continued until 31 December 2019. Reflecting the many years of outstanding service as well as his significant contribution to the success of the Society during his tenure as Group Chief Executive, the Remuneration Committee concluded that Craig Errington should be treated as a good leaver. In line with the member approved Remuneration Policy, all outstanding incentives will continue to be retained and will be paid at the normal time. The outstanding deferred incentive remuneration will remain deferred until the usual payment date and will move up and down to reflect the performance of the ISA With Profits Fund. These outstanding incentive payments will remain subject to the malus and clawback provisions as set out in the Remuneration Policy.

PAYMENTS FOLLOWING RETIREMENT

The amount paid to Craig Errington in January 2020 in lieu of notice was £810,758 as included in the single figure table above. Two further payments will be made (subject to certain conditions being satisfied including malus and clawback provisions):

In December 2020, an ex-gratia payment of £810,758. This reflects a full year's salary, pension and benefits and a further payment equal to the bonus earned during 2019.

To aid the Society's transition to the new Group Chief Executive Craig Errington has agreed to provide advice and assistance throughout 2020. In recognition of this commitment and subject to certain conditions, Craig Errington will receive a further payment of £405,379 in June 2021.

OTHER PAYMENTS

Phil Green stepped down from the Board with effect from 30 November 2019. In addition to his usual Director's Fees, he received a one off payment of £39,907 for agreeing to extend his role for a further year during 2019 in order to assist with a smooth handover of the Senior Independent Director role and the induction of new Non-Executive Directors.

ANNUAL REPORT ON REMUNERATION

CONTINUED

The figures in the single figure table on the preceding page are derived from the following.

(a) Base salary/Fees	Base salary and fees paid during the period.
(b) Benefits	Value of benefits in kind provided during the period.
(c) Annual Bonus	Under the annual bonus scheme for 2019, a bonus of up to 78.75% of base salary was payable depending on Society and individual performance. 50% of that bonus is deferred and payable in equal instalments over three years, adjusted in line with performance of the ISA With Profits fund. For 2019 on average the bonus payable to the Executive Directors in respect of the Society's performance for 2019 was 41% of base salary. For Mario Mazzocchi, his 2019 bonus was based on six month's performance and salary earned in his role as Chief Operating Officer and six month's performance and salary as Group Chief Executive Officer. For Craig Errington his 2019 bonus was based on the salary earned for the year to 31 December 2019 and individual performance (based on performance to July 2019) and Society performance (based on an average of the half and full year performance) (2018: no payment was awarded from this scheme)
(d) Long-term incentives (legacy plan)	Under the legacy Long Term Incentive Plan the payment made early in 2019 was based on performance over the period 2016 to 2018 inclusive. The amount payable was 17.7% of base salary in 2016, 10% in respect of achievement of the Annual Business Plan and 7.7% in respect of investment performance of the Society's Long Term Policyholder Fund. This payment was the last to be paid under the legacy long term incentive plan
(e) Pension	For defined benefit scheme members the amount included in respect of pension benefits is calculated as: the value of increase in pension entitlement over the year in excess of inflation; plus the cash allowance payable in lieu of pension accrual in excess of the annual allowance; less the employee's contributions. For defined contribution scheme members the amount included in respect of pension benefits is the Society's contribution to the scheme (or the cash allowance payable in lieu of the Society's contribution to the scheme, which is reduced to allow for employer National Insurance Contribution costs) during the year
(f) Other	The amounts shown for Craig Errington include payment in lieu of notice paid in January 2020

INDIVIDUAL ELEMENTS OF REMUNERATION BASE SALARY AND FEES

Mario Mazzocchi's salary will increase to £500k from 1 April 2020 to reflect performance in role since taking over as Group Chief Executive Officer. This brings his remuneration up to benchmark and to a level just below that of the previous Group Chief Executive Officer. Ahmed Farooq's salary will increase to £283k from 1 April 2020; this reflects benchmarking of his role. Both increases take account of a reduction in pension entitlement from 15 to 10% of salary in line with the wider workforce as per best practice in the UK Corporate Governance Code.

External benchmarking of fees for Non-Executive Directors indicated a gap to the market. Therefore increases are being phased in over two years, with an increase of 7.2% with effect from 1 April 2020

2019 ANNUAL BONUS

Under the annual bonus scheme for 2019, a bonus of up to 78.75% of base salary was payable depending on Society and individual performance. 50% of that bonus is deferred and payable in equal instalments over three years, adjusted in line with performance of the ISA With Profits fund

The percentage of base pay for 2019 for each Director was: Craig Errington 44.0%, Mario Mazzocchi 40.2%, Ahmed Farooq 35.7%.

METRIC	WEIGHTING	MEASURE	BELOW TARGET	AT TARGET	AT STRETCH
Customer	15%	Net Promoter Score			
Financial	40%	Operating Profit			
Employee	15%	Employee Engagement			

Strategic	30%	Various objectives that will enable the Society to achieve its 5-year strategic plan
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VALUE EARNED FROM THE DEFERRED BONUS PLAN AWARDS

The following table sets out the amounts paid in respect of the outstanding deferred variable pay awards. 50% of the annual 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.

DEFERRED VARIABLE PAY	PAYABLE	CRAIG ERRINGTON		AHMED FAROOQ		MARIO MAZZOCCHI	
		Current	Original	Current	Original	Current	Original
2017 Tranche 2	March 2020	£44,132	£39,655	£17,622	£15,834	-	-
2017 Tranche 3	March 2021	£44,132	£39,653	£17,624	£15,832	-	-
2018 Tranche 1	March 2020	£0	£0	£0	£0	£22,586	£21,350
2018 Tranche 2	March 2021	£0	£0	£0	£0	£22,586	£21,350
2018 Tranche 3	March 2022	£0	£0	£0	£0	£22,586	£21,350
2019 Tranche 1	March 2021	n/a	£36,753	n/a	£14,875	n/a	£28,464
2019 Tranche 2	March 2022	n/a	£36,753	n/a	£14,875	n/a	£28,464
2019 Tranche 3	March 2023	n/a	£36,753	n/a	£14,875	n/a	£28,464

The performance of the ISA With Profits Fund for 2018 was 5.2% and 2019 it was 5.79%.

SUMMARY OF 2020 ANNUAL BONUS PLAN OPERATION

Under the annual bonus plan for 2020, a bonus of up to 78.75% of base salary will be payable depending on Society and individual performance. The scheme will be based on financial, customer, employee and strategic metrics that are aligned to the Society's strategic plan. 50% of any bonus will be deferred for up to three years. Any deferred bonus awards will be paid in three equal tranches over the three years from award and be adjusted for performance in line with the ISA With Profits Fund.

Mario Mazzocchi's deferred variable pay for 2018 represents 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.

SUMMARY OF 2020 LONG TERM INCENTIVE PLAN OPERATION

We are introducing a new cash settled Long Term Incentive Plan ("LTIP") aligned to the successful delivery of our business strategy. The maximum awards under the LTIP will

be up to 100% of salary for the Group Chief Executive and up to 75% of salary for the Chief Financial Officer. These awards will only be payable if stretching financial and non-financial performance targets are delivered over a three year performance period starting on 1 January 2020.

It is intended that the LTIP awards granted in 2020 will be based on the following performance measures in line with the strategic plan: Cost Income Ratio; Culture, Customers (customer retention and new customers); Assets under Management, Product Penetration and Risk.

LTIP awards will also be subject to a two year holding period such that participants are only entitled to be paid the value of LTIP awards vesting after a period of five years in total. We believe that the new LTIP will strengthen the link between the rewards received for the performance delivered for our members and the long-term financial health and stability of the business.

TOTAL PENSION ENTITLEMENTS

Prior to 5 April 2016, the Society pension provisions for senior executives included membership of the Wesleyan Staff Pension

Scheme and a 'top up' Society unfunded pension arrangement. Executives accrued benefits based on pensionable salary and service, with the Wesleyan Staff Pension Scheme providing these up to a certain level and the 'top up' unfunded pension arrangement providing the balance of the members entitlement. Craig Errington has previously transferred the value of his Wesleyan Staff Pension Scheme benefit to another arrangement. The figures shown below reflect his remaining defined benefit pension entitlement which remained in the Society's unfunded arrangement. These benefits are revalued in line with the Scheme rules and will be paid directly by the Society on his retirement.

The normal retirement date under the Scheme is age 65. Under the Scheme rules, benefits earned up to 1 October 2005 are payable in full from age 60 with the remaining benefits payable in full from age 65. If pension benefits are taken at an age other than when they are payable in full then they are usually actuarially reduced/enhanced to reflect early/late payment respectively on the same basis as for other Scheme members.

ANNUAL REPORT ON REMUNERATION

CONTINUED

Director	Accrued Pension p.a. at 31 December 2019 (£'000)	Accrued Pension p.a. at 31 December 2018 (£'000)
Craig Errington	33	32

PAYMENTS TO EXECUTIVE DIRECTORS FOR ROLES ELSEWHERE

The Society allows Executive Directors to undertake an additional external Non-Executive Director or other role to support their personal and commercial development subject to approval taking account of potential conflicts of interest, the time commitment required and alignment with the Society's business strategy and desired behaviours. Any fees earned through the duties of all approved external appointments may be retained by the Executive Director.

During 2019 Craig Errington received £13,125 in respect of his duties as the Chair for the FCA Smaller Business Practitioner Panel (January to July 2019).

Ahmed Farooq and Mario Mazzocchi currently have no external Non-Executive Director or other roles.

PAYMENTS TO PAST DIRECTORS

In line with the disclosures made in last year's Directors' Remuneration Report, Liz McKenzie received a payment of £16,211 in respect of her 2017 Deferred Bonus

following her departure from the Society on 31 October 2017.

No other payments have been made to past Directors in 2019 other than:

retirement benefits payable to previous Executive Directors

base salary, benefits, bonus, LTIP and pension benefits on the same basis as other Executives, paid to former Directors who have stood down from the Board but who remain with the Society in other roles

PERFORMANCE GRAPH

The chart alongside shows operating profit (pre-project costs) as a percentage of budget for the last eight years. This is used in the assessment of annual bonus.

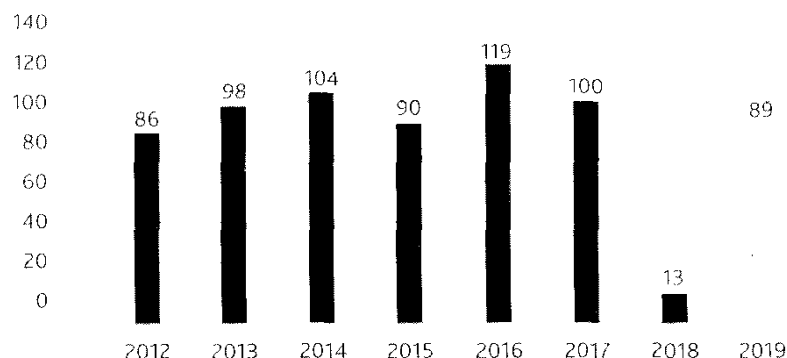


TABLE OF HISTORIC GROUP CHIEF EXECUTIVE DATA

Year	CEO base salary (£'000)	Benefits (£'000)	Pension	Annual bonus pay out against maximum opportunity (%)	LTIP vesting rates against maximum opportunity (%)	Total
2019 (Mario Mazzocchi) (remuneration prorated to full year in role as Group CEO) ¹	466	13	41	200	-	720
2019 (Craig Errington) (based on full year in role)	502	14	71	220	-	*807
2018	492	13	85	-	84	674
2017	482	18	96	238	102	936
2016	473	27	138	141	91	870
2015	463	27	211	58	77	836
2014	453	20	355	54	84	966
2013	412	18	220	59	69	*778
2012	392	15	260	29	-	696

* Excludes payment in lieu of notice and other payments as detailed on page 57

*~ Excludes one off payment of £300,000 made to Craig Errington in 2013 in respect of giving up a commitment previously made by the Society to offset the personal tax payable on lump sum benefits in excess of the Lifetime Allowance.

¹ Mario Mazzocchi's remuneration for 2019 is prorated to show a full year in role as CEO therefore it does not reconcile to the single figure table which shows actual pay

PAY RATIOS

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

YEAR	METHOD	PERCENTILE		
		25th	Median	75th
2019	Mirroring approach to CEO single figure*	26.7: 1	17.1: 1	11.4: 1
		£720,273: £26,953	£720,273: £42,225	£720,273: £63,101
2018	Mirroring approach to CEO single figure*	24.8: 1	16.0: 1	10.9: 1
		£674,595: £27,181	£674,595: £42,296	£674,595: £62,053

* During 2019, there has been a change in CEO Mario Mazzocchi's remuneration (including bonus and pension) on becoming CFO has been prorated up as if he had been in post for a full year

The method of determining the pay ratio was chosen because it compares a like for like basis when comparing employee and Group Chief Executive pay; no deviations from this method have been applied. The Society does believe that the median pay ratio is consistent with the Society's wider policies on employee pay, reward and pay progression.

RELATIVE IMPORTANCE OF SPEND ON PAY

Pay is a significant element of Society expenditure, representing 54% (2018: 52%) of operating expenses for the Group

	2019 (£m)	2018 (£m)	Change (%)
Operating expenses	174.5	176.4	-1.1
Overall expenditure on pay	94.2	93.3	1%

REMUNERATION COMMITTEE MEMBERS AND ADVISERS

The members of the Remuneration Committee are all independent Non-Executive Directors of the Society. During the year the Committee members were Chris Brinsmead (retired from Board May 2019)/Linda Wilding (Chair), Nathan Moss (Society Chair), Anne Torry and Phil Green (up to the date he stepped down from the Board)

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

In performing its duties, the Remuneration Committee draws on the advice of independent external consultants. During the year, the 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 £36,950 for Deloitte

STATEMENT OF VOTING AT 2019 ANNUAL GENERAL MEETING

The following table sets out the number of votes cast, number of votes for, against and abstentions for the advisory vote on the Directors' Remuneration Policy and Annual Report on Remuneration at the Society's AGM held in May 2019.

Resolution text	Votes for	Votes against	% For	Withheld
To receive the Directors' Remuneration Policy — advisory vote only	3,705	168	93.9	74



LINDA WILDING

Chair of the Remuneration Committee
14 April 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Society and Group financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Society and the Group and of the profit or loss of the Group for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and accounting estimates that are reasonable and prudent;

- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures being disclosed and explained in the financial statements;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society and the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's

and Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Society and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the performance, business model and strategy of the Society and the Group.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each Director in office at the date the Directors' Report is approved:

So far as the Director is aware, there is no relevant audit information of which the Society's auditors are unaware. They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

By Order of the Board



SELENA PRITCHARD
Company Secretary
14 April 2020

VALUATIONS AND BONUS DECLARATIONS

The Directors, having taken advice from the Chief Actuary and the With Profits Actuary following their annual investigation of the long-term fund, have declared bonuses for the year ended 31 December 2019 which in value total £72.2m (2018: £114.8m).

Ordinary life assurance business	
Standard with profit policies	0.75% of basic sum assured (2018: 1.00%) and 15% of existing bonuses (2018: 1.75%)
Unitised with profit policies (Gross of management charge)	1.25% of existing bonuses (2018: 1.75%)
Pension business	
Conventional with profit policies (including paid-up policies)	0.1% of capital amount (2018: 0.1%) and 0.2% of existing bonuses (2018: 0.2%)
Unitised with profit policies (Series 1) (Gross of management charge)	2.50% of value of units (2018: 3.00%)
Unitised with profit policies (other Series) (Gross of management charge)	1.75% of value of units (2018: 2.25%)
Industrial life assurance business (Gross of management charge)	0.50% of basic sum assured (2018: 0.50%)
With Profit ISA (Gross of management charge)	1.75% of value of units (2018: 2.25%)


Examples of amounts payable on maturity on 1 July 2020 and 1 July 2019 are as follows

	Age	Term	Premium per month	2020	2019
Ordinary life assurance business	30	25 years	£50	£33,950	£35,455
	30	30 years	£50	£58,012	£61,811
Pension business	35	30 years	£200	£381,788	£375,540
	30	35 years	£200	£783,396	£808,544
Industrial life assurance business	35	30 years	£12	£13,335	£13,635
4 weekly					

In addition, the following rates of bonus are declared for life and pensions business in the Medical Sickness Society Fund.

Ordinary life assurance business	1.75% of basic sum assured (2018: 1.75%) and 4.25% of existing bonuses (2018: 4.25%)
Pension business	
Pure endowments	1.25% of the cash sum secured and the existing bonuses (2018: 1.25%)

This is an extract of the full declaration.

 Please see graph showing payouts on page 13

DIRECTORS' REPORT

The Directors present their Annual Report and audited Consolidated Financial Statements for the year ended 31 December 2019.

STATUS

The Society is a mutual society incorporated in England (Registered Number: ZC000145) by Private Act of Parliament, with the Registered Office at Colmore Circus, Birmingham B4 6AR. It has no shareholders and its members, who have the right to vote at general meetings, are defined in Note 26 to these accounts.

PRINCIPAL ACTIVITIES

The principal activities of the Group during 2019 continued to be the transaction of long-term insurance business in the UK, namely life assurance, pensions and income protection insurance in the form of reviewable, with profits and unit-linked contracts and acting as a financial adviser. Other financial services undertaken included mortgage broking, deposit taking, commercial lending, unit trust management, acting as a general insurance broker and providing dental patient membership plans.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Society's business is reviewed by the Chair on pages 4 and 5 and in the Strategic Report on pages 6 to 37. The year-end financial position is considered satisfactory given the ongoing underlying volatility of markets and the general outlook. As set out in those statements, the Society has plans to expand and improve its current method of operation.

The Key Performance Indicators, on which the Board and Management principally focus, are discussed in the Strategic Report and summarised in the Performance section on pages 08 to 11. These include the Society's Operating Profit, New Business, Premium Income and investment returns. In addition, management closely monitor the financial strength of the business as mentioned in the section on management of risk.

RESULTS AND BONUS DECLARATION

The financial statements and accompanying notes on pages 76 to 119 show the results for the year ended 31 December 2019 and the financial position at that date. The financial results are presented in accordance with the Companies Act 2006. In accordance with the Society's rules, the Society's Chief

Actuary carried out a valuation of the Society's assets and liabilities as at 31 December 2019. The Directors, having taken advice from the Chief Actuary following his annual investigation of the long-term fund, have declared rates of bonuses which are shown on page 63.

RISK MANAGEMENT

Details of the key risks to the Society and its approach to risk management are set out on pages 28 to 30 and in Note 2 to these financial statements.

Details on the adequacy of the Society's financial strength is covered in Note 13.

DIRECTORS

The Directors of the Society are as set out on pages 40 and 41.

Following a performance evaluation, the Board is satisfied that each of the Directors continues to perform effectively and with commitment to their role.

All Directors as at 31 December 2019 will be standing for re-election at the Society's AGM on 18 June 2020 along with Linda Wilding and Ian McCaig who will be standing for confirmation as Directors following their appointments on 1 June 2019 and 30 September 2019 respectively. None of the Directors have an interest in the shares of the Society's subsidiaries.

CORPORATE RESPONSIBILITY

As a mutual, the Society's principal focus is on its members and policyholders. However, the importance of having responsible policies for employees, customers and the community is recognised and the potential impact of key corporate responsibility issues is considered within the overall risk management framework.

ANTI-CORRUPTION AND ANTI-BRIBERY

The Society is fully committed to complying with the Bribery Act 2010 and has developed a Financial Crime Policy and Conflicts of Interest and Anti-Bribery Policy which are made available to all staff. Each member of staff is required to periodically complete a mandatory financial crime course.

Controls are in place to identify and report any instances of corruption or bribery and procedures are in place to report and investigate any instances should they arise.

RESPECT FOR HUMAN RIGHTS

The Society has a Speak-Out Policy and policies in place in relation to Anti-Bullying and Harassment and Inclusion and Diversity. An Employee Assistance programme is also in place for all employees.

Wesleyan recognises the importance of the Modern Slavery Act 2015 and is committed to acting ethically in all business dealings, in particular with suppliers. Our full Slavery and Human Trafficking Statement can be found on the Society's website.

EQUAL OPPORTUNITIES

The Society is fully committed to equal opportunities in its human resources practices, regardless of age, sex, ethnic origin, religion or disability. It is the Society's policy to give full consideration to suitable applications for employment by people with disabilities. Opportunities also exist for employees of the Society who become disabled to continue in their employment or to be trained for other positions in the Society's employment.

CHARITABLE DONATIONS

Charitable donations amounted to £1,034,202 (2018: £831,156). Over £935,905 in grants was allocated to nearly 100 projects via the Wesleyan Foundation. A number of charitable events were supported by employees where their personal contribution was matched £1 for £1 by the Society.

Charitable recipients	Donations (£000s)
Foundation	936
Other charities	98
Total	1,034

INDEPENDENT AUDITOR

A resolution to reappoint Ernst and Young LLP as Auditor to the Society will be proposed at the AGM.

S. Pritchard

SELENA PRITCHARD
Company Secretary
14 April 2020

REPORT FROM THE AUDIT COMMITTEE

Andrew Neden presents the Report from the Audit Committee for the year ended 31 December 2019.



MEMBERSHIP AND ROLE OF THE COMMITTEE

The members of the Committee at 31 December 2019 were:

Andrew Neden (Chair)
Nigel Masters
Martin Bryant
Linda Wilding

The Company Secretary acts as secretary to the Committee. The Audit Committee meets at least five times a year and has an agenda linked to events in the Society's financial calendar.

The Board considers that all the members of the Committee are independent and bring significant and relevant skills and experience to the function of the Committee. All members undertake induction training and continuing professional development. Andrew Neden, formerly a partner at KPMG, Nigel Masters, formerly a partner at PwC, and Linda Wilding, who is a Chartered Accountant, are considered by the Board to have recent and relevant financial experience.

In order to help the Committee meet its oversight responsibilities, regular updates are received on significant and topical areas affecting businesses including market initiatives relevant to companies' disclosure on climate change.

The terms of reference of the Audit Committee include all the matters required under the UK Corporate Governance Code and Prudential Regulation Authority Rules and follow FRC guidance, playing a key role in assisting the Board with regard to financial reporting (the Annual Accounts and submissions to the Prudential Regulation Authority including those for subsidiary companies) and to ensuring that the internal controls (including financial, operational and compliance controls and risk management processes) within the Society are appropriately robust.

In order to help the Committee meet its oversight responsibilities, regular updates are received on significant and topical areas affecting businesses including market initiatives relevant to companies' disclosure on climate change.

The Committee invites to its meetings members of the Executive and their direct reports so they can answer questions and provide first-hand explanations of the controls they have in place to mitigate the Society's risks and to provide direct responses to any matters raised by Corporate (internal) or external Audit in their reports to the Committee. The external Auditor, Ernst & Young LLP, attends most of the Committee's meetings, particularly when financial reporting is being considered. The Committee holds private meetings with each of the Head of Corporate Audit, the Compliance Officer, the Chief Financial Officer, the Chief Actuary and the external Auditor at least once a year.

SUMMARY OF KEY ACTIVITIES DURING 2019 BY WHICH THE AUDIT COMMITTEE DISCHARGED ITS RESPONSIBILITIES:

During the year the Committee:

- reviewed the proposed internal audit plan for the coming year to ensure that it addressed key areas of risk and that there was appropriate co-ordination with the Compliance function and external Auditor,
- approved the Group's internal Compliance function plans;
- monitored the Group's internal controls by considering a number of third party, external and internal audit and Compliance function reports (including on client money matters) on the key controls and risk management functions;

- ensured that significant findings and recommendations made, including findings around IT access controls as raised by External Audit; and management's proposed responses were received, discussed and appropriately acted upon;

- specifically, the Committee reviewed the quality of controls and the risk of fraud, including in revenue recognition;
- reviewed the arrangements through which employees can raise concerns about possible irregularities relating to financial reporting or other matters including reviewing all whistleblowing reports;

- recommended to the Board the Society's Annual Report and Accounts (including statements on going concern and viability), Solvency II Reporting Policy, Solvency and Financial Condition Reports, Regular Supervisory Reports and Valuation Reports;

- reviewed the half yearly assessment of cultural and conduct issues from the Head of Corporate Audit; and
- reviewed the implementation of the new change control framework for projects to confirm 'lessons learned' had been incorporated following external reviews of significant change programmes and benefits monitoring.

REPORT FROM THE AUDIT COMMITTEE

CONTINUED

SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

The Audit Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results and remuneration of senior management, or the level of complexity, judgement or estimation involved in their application on the consolidated financial statements. The main areas of focus during the year remain broadly consistent with those identified in 2018 and are set out in the following significant issues table.

AREA OF FOCUS	AUDIT COMMITTEE ACTION IN YEAR	CONCLUSION/OUTCOME
Valuation of assets with complex valuation methodology	The Committee reviewed the Annual Report on Valuation Controls which provided assurance on the controls in place to ensure the accuracy of the year end valuation. This report included confirmation that investment properties were revalued on an annual basis by an external expert. The Committee also obtained assurance that the valuation of derivatives was validated with reference to an independent data source. In addition, the Committee considered the impairment and accelerated amortisation of software development costs and fair value of subsidiary companies.	The Committee was satisfied with the methodology, assumptions and controls over the valuation of these assets.
The expense assumptions — both the current level of expenses incurred in maintaining a policy and the expected level of increase in expenses over the lifetime of the policies in force.	The Committee considered the methods used to determine the current level of expenses to maintain policies and the expected level of future increases, taking into account recent experience and future plans.	The Committee concurred with the expectation of similar level of long term expense inflation.
The demographic assumptions for mortality, longevity, persistency and morbidity	<i>The Committee reviewed management's analysis of actual experience and their proposed changes to assumptions, taking account of both this experience and external market information.</i> In particular, the Committee reviewed reports from management proposing changes to the longevity assumptions used to value the insurance liabilities to reflect improved life expectancy for Doctors and a weaker morbidity basis, reflecting lower claims experience for female doctors. <i>In addition, a reduction in the assumption relating to Guaranteed Annuity Rate (GAR) take up rates was reviewed by the Committee.</i>	The Committee agreed that the conclusions of management used to value the insurance liabilities were appropriate and also concurred with the other proposed changes to assumptions
Claims outstanding Provision.	The Committee reviewed a proposed change to the accounting policy used to calculate the value of claims outstanding.	The Committee considered and approved the change in accounting policy.
Pension scheme accounting.	FRS 102 is applied when reporting on the costs of the pension scheme in our report and accounts. This is intended to reflect the most likely cost of providing those long-term benefits to current and former employees. Assumptions are made as to the likely future cost based on future investment returns on assets held, the period in which any deficit would be repaid, increases in liabilities due to expected cost of living increases and other factors.	The Committee has considered these judgements in the light of experience and current markets and has concluded that the assumptions used to calculate the pension scheme surplus are in line with accounting standards and market practice.
Impact of COVID-19 on going concern and viability	The Committee reviewed the ORSA including the extreme pandemic stress and understood the mitigating actions available to management. The Committee also reviewed the specific COVID-19 stresses which includes the impact of a reduction in premium income, increased claims costs, reduction in investment income, decrease in equity values and credit spreads widening	The Committee was satisfied that the stresses were appropriate and after considering the stresses and any mitigating actions, the Committee concluded that there is a reasonable expectation that the Society will be able to continue in operation and meet its liabilities as they fall due over the planning period and that it remains appropriate to prepare these financial statements on a going concern basis

AREA OF FOCUS	AUDIT COMMITTEE ACTION IN YEAR	CONCLUSION/OUTCOME
Other Areas		
Solvency and Financial Condition Report and Regular Supervisory Report.	The Committee reviewed drafts of the Solvency and Financial Condition Report and Regular Supervisory Report and obtained reports from management providing assurance that the reports met regulatory requirements.	The Committee was satisfied that the final versions of the documents appropriately incorporated the input that had been provided and could be recommended to the Board for approval.
Reporting to members.	The Committee reviewed early drafts of the Annual Report and raised points with management. The Committee considered whether the Annual Report and Accounts taken as a whole was fair, balanced and understandable, providing the information necessary for stakeholders to assess the Society's performance, business model and strategy.	The Committee determined that the Annual Report and Accounts did meet these criteria and could be recommended to the Board for approval.

INTERNAL AUDIT

Internal Audit undertakes an annual planning exercise to determine which activities and controls should be subject to audit review over the following year. This is based on an assessment of the level of strategic and operational importance, the level of inherent and residual risk, and the results of any other assurance activity or process that may be relevant. Areas subject to Internal Audit review in 2019 included but were not limited to:

- Key strategic transformation programmes;
- Information security & cyber security;
- Group subsidiaries including Wesleyan Bank and Practice Plan;
- Customer servicing and delivery processes;
- Operations and finance processes;
- Risk Management Framework; and
- Key regulatory projects.

Internal Audit uses a co-source partner (currently Deloitte) to provide technical and subject matter expert support, where needed, to support the delivery of the annual plan. Following each review, any control weaknesses are discussed and agreed with management. Management is responsible for designing and implementing action plans to address the issues highlighted. The actions arising are tracked to ensure timely completion. Any changes to the Group internal audit plan are reviewed and approved on a quarterly basis by the Society Audit Committee.

Internal reviews of the effectiveness of the Internal Audit function are undertaken annually with input from Committee members and management. The review considers the expertise and experience of

the Internal Audit function, its plans and processes, and the quality of its outputs. The outcome of the review undertaken in 2019 was again generally positive, with only minor areas identified for development.

EXTERNAL AUDIT

The Committee:

- reviewed and approved the external Auditor's proposed audit scope and approach for the current year as set out in its 2019 audit plan, in the light of the Group's present circumstances and changes in regulatory and other requirements;
- discussed with the external Auditor any audit problems encountered in the normal course of audit work, including any restrictions on audit scope or access to information; and
- undertook a review of the effectiveness of the external audit process with input from Committee members and members of management who had been closely involved with the audit. The review considered the technical knowledge of the audit partner and the external audit team, their level of understanding of the Society's business model, the nature and robustness of the challenges raised and the efficiency of the audit process.

The Committee has a policy on the use of external auditors for non-audit services which precludes them from being engaged for such work if their independence or objectivity as external auditors would be impaired. This policy requires prior approval of the Committee for engagements where the fee is likely to exceed £50,000, and approval by the Chief Financial Officer or

Chair of the Audit Committee for lower amounts. The Committee was satisfied that all non-audit services provided during the year complied with policy.

Ernst & Young were appointed as external Auditors on 11 May 2017 following a tender exercise. A resolution proposing the reappointment of Ernst & Young LLP as external Auditor was put to the AGM held on 23 May 2019. 95% of votes cast were in favour and Ernst & Young LLP were duly reappointed. The current external audit partner is Andy Blackmore who has held this position since Ernst & Young were appointed. The Society expects to rotate its external Auditor at least every ten years, and its audit partner at least every five years. The outcome of the review of the effectiveness of the external audit process undertaken in March 2020 was satisfactory and as a consequence a resolution for the reappointment of Ernst & Young LLP as external Auditor will be put to the AGM.

COMMITTEE'S EFFECTIVENESS

The Committee reviews its own effectiveness annually with input from Committee members, management and the external Auditor. In 2019, only minor areas for improvement were identified. The Committee also reviews the effectiveness of each meeting prior to conclusion to ensure continuous improvement. As part of a wider board exercise each member discusses their training requirements to ensure familiarity with regulatory, accounting and wider market issues.



ANDREW NEDEN

Chair of the Audit Committee
14 April 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WESLEYAN ASSURANCE SOCIETY

OPINION

In our opinion:

Wesleyan Assurance Society's group financial statements and Society financial statements (the "financial statements") give a true and fair view of the state of the group's and of the Society's affairs as at 31 December 2019 and of the group's result for the year then ended;

the group and Society financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Wesleyan Assurance Society which comprise:

<i>Group</i>	<i>Society</i>
Consolidated balance sheet as at 31 December 2019	Balance sheet as at 31 December 2019
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 27 to the financial statements including a summary of significant accounting policies
Related notes 1 to 27 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group and Society financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

The directors have chosen to voluntarily report how they have applied the UK Corporate Governance Code (the 'Code') as if the Society were a premium listed company. As a result, we have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

the disclosures in the annual report set out on pages 28 to 30 that describe the principal risks and explain how they are being managed or mitigated;

the directors' confirmation set out on page 31 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;

the directors' statement set out on page 48 in the annual report about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

the directors' explanation set out on page 31 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

OVERVIEW OF OUR AUDIT APPROACH

Key audit matters	Valuation of technical provisions - actuarial expense and demographic assumptions Valuation of assets with more complex valuation methodologies - Property and derivatives Adequate consideration of COVID-19 in respect of the Group and as an event after the reporting period
Audit scope	We performed an audit of the complete financial information of the Society and audit procedures on specific balances for a further five components. The components where we performed full or specific audit procedures accounted for 98% of Total assets.
Materiality	Overall Group materiality of £20m which represents 3% of the Fund for Future Appropriations

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of technical provisions: actuarial demographic and expense assumptions The valuation of the technical provisions as at 31 December 2019 is £6,320.2m (2018: £5,662.8m) as disclosed in note 14 to the financial statements. The valuation of technical provisions is inherently uncertain due to the dependency on a number of key assumptions, including morbidity, longevity, persistency and expenses. In addition, these assumptions have different sensitivities, and for some assumptions small changes will have a material impact on the Group's reported result. Demographic assumptions are set based on internal and market experience, overlaid with the application of judgement in particular around expectations of future trends and external factors. Expense assumptions are set based on the anticipated costs associated with administering the business, including expenses inflation as well as the split between acquisition / maintenance and between different classes of business. These assumptions are used as inputs into a valuation model which uses standard actuarial methodologies.	To obtain sufficient audit evidence to conclude on the appropriateness of actuarial assumptions, we engaged our actuarial specialists as part of our audit team and performed the following procedures: We obtained an understanding and tested the design and operating effectiveness of key controls over management's process for setting and updating actuarial assumptions. We tested that the policy records data used in the process for setting and updating demographic and expense assumptions was complete and accurate. We reviewed and challenged the results of management's experience analyses to assess whether these justified the adopted assumptions. In respect of longevity improvements, we have evaluated the use of the chosen industry standard Continuous Mortality Investigation ('CMI') model and the parameters used to validate that it was appropriate relative to the industry and reflects the expected longevity of the Society's policyholders relative to those in the CMI model. We reviewed the approach to setting expense assumptions against Solvency II guidance (being the basis of measurement of technical provisions within the statutory accounts) and market practice. We concluded on whether the final assumptions were within a reasonable range based on our expert judgement, management's internal experience analysis and the results of assumptions used by peers as per our Hot Topics survey.	We determined that the actuarial assumptions used by management are reasonable based on the analysis of experience to date, industry practice and the financial and regulatory requirements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF WESLEYAN ASSURANCE SOCIETY

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Valuation of assets with more complex valuation methodologies – Derivatives and Property</p> <p>The Group investment portfolio contains asset classes whose valuation is subject to significant judgement and volatility, including derivatives and investment properties which have a total value of £386.9m (2018: £369.6m) (derivatives – £72.8m (2018: £65.3m) and property – £314.1m (2018: £304.3m) as disclosed in notes 10(d) and 10(e) to the financial statements. Any changes to the judgments included in the valuation of these assets could result in a material difference in the valuation.</p>	<p>We performed walkthroughs over the investment valuation processes for these asset classes. This included understanding the procedures in place through which the Society gains assurance over the counterparty valuation of the derivatives and the property valuations provided by management's expert.</p> <p>Using internal derivative valuation specialists, we performed independent valuations of a sample of the derivative portfolio and obtained counterparty confirmations to verify existence of the contracts</p> <p>We utilised EY property valuation specialists to independently value 26 investment properties (representing 50% (2018: 47%) of the balance). Separately, we assessed the competence and objectivity of management's expert for the remainder of the properties.</p>	<p>We have concluded that the valuation of the derivative portfolio is in the middle of a reasonable range.</p> <p>We have concluded that the valuation of the property portfolio is towards the optimistic end of a reasonable range.</p>
<p>Adequate consideration of COVID-19 in respect of the Group and as an event after the reporting period</p> <p>(Refer to the Viability Statement on page 31, Going Concern on page 48, Audit Committee Report on page 66 and Note 25 Post Balance Sheet Events)</p> <p>Adequate consideration of COVID-19 in respect of the Group and as an event after the reporting period (Refer to the Viability Statement on page 31, Going Concern on page 48, Audit Committee Report on page 66 and Note 25 Post Balance Sheet Events)</p> <p>The global outbreak of COVID-19 presents operational, market and insurance risks to the group.</p> <p>COVID-19 is considered to be a non-adjusting post balance sheet event and as such no adjustments have been made to the valuation of assets and liabilities as at 31 December 2019.</p> <p>The Directors have performed an assessment of the impact of COVID-19 on the liquidity and capital position of the Society and their internal capital modelling includes an assessment of the capital required to be held for a pandemic scenario. Based on these analyses they do not consider that COVID-19 gives rise to a material uncertainty over the going concern or viability of the Society.</p> <p>There is a risk around the appropriateness of modelling performed by the Society, that the Directors have drawn inappropriate conclusions regarding the going concern basis and viability and that the disclosures in the financial statements are inadequate or inappropriate</p>	<p>We read, assessed and challenged the Directors' Viability Statement and going concern assessment, including their expectation of the impact of COVID-19 on the operations, liquidity and capital position of the Society.</p> <p>In particular,</p> <p>We obtained and reviewed the Own Risk & Solvency Assessment (ORSA) and the Society's five year business plan;</p> <p>Using our actuarial specialists acting as part of our audit team, we assessed the appropriateness of assumptions in the pandemic scenario used by management in their ORSA,</p> <p>We obtained the liquidity and solvency forecasts prepared by the Society and assessed whether the base forecast was realistic by comparison with historic performance and our understanding of the business.</p> <p>We challenged whether the alternative scenarios adopted by management for potential changes in premiums and claims due to COVID-19 were appropriate and tested that they had been accurately applied in the liquidity and capital forecasts.</p> <p>We considered management's assessment of the impact of volatility in investment markets, including the effect of management actions, on the Society's forecast solvency position.</p> <p>We considered whether management actions identified by the Society were realistically achievable, based on our knowledge of the business</p> <p>We considered management's assessment of the operational impact on the business of Covid-19 by reference to the measures they have currently implemented or plan to put in place</p> <p>We read the financial statement disclosures in respect of the viability statement, the going concern statement, the Audit Committee report and the post balance sheet impact of Covid-19 in Note 25, to determine whether they were consistent with the results of management's forecasts and in accordance with the requirements of FRS 102 and recommended additional clarifying disclosures on COVID-19 were made</p>	<p>We have concluded that the Directors had an appropriate basis on which to make the assessment that COVID-19 does not give rise to a material uncertainty over the going concern or viability of the Society.</p> <p>We consider that the financial statement disclosures in respect of the impact of COVID-19 are appropriate and consistent with the requirements of FRS102</p>

In the prior year, our auditor's report included a key audit matter in relation to the valuation of pension scheme surplus. Given the consistency in the assumptions underpinning the liabilities year on year and the lack of complexity in the valuation of the pension assets, we have not considered this as a key audit matter for our current year audit.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each entity.

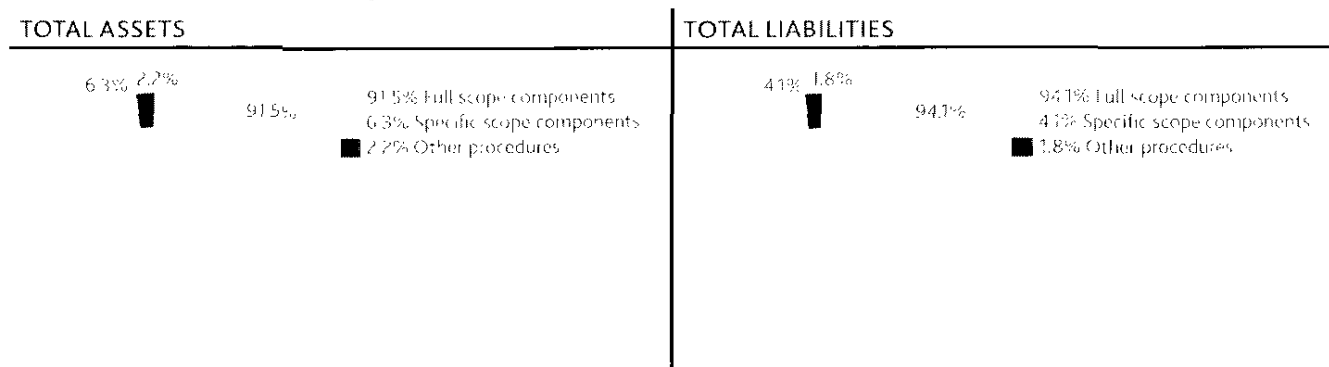
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the eight reporting components of the Group, we selected six components covering entities which represent the principal business units within the Group.

Of the six components selected, we performed an audit of the complete financial information of one component ("full scope component") which was selected based on its size or risk characteristics. For the remaining five components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 98% of the Group's Total assets and 98% of the Group's Total liabilities. For the current year, the full scope component contributed 91.5% of the Group's Total assets and 94.1% of the Group's Total liabilities. The specific scope components contributed 6.3% of the Group's Total assets and 4.1% of the Group's Total liabilities. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining two components that together represent 2.2% of the Group's Total assets and 1.8% of the Group's Total liabilities, none are individually greater than 1% of the Group's Total assets, Total liabilities or Funds for Future Appropriations. For these components, we performed other procedures, including performing analytical review procedures, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



CHANGES FROM THE PRIOR YEAR

There are no significant changes in scoping the group audit from prior year.

INVOLVEMENT WITH COMPONENT TEAMS

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from another UK EY team operating under our instruction. Audit procedures over the full scope component and four of the five specific scope components were performed directly by the primary audit team. For the remaining one specific scope component, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The primary team interacted regularly with the component team where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF WESLEYAN ASSURANCE SOCIETY

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

MATERIALITY

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £20 million (2018: £20 million), which is 3.34% (2018: 3.07%) of Funds for Future Appropriations. We believe that Funds for Future Appropriations provides us with the most appropriate basis for determining materiality as it is the equivalent of net assets in an insurance company.

We determined materiality for the Parent Company to be £20 million (2018: £20 million), which is 3.36% (2018: 3.05%) of Funds for Future Appropriations.

PERFORMANCE MATERIALITY

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £10m (2018: £10m). We have set performance materiality at this percentage because our prior year audit experience indicates a higher risk of misstatements, both corrected and uncorrected.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £2m to £10m.

REPORTING THRESHOLD

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1m (2018: £1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the annual report, including the Overview, Strategic Report and Our Governance sections set out on pages 1 to 67, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact

We have nothing to report in this regard.

As a result of the directors' voluntary reporting on how they have applied the Code, we also have nothing to report in regard to our responsibility under ISAs (UK) to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

Fair, balanced and understandable set out on page 62 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for members to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit, or

Audit committee reporting set out on pages 65-67 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee.

OTHER VOLUNTARY REPORTING RELATING TO THE CORPORATE GOVERNANCE STATEMENT

The Society voluntarily prepares a corporate governance statement that includes the information with respect to internal control and risk management systems and about share capital structures required by the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority. The directors have requested that we report on the consistency of that information with the financial statements.

In our opinion, the information given in the Corporate Governance Statement set out on pages 42-49 and in the Audit Committee Report on pages 65-67 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

The Society's voluntary Corporate Governance Statement includes details of the Society's compliance with the Code. The directors have requested that we review the parts of the Corporate Governance Statement relating to the provisions of the Code specified for auditor review by the Listing Rule 9.8.10R(2) of the Financial Conduct Authority as if the Society were a premium listed company. We have nothing to report that the parts of the directors' statement relating to the company's compliance with the Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and

the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the Society and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

adequate accounting records have not been kept by the Society, or returns adequate for our audit have not been received from branches not visited by us, or

the Society financial statements are not in agreement with the accounting records and returns; or

certain disclosures of directors' remuneration specified by law are not made, or

we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 62, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the Society or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WESLEYAN ASSURANCE SOCIETY

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

The objectives of our audit:

in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management, and

in respect to irregularities, considered to be non-compliance with laws and regulations, are to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements ('direct laws and regulations'), and perform other audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements. We are not responsible for preventing non-compliance with laws and regulations and our audit procedures cannot be expected to detect non-compliance with all laws and regulations.

Our approach was as follows

We obtained a general understanding of the legal and regulatory frameworks that are applicable to the group and the Society and determined that the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA')

We obtained a general understanding of how the Group and Society complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Society and its subsidiaries and UK regulatory bodies, reviewed minutes of the Board and Executive Risk Committee, and gained an understanding of the Group's approach to governance, demonstrated by the Board's approval of the Group's governance framework and the Board's review of the Group's risk management framework ('RMF') and internal control processes.

For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Group and Society's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA.

The Group operates in the insurance and banking industries which are highly regulated environments. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

We assessed the susceptibility of the group and the Society's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Society and its subsidiaries have established to address risks identified by the entity, or that otherwise seek to prevent, detect or detect fraud. We also considered areas of significant judgement, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed *audit procedures to address each identified fraud risk, including the procedures over the actuarial assumptions noted above and testing manual journals*, which were designed to provide reasonable assurance that the financial statements were free from fraud or error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

We were appointed by the Society on 29 September 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods

Our total uninterrupted period of engagement is 3 years, covering periods from our appointment through to the period ending 31 December 2019

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the Society and we remain independent of the group and the Society in conducting the audit

The audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

This report is made solely to the Society's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

ANDY BLACKMORE (SENIOR STATUTORY AUDITOR)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol

17 April 2020

Notes:

1. The maintenance and integrity of the Wesleyan Assurance Society web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



OUR FINANCIALS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Profit and Loss Account			
Technical Account - Long-term Business			
Earned premiums, net of reinsurance	3(a)		
Gross premiums written		339.5	310.9
Outward reinsurance premiums		(10.1)	(11.5)
		329.4	299.4
Investment income	4	504.0	383.2
Unrealised gains on investments	4	314.7	-
Other technical income	5(a)	16.7	14.2
Total Technical Income		1,164.8	696.8
Claims incurred, net of reinsurance	6		
Claims paid - gross amount		(332.7)	(324.6)
- reinsurers' share		14.5	171
- net of reinsurance		(318.2)	(307.5)
Change in the provision for claims		(0.4)	(1.7)
		(318.6)	(309.2)
Change in other technical provisions, net of reinsurance	14		
Long-term business provision - gross amount		(532.8)	180.1
- reinsurers' share		(21.1)	(5.2)
		(553.9)	174.9
Operating expenses	7	(105.9)	(111.5)
Investment expenses and charges	4	(7.7)	(10.7)
Unrealised losses on investments	4	-	(514.7)
Allocation of net investment return to investment contracts	14	(189.2)	60.0
Other technical charges	5(b)	(16.7)	(21.3)
Tax attributable to the long-term business	9	(27.3)	17.6
Change in present value of future profits on linked non-profit business written in the With Profits Fund		21.8	(101)
Transfers from the Fund for Future Appropriations	13	32.7	28.2
		(292.3)	(562.5)
Total Technical Charges		(1,164.8)	(696.8)
Balance on the Technical Account - Long-term Business		-	-
Other Comprehensive Income			
Actuarial (loss)/gain on pension scheme	24	(23.7)	20.4
Revaluation gain on tangible fixed assets	12	4.0	2.7
Transfers from / (to) the Fund for Future Appropriations	13	19.7	(23.1)
Other Comprehensive Income for the year		-	-
Total Comprehensive Income for the year		-	-

The total transfer from the Fund for Future Appropriations was £52.4m (2018: £51m).

The whole of the above results derive from continuing operations.

As a mutual company, all earnings are retained for the benefit of participating policyholders and are carried forward within the Fund for Future Appropriations.

The Society has elected to take the exemption under Section 408 of the Companies Act 2006 not to present the Society Statement of Comprehensive Income.

BALANCE SHEETS

AS AT 31 DECEMBER 2019

	Note	Group		Society	
		2019 £m	2018 £m	2019 £m	2018 £m
Assets					
Intangible assets					
Intangible assets	12(a)	71.2	79.1	60.0	66.5
Goodwill	12(a)	32.0	36.2	-	-
Investments					
Land and buildings	10(d)	314.1	304.3	314.1	304.3
Group undertakings and participating interests	21	-	-	85.9	98.7
Other financial investments	10(a)	5,343.0	4,759.6	5,048.1	4,549.5
		5,657.1	5,064.0	5,448.1	4,952.5
Value of in-force linked non-profit business		59.2	37.4	59.2	37.4
Assets held to cover linked liabilities	10(b)	1,279.7	1,155.1	1,279.7	1,155.1
Reinsurers' share of technical provisions					
Long-term business provision	14	59.3	80.4	59.3	80.4
Claims outstanding		0.2	0.4	0.2	0.4
		59.5	80.8	59.5	80.8
Debtors					
Debtors arising out of direct insurance operations - policyholders		2.1	1.7	2.1	1.0
Debtors arising out of reinsurance operations		3.1	3.6	3.1	3.6
Other debtors	11	15.6	22.5	1.5	2.2
		20.8	27.8	6.7	6.8
Other assets					
Tangible assets	12(b)	36.6	33.7	31.0	28.1
Cash at bank and in hand		46.6	47.0	5.4	2.5
		83.2	80.7	36.4	30.6
Prepayments and accrued income					
Accrued interest and rent		24.7	26.1	24.7	26.1
Other prepayments and accrued income		7.5	6.5	-	-
		32.2	32.6	24.7	26.1
Total Assets (excluding pension asset)		7,294.9	6,593.7	6,974.3	6,355.8
Pension Asset	24	91.1	111.3	91.1	111.3
Total Assets (including pension asset)		7,386.0	6,705.0	7,065.4	6,467.1

The notes on pages 80 to 119 form an integral part of these financial statements.

BALANCE SHEETS (CONTINUED)

AS AT 31 DECEMBER 2019

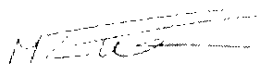
	Note	Group		Society	
		2019 £m	2018 £m	2019 £m	2018 £m
Liabilities					
Non-current liabilities:					
Fund for Future Appropriations	13	598.2	650.6	594.1	653.6
Technical Provisions					
Long-term business provision	14	5,040.6	4,507.7	5,032.6	4,513.6
Claims outstanding		9.9	9.5	9.9	9.5
		5,050.5	4,517.2	5,042.5	4,523.1
Technical provisions for linked liabilities	14	1,279.7	1,155.1	1,279.7	1,155.1
Provisions for other Risks	15	87.6	76.3	85.5	75.0
Deposits received from Reinsurers	16	27.1	33.2	27.1	33.2
Deposits from banks	2	-	5.0	-	-
Current liabilities:					
Creditors					
Creditors arising out of direct insurance operations		5.1	2.9	5.1	2.7
Creditors arising out of reinsurance operations		0.3	1.1	0.3	1.1
Other creditors	18	27.0	22.8	26.4	18.4
Customer bank accounts	2	283.1	216.7	-	-
		315.5	243.5	31.8	22.2
Accruals and Deferred Income		27.4	24.1	4.7	4.9
Total Liabilities		7,386.0	6,705.0	7,065.4	6,467.1

The notes on pages 80 to 119 form an integral part of these financial statements

The financial statements on page 77 to 119 were approved by the Board of Directors on 14 April 2020 and signed on its behalf by:



Nathan Moss
Chair



Mario Mazzocchi
Group Chief Executive



Ahmed Farooq
Chief Financial Officer

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES

BASIS OF PRESENTATION AND CONSOLIDATION

The Group financial statements have been prepared under the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to insurance groups, and have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance contracts", and the Companies Act 2006, under the provision of SI 2008/410. The Triennial Review amendments to FRS102 had no impact on the Society's adopted accounting policies.

A summary of the more important Group accounting policies is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements incorporate the assets, liabilities and results of the Society and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiary undertakings acquired or sold during the year are included in the consolidated results from the date of acquisition or up to the date of disposal. On acquisition of a subsidiary undertaking, all of its assets and liabilities at the date of acquisition are recorded at their fair values reflecting their condition at that date. The profits and losses before tax of subsidiaries are consolidated through Other Technical Income and Other Technical Charges respectively within the Profit and Loss Account, in line with FRS 103 IG 2.60 implementation guidance.

The Group is exempt from the requirements of section 7 of FRS 102 to prepare a cash flow statement, as mutual life assurance companies are excluded from compliance with this section.

The Directors have considered the appropriateness of the going concern basis used in the preparation of these financial statements and, in the opinion of the Directors, the going concern basis adopted continues to be appropriate.

ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

Technical provisions involve a higher degree of judgement and complexity with significant assumptions and estimates involved in the calculation, including discount rates, longevity, persistency and morbidity. These judgements and estimates have been disclosed in Note 14. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The pension asset recognised in the balance sheet is the value of the scheme's assets less the present value of the scheme's liabilities and the Society has the rights to the asset upon wind up of the scheme. A pension valuation is carried out every three years, with the most recent valuation of the scheme as at 31 December 2018. These judgements and estimates have been disclosed in Note 24.

The valuation used the projected unit method and was carried out by a qualified Actuary employed by Aon Hewitt. The results of the latest funding valuation at 31 December 2018 have been adjusted to the balance sheet date taking account of experience over the period since 31 December 2018, changes in market conditions and differences in the financial and demographic assumptions.

Investment properties, including those occupied by the Society, are valued by external professionally qualified valuers, having an appropriate recognised professional qualification, as well as recent experience in the location and category of the property being valued. In estimating the fair values of the properties within the portfolio, the highest and best use of the properties is their current use.

Derivative financial instruments are measured at fair value, which is obtained using valuation techniques performed by third parties, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

CLASSIFICATION OF CONTRACTS

The Society classifies its products for accounting purposes as insurance, investment or investment with discretionary participation features. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. Contracts that do not transfer significant insurance risk are investment contracts. As a general guideline, the Society defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

A discretionary participation feature is a contractual right held by a policyholder to receive additional payments as a supplement to guaranteed benefits. Such contracts are more commonly known as 'with profits' or 'participating' contracts and are accounted for as insurance contracts.

Hybrid contracts are those where the policyholder can invest in and switch between both unit-linked (non-participating) and unitised with profits (participating) investment mediums. Hybrid policies that include both discretionary participation features and unit-linked components have been unbundled and the two components have been accounted for separately. For practical reasons certain hybrid contract types are treated as if they were investment contracts with discretionary participation features when accounting for premiums, claims and other revenue.

1. ACCOUNTING POLICIES

Amounts received in respect of unit-linked investment contracts, which principally involve the transfer of financial risk, are accounted for using deposit accounting, under which amounts collected are credited directly to the balance sheet, as an adjustment to the liability to the policyholder. Financial liabilities in respect of unit-linked investment contracts are carried in the balance sheet as 'Technical provisions for linked liabilities'.

(I) INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATING FEATURES (DPF)

PREMIUMS

Long-term business premium income is accounted for when due for payment or, in the case of linked business, when the liability is established.

REINSURANCE

Long-term business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, morbidity, investment, persistency and expenses and are accounted for as insurance contracts. The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurance companies.

CLAIMS

Claims payable on death are accounted for on the basis of notifications received. Disability claims are accounted for on the basis of individual claim assessments. Maturities and annuity payments are accounted for when the claim becomes due for payment. Surrenders are recognised either when paid or if earlier, the date on which following notification, the policy ceases to be included within the long-term business provision and/or the liabilities on investment contracts. Claims include bonuses payable on with profits or participating contracts. Claims payable include all related internal and external claims handling costs. Reinsurance recoveries are accounted for in the same period as the related claim.

The reinsurers' share of claims incurred, in the profit and loss account, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the year. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the profit and loss account as 'outward reinsurance premiums' when due.

LIABILITIES

In respect of the hybrid policies the insurance risks have been unbundled from the investment contracts and reserves continue to be provided within the long-term business provision.

(II) INVESTMENT CONTRACTS

As noted above, amounts received in respect of unit-linked investment contracts are accounted for using deposit accounting, under which amounts collected are credited directly to the balance sheet as an adjustment to the liability to the policyholder. Financial liabilities in respect of unit-linked investment contracts are carried in the balance sheet as 'Technical provisions for linked liabilities'.

Fees receivable from investment contracts include the management charge payable for administration of the relevant funds and is calculated as a percentage of the fund value for each policy (included in 'other technical income'). The fees are recognised in the profit and loss account at the same time as they are charged to the policy.

INVESTMENTS

(I) INVESTMENT PROPERTIES

Investment properties are held at fair value, measured annually with changes in fair value recognised in the statement of comprehensive income. The basis of valuation used is open market value net of cost of purchase, with no changes to the valuation technique during the year.

The owner occupied share of the Head Office property is separated from the share of the property which is rented out, and is held as a tangible fixed asset.

(II) INVESTMENTS IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

In the Society's balance sheet, 'Investments in Group undertakings and participating interests' are stated at fair value through profit and loss, for each individual subsidiary company in accordance with section 9 of FRS 102. The valuation techniques and assumptions used for determining fair value have been disclosed in Note 21.

(III) OTHER FINANCIAL INVESTMENTS

The Society has chosen to apply the recognition and measurement provisions of IAS 39, and the disclosure requirements of FRS 102 sections 11 and 12.

The Society classifies its other financial investments into the following categories:

- Shares and other variable-yield securities and units in unit trusts – at fair value through profit and loss;
- Debt securities and other fixed income securities – at fair value through profit and loss;
- Deposits with credit institutions – at fair value through profit and loss; and
- Loans to customers – loans and receivables.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES CONTINUED

Shares and other variable yield securities and units in unit trusts, debt securities and other fixed interest securities and deposits with credit institutions - are classified as at fair value through profit and loss at inception because they form part of an investment portfolio that is managed and whose performance is evaluated by the Society's key management personnel on a fair value basis.

The fair values of listed investments are based on the current bid price on the balance sheet date or the last trading day before this date. The fair values of other unlisted investments, for which no active market exists, are established by the Directors using valuation techniques. These include use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other pricing models.

Net gains or losses arising from changes in the fair value of financial assets are presented in the profit and loss account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the period in which they arise.

Unrealised gains and losses represent the difference between the fair value of financial assets at the balance sheet date and the original cost, or if they have been previously valued, that valuation at the balance sheet date. The movement in unrealised gains and losses recognised through the statement of comprehensive income in the year also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Loans and receivables - are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Society has designated as at fair value through profit and loss. Loans to customers are classified in this category. Loans and receivables are measured at fair value plus directly attributable transaction costs on initial recognition and subsequently at amortised cost using the effective interest method.

Other financial assets are recognised at amortised cost.

(IV) INVESTMENT INCOME AND EXPENSES

Dividends are recorded on the date on which the shares are quoted ex-dividend. Other investment income and expenses are included on an accruals basis.

(V) INVESTMENT GAINS AND LOSSES

Realised gains and losses on investments are calculated as the difference between net sales proceeds and the original cost/carrying value.

COMMISSION INCOME

Commission income within Wesleyan Financial Services is received from Wesleyan Assurance Society and third party manufacturers. Protection product and commission income is recognised when the service is provided. General insurance commission income is recognised when the insurance contracts have been sold irrespective of the period of insurance.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value are recognised immediately in the statement of comprehensive income.

ASSETS HELD TO COVER LINKED LIABILITIES

Assets held to cover linked liabilities are valued at fair value through the profit and loss account.

IMPAIRMENT CHARGE

At each reporting date financial assets measured at amortised cost are reviewed for indicators of impairment. If the recoverable amount of an asset is less than its carrying amount, then the value of the asset is impaired to its recoverable amount.

Specific impairment provisions are made against advances by Wesleyan Bank Limited ('the Bank') for which recovery is considered to be doubtful and represent the quantification of actual and expected losses from identified accounts. The amount of specific impairment provision raised is assessed on a case by case basis.

To cover impaired advances which have not yet been identified on an individual basis a collective impairment provision is made against the unsecured loan portfolio. In accordance with best practice, the collective impairment provision has been monitored against historic collection rates. The current level of arrears has been measured against the historical data to arrive at a percentage provision to be applied against each arrears tranche.

Impairment charges for credit losses are deducted from loans and advances in the balance sheet and are charged to the statement of comprehensive income.

PENSION COSTS

The Group operates a defined benefit pension scheme, which was closed to new members with effect from 1 October 2009, and closed to future accrual from 5 April 2016.

The pension cost for the scheme is analysed between past service cost and net return on pension assets. Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period. Past service costs, relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits, are recognised in the statement of comprehensive income on a straight-line basis over the period in which the increased benefits vest.

Net expected return on the pension assets comprises the expected return on the pension scheme assets less interest on scheme liabilities.

1. ACCOUNTING POLICIES (CONTINUED)

The actuarial gains and losses which arise from updating the latest actuarial valuation to reflect conditions at the balance sheet date are included as a separate line in the statement of comprehensive income.

PRESENT VALUE OF FUTURE PROFITS ON LINKED NON-PROFIT BUSINESS WRITTEN IN THE WITH PROFITS FUND

For investment contracts, the excess value of future profits from linked business written by the Society over any value taken into account in calculating the best estimate liabilities for with profits business is recognised as an asset, and allows for the repayment of initial expenses incurred on this business that have not yet been recouped.

The value assigned to this asset is calculated in accordance with Solvency II rules. The methodology and assumptions are based on our best estimate of future experience and the risk-free yield, less a suitable adjustment for risk and uncertainty ('risk margin').

REINSURERS' SHARE OF TECHNICAL PROVISIONS

The reinsurers' share of technical provisions is calculated on a basis consistent with the calculation of the corresponding liabilities. Long-term business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, morbidity, investment, persistency and expenses. The contracts are accounted for as insurance contracts, provided that the risk transfer is significant. Some contracts which provide for the transfer of significant risk are also structured to provide financing. Where, under such contracts, financing components are to be repaid in future accounting periods, the amount outstanding under the contract at the balance sheet date is classified as a liability to the reinsurer and included in 'deposits received from reinsurers'. Contracts with the legal structure of reinsurance contracts which do not transfer significant insurance risk are classified as financial assets.

GOODWILL

Goodwill is capitalised in the balance sheet at cost and amortised through the statement of comprehensive income on a straight-line basis over its useful economic life of between 10 and 15 years. Goodwill is reviewed annually for indicators of impairment. The gain or loss on subsequent disposal of a subsidiary or associated undertaking will include any attributable unamortised goodwill.

INTANGIBLE ASSETS

Intangible assets relate to computer software development, assets in the course of construction, and customer listings acquired on acquisition. Customer listings are valued based on expected future income, discounted to their present value. These are being amortised over their expected economic life of ten years.

Computer software is valued at cost less amortisation, with assets being amortised on a straight-line basis over a four to ten year period. Assets in course of construction relate to software being developed and are not amortised.

TANGIBLE FIXED ASSETS

Tangible assets, except for freehold buildings, are stated at valuation or at cost less depreciation, where the cost of tangible assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible assets on a straight-line basis over the expected useful economic lives of the assets concerned, having regard to expected residual values.

The periods generally applicable are:

- Freehold buildings – thirty to fifty years;
- Computer hardware – three to ten years;
- Furniture and fittings – ten to twenty years;
- Motor vehicles – three to four years;
- Equipment for hire – term of hire agreement;
- Assets in course of construction – no depreciation charged until construction completed.

Freehold buildings are revalued annually with changes in fair value recognised in the statement of comprehensive income. The basis of valuation used is open market value net of cost of purchase.

Tangible fixed assets are reviewed annually for indicators of impairment. Where, in the opinion of the Directors, there has been impairment in the value of fixed assets to below their net book value, additional depreciation is charged to reduce the carrying value of the assets to their fair value less costs to sell.

FUND FOR FUTURE APPROPRIATIONS (FFA)

The FFA is the excess of assets over the aggregate of policy and other liabilities. It is the Society's capital. Transfers to and from the FFA reflect the excess or deficiency of income over claims, expenses, tax and changes in the technical provisions in each accounting period.

LONG-TERM BUSINESS PROVISION

The long-term business provision is determined by the Directors, having taken advice from the Chief Actuary following his annual investigation of long-term insurance business.

The long-term business provision is calculated using Solvency II methodology. Under Solvency II, the long-term business provision is broadly equivalent to the current amount the Society would have to pay for an immediate transfer of its obligations to a third party.

INSURANCE CONTRACTS AND PARTICIPATING INVESTMENT CONTRACTS

Actuarial best estimate assumptions are used to determine the amount and timing of future cash flows which make up the best estimate liabilities.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES CONTINUED

An additional provision is included by the Society to protect against adverse events that cannot easily be hedged. This 'risk margin', is defined as the cost of holding Solvency II regulatory capital over the lifetime of each insurance contract.

WITH PROFITS (PARTICIPATING) CONTRACTS

Provision is made for all bonus payments (declared and future, reversionary and terminal) estimated, where necessary, in a manner consistent with the Principles and Practices of Financial Management (PPFM).

The underlying liabilities are based on the aggregate value of policy asset shares reflecting the premiums, investment return, expenses and charges applied to each policy.

Some with profits policies also contain options and guarantees that can increase the benefits payable to the policyholder. The potential liability for these options and guarantees is determined using a stochastic model, which simulates future investment returns, asset mix and bonuses. The most significant options and guarantees are:

- The sum assured and declared reversionary bonuses on with profits policies;
- With profits deferred annuity policies where the annuity is at a guaranteed rate;
- With profits policies with minimum surrender values, and
- Unitised with profits policies containing guarantees that market value reductions will not be applied at specified times.

NON-PARTICIPATING INSURANCE CONTRACTS

For conventional non-profit liabilities, a gross premium valuation method is used, which brings into account the full premiums receivable under contracts written by the Society, estimated renewal and maintenance costs and contractually guaranteed benefits.

The estimation techniques and assumptions are periodically reviewed with any changes in estimates reflected in the profit and loss account as they occur.

TECHNICAL PROVISIONS FOR LINKED LIABILITIES

The financial liabilities for these contracts are designated at inception at fair value through the statement of comprehensive income. The fair value of a unit-linked financial liability is determined using the current unit values that reflect the fair values of the financial assets contained within the Society's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the contract holder at the balance sheet date.

If the investment contract is subject to a surrender option, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period, where applicable.

DEFERRED TAXATION

Deferred tax assets and liabilities are recognised on an undiscounted basis in accordance with the provisions of section 29 of FRS 102.

Deferred tax on changes in the fair value of investments is recognised in the profit and loss account. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax relating to unrealised gains on linked assets is included in the technical provisions for linked liabilities.

PROVISIONS

A provision is recognised in the balance sheet when there is a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and that the obligation can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. No provision is established where a reliable estimate of the obligation cannot be made.

LEASES

Finance leasing agreements transfer to the Group substantially all the benefits and risks of ownership of an asset. Accordingly they are treated as if the asset had been purchased outright and are depreciated over the shorter of the useful economic life of the asset or the length of the lease term. Assets are reviewed annually for indicators of impairment. Payments in respect of operating leases are charged to the statement of comprehensive income in the period to which they relate. Appropriate provisions are held when operating leases are considered to be onerous contracts (as defined under section 20 of FRS 102).

FOREIGN CURRENCIES

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. Pounds sterling is the functional currency of all Group entities. The consolidated financial statements are presented in millions of pounds sterling, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income for the period.

Translation differences on non-monetary items, such as equities held at fair value through the statement of comprehensive income, are reported as part of the fair value gain or loss.

2. RISK MANAGEMENT

GENERAL

In addition to the components detailed in the Risk Management Section on pages 28 to 30, Wesleyan's Risk Management Framework also incorporates the following:

Wesleyan considers the market, credit, insurance and operational risks it faces together at a point in time and determines the amount of capital that it is appropriate to hold taking account of these risks based on a prescribed risk appetite measure (its risk based capital). This is done through calculation of the Solvency Capital Requirements and internal capital risk appetite measures, as part of the Solvency II directive.

Wesleyan produces an Own Risk and Solvency Assessment (ORSA) focusing on the quantification of market, credit and insurance risk with the application of detailed modelling to assess the sensitivity of the Society's position to economic and business scenarios over the planning period.

The Medical Sickness Society Fund (MSSF) is operated in accordance with the Scheme Merger documentation and is only exposed to risks arising from policies in MSSF itself.

The Ordinary and Industrial Long Term Business Fund (OILBTF) is exposed to the business risks of subsidiary companies as well as the business risks arising from the operation of long-term insurance itself. The Board decides whether to undertake a particular business risk and has the responsibility for reviewing and setting a limit on the scale of such risks, advised by the With Profits Committee. Where appropriate, limits will be set for individual risks.

It is also exposed to risks arising from weaknesses in internal controls over operations and costs in excess of those allowed for in premium rates. Wesleyan undertakes a thorough risk assessment and management process each year.

Wesleyan Bank Limited (the 'Bank') has approved a risk management methodology with regards to its operations which is disclosed in its financial statements.

The Risk Committee is tasked by the Board with providing independent oversight of the risk management framework.

The employment contract of each member of the Executive includes a clause placing a duty on the individual to identify, assess and report to the Board in a timely manner on all significant risks in their area of responsibility. These risks could be either strategic or operational in nature, and may include a risk mitigation plan to resolve any weakness where required.

The Society's adherence to its risk appetite is assessed through both quantitative and qualitative measures. Whilst there are several component parts within the Risk Appetite Framework, the Society places particular focus on the control of Business, Conduct, Capital and Reputation Risks.

BUSINESS RISK

Business risk is defined as the risks that external factors, such as a fall in demand for an organisation's products will result in a deterioration of the value of the Group's business model, and as the risk that internally generated activity, such as the large transformation projects and Merger and Acquisition activity do not deliver the expected return. The Society recognises the importance of maintaining business risk within the pre-established risk appetite limits for the prudent management of its business and to conform to relevant regulation on business risk in a risk-based and proportionate manner.

Business Risk arises for the Society through a number of internal and external events. External events include the impact of market and/or economic conditions on sales, tax and regulatory impacts such as capital gains tax changes and the regulatory initiatives, or actions of competitors. Recent examples of these events are the General Data Protection Regulations, the Markets in Financial Instruments Directive, and changes to GP Contracts. Internal events include the quality and range of products and services offered, internal infrastructure being unable to deliver customer need, and inappropriate strategic decisions taken.

As business risk is inherent in the Society's business model, the identification of business risks focuses on understanding the Society's business model in the context of the environment in which it operates, both internal and external, and the adaptability of the Society's business model to changes to both environments. On an annual basis, the Society identifies the environmental factors that could possibly affect its business strategy and these are used to determine the key business risks to the Society.

A number of controls are in place with regard to business risk. These include:

A clearly defined business strategy statement and set of strategic objectives with associated measures, targets and accountability attached to them as far as practically possible;

Processes whereby the Society's strategy is translated into the initiatives and business plans of the business operating units;

Appropriate governance processes in place as well as sufficient resources available to ensure that delivery of strategic objectives, associated initiatives and business plans are tracked, reviewed and evaluated on a regular basis;

A process in place to ensure that executive management regularly review progress towards strategic objectives and implementation of strategy;

An annual risk assessment based on and taking into consideration the strategic objectives of the Society;

Sources and levels of income and costs are actively monitored to understand adverse deviations; and

Internal and external environment monitoring to keep abreast of developments and opportunities.

The principal business risks that the Society faces are highlighted in the section headed "Our Risks" on pages 28 to 30.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. RISK MANAGEMENT CONTINUED

CONDUCT RISK

The Society seeks to ensure at all times that the firm's behaviour results in fair outcomes for customers. We are proactive in our approach in identifying issues that could be of concern, including considerations for the way products are designed, sales advice, complaint handling and across all other areas of customer contact. This risk is monitored through internal assessments such as advice quality, monitoring of complaints, treating customers fairly outcomes and sales force remuneration.

CAPITAL RISK

The Society will ensure that we remain financially strong with above average financial strength, in line with our Risk Appetite and consistent with our communications to policyholders. The Society monitors the capital position, both on a regulatory basis (as part of the Pillar 1 requirements of the Solvency II directive) and on an internally determined capital requirement basis (through the ORSA process) on a regular basis.

The Society's internal capital requirements are set at a much higher level than the minimum regulatory requirements, and internal metrics used to monitor the capital levels are measured against these internal requirements, ensuring that the Society remains financially strong, and it holds much more capital than is required by regulations.

REPUTATION RISK

The Society recognises that our long-term sustainability depends on the strength of our reputation and relationship with our customers. We strive to treat our customers fairly and act with integrity. Reputational risk is monitored through a variety of risk indicators to determine the view of the Society by stakeholders including the media, regulators, our customers and our people.

KEY RISKS

At the next level, the Society considers a range of different risks that could impact upon the deliverance of its strategic objectives. Further details on how the following risks are managed are set out below:

- Market risk
- Insurance risk
- Liquidity risk
- Credit risk
- Operational risk

MARKET RISK

(I) OVERVIEW

Market risk is the risk that the fair value of, or future cash flows, including annual management charges (AMC), from the Society's assets and liabilities fluctuate because of changes in market prices. The key components of market risk are equity price risk, interest rate risk and currency risk. Investments are split into the Non-Profit Pool and the With Profits Pool, the overall strategies for which are as follows:

- (a) the Non-Profit Pool is established by matching specific fixed interest assets to the non-profit liabilities and fixed interest and index-linked assets; and
- (b) the overall investment strategy of the With Profits Pool is to maximise the investment return achieved by the assets allowing for income and capital growth and the effects of taxation. This is subject to operating within the Society's risk appetite.

The investment strategy may also be determined by the need to treat policyholders fairly which includes striking the right balance between achieving good returns for policyholders and maintaining solvency. Separate investment strategies are therefore maintained for the assets backing policyholder asset shares and for the rest of the assets in the With Profits Pool, some of which back other liabilities such as guarantees and options.

The With Profits Pool includes some assets which would not normally be traded, including the Head Office building and the investments in subsidiary companies.

The Chief Actuary carries out investigations to explore the financial impact of a range of market stresses and reports them annually in the Actuarial Function Report, and through input into the Own Risk and Solvency Assessment (ORSA).

The separate responsibilities of the Board, the Risk Committee and the relevant Executive Committee are set out in the Corporate Governance Statement.

(II) EQUITY PRICE RISK

The Society is exposed to price risk as a result of its holdings in equity investments, classified as financial assets at fair value. Exposures to individual companies and to equity securities in aggregate are monitored in order to ensure compliance with the relevant risk limits for solvency purposes.

Investments held are listed and traded on the UK and other recognised Stock Exchanges (primarily in Europe and North America). The Society has a defined investment policy which sets limits on the Society's exposure to equities both in aggregate terms and by geography and counterparty. This policy of diversification is used to manage the Society's price risk arising from its investments in equity securities.

Sensitivity analysis for equity risk is undertaken to illustrate how changes in the fair value of equity securities will fluctuate because of changes to market prices, whether those changes are caused by factors specific to the individual equity issuer or factors affecting all similar equity securities traded in the market. Further information is provided within Note 13.

2. RISK MANAGEMENT (CONTINUED)

(III) PROPERTY RISK

The Society is exposed to risk of falling property value as a result of its direct holdings in property. The vast majority of the Society's property exposure is through internally managed directly held Real Estate although we also own shares in quoted Real Estate companies and open-ended property companies.

Direct holdings are managed on a long-term low turnover basis in line with the overall Society investment approach. However we sell specific assets where it is felt that the longer term prospects are unattractive or where significant additional value can be realised in the short-term (e.g. change of use, strategic value to an alternative buyer).

The Society's internal team of Chartered Surveyors are tasked with maximising long-term rental income and minimising voids. A wide distribution of investments is held both by location and property type and these are monitored against the key benchmark, the Investment Property Databank (IPD), All-Property index, or other suitable indices that are available from time to time.

(IV) INTEREST RATE RISK

Interest rate risk is the risk that arises from fluctuating interest rates. Both claims costs and liabilities to policyholders are exposed to interest rate risk.

Fair value interest rate risk is the risk that the fair value of a fixed rate financial instrument will vary as market rates of interest vary. For example, an increase in market rates of interest decreases the market value of a fixed interest asset.

Movements in the fair value of fixed interest assets are broadly matched by equivalent movements in the related policyholder liabilities. Fixed interest investments are held principally for the fixed stream of income that they provide, which is matched to the expected cash outflows arising from the guaranteed policy payments of certain of the Society's non-linked liabilities. This is discussed further below.

Cash flow interest rate risk is the risk that the future cash flows of a variable rate financial instrument will fluctuate because of changes in market interest rates. For example, an increase in the level of market rates of interest will increase the level of income received on floating rate investments. By contrast, the cash flows arising from fixed interest rate investments are unaffected by changes in market rates of interest.

The Society's exposure to cash flow interest rate risk principally arises from the outflows required to meet guaranteed policy payments which are fixed and, therefore, are not affected by changes in market rates of interest. One method that could be used to mitigate this risk would be to back these guaranteed cash outflows as closely as possible with fixed interest assets giving equivalent cash inflows. This method is used for certain product types, in particular annuities in payment. However, backing all policy guarantees with fixed interest assets would restrict the Society's investment choices and prevent the Society investing in other asset classes, which may be expected to provide higher investment returns over the longer term. Therefore, for some product types, including all with profits contracts, the Society seeks to only partially match the guaranteed payments with fixed interest bearing assets. The remaining outflow is backed by other assets, principally equities.

(V) CURRENCY RISK

Currency risk is defined as the risk that the value of an asset or liability will change as a result of a change in foreign exchange rates. As the Society operates in the UK its liabilities are denominated in sterling. However, for invested assets, the Society's investment management policies and procedures allow for an exposure to overseas markets, via equities, fixed interest securities and foreign currency. The resulting currency risk is managed by the use of exposure limits and authorisation controls operated within the risk management framework outlined above.

Of the £658.1m (2018: £567.8m) non-linked assets held in other currencies, £337.8m (2018: £292.0m) is held in US-denominated assets, £200.6m (2018: £167.0m) is held in euro-denominated assets, and £119.7m (2018: £108.8m) in assets denominated in other currencies.

INSURANCE RISK

(I) OVERVIEW

Insurance risk refers to the fluctuations in the timing, frequency and severity of insured events, and the expense of maintaining the in-force business, relative to the expectations of the Society at the time of underwriting. The exposure of the Society depends to a significant extent on the value of claims to be paid in the future, relative to the assets accumulated to the date of claim. The amount of such future obligations is assessed by reference to assumptions with regard to future mortality and/or morbidity rates, persistency rates, expenses, investment returns, interest rates and tax rates. Sensitivity to the main assumptions underlying insurance risk can be seen in Note 13.

The Board, having taken advice from the Chief Actuary, may set limits on business volumes, including the maximum volumes of specific products with particular risks based on its risk appetite. The risks are monitored by the Risk function.

(II) OVERVIEW OF INSURANCE AND INVESTMENT CONTRACTS ISSUED BY THE SOCIETY

The level of insurance and financial risk assumed by the Society varies with the type of business written. Additional risks also arise from the financial options and guarantees within contracts. The main insurance and investment contract types and an overview of the financial options and guarantees are set out below.

WITH PROFITS INSURANCE AND INVESTMENT CONTRACTS

KEY TERMS AND CONDITIONS

With profits endowment assurance and deferred annuity contracts (including both conventional and unitised with profits policies) contain a guaranteed benefit on maturity, death or surrender at certain specified dates.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. RISK MANAGEMENT CONTINUED

This guaranteed benefit may be increased by the addition of annual bonuses and a final bonus may also be applied when the policy becomes a claim. The Society can vary the amount of future bonuses paid, including reducing future bonus additions to zero, although the Society has guaranteed that the maturity value for some mortgage endowment policies will not be less than the original mortgage amount. The Society also has contractual discretion to vary the amount payable on early surrender of the contract. The setting of bonus rates and surrender terms are subject to the Society's PPFM. All discretionary actions must be consistent with the overriding principle that customers be treated fairly.

KEY RISK FACTORS

Mortality:

The guaranteed payments on death generally exceed the value of the assets held to back the policy, giving rise to mortality risk. Assumptions regarding the rate of mortality are taken into account when determining the bonus payments to be added to with profits contracts. The level of these bonus additions can be varied to mitigate differences between expected and actual mortality experience. With profits deferred annuity contracts are also subject to longevity risk (see the section 'Non-participating insurance contracts – Non-profit annuities' for an explanation of this risk).

Guarantees:

With profits contracts are subject to the risk that the market value of assets held to back the liabilities is depressed at the time that the guaranteed payments specified in the contract fall due to be paid. The Society's contractual right to vary future bonus additions can mitigate this risk. This is considered further under '(iii) Financial options and guarantees within insurance contracts'.

Persistency and expenses:

The costs associated with writing insurance contracts are those incurred to acquire the policy and those to maintain the policy. These expenses are recovered over the policy's lifetime. If the policy is terminated early, the expense deductions or charges made to the point of termination may be less than the costs incurred. For some product types, this risk is mitigated by the Society's contractual ability to vary the amount payable on surrender. The Society also controls its expenses on an ongoing basis, and the Society's right to vary future bonus additions can be used to mitigate this risk.

NON-PARTICIPATING INSURANCE CONTRACTS – PROTECTION CONTRACTS

KEY TERMS AND CONDITIONS

These policies contain a guaranteed payment on death or disability or illness depending on the terms of the contract. Protection contracts may also be attached to with profits or unit linked policies. For most policies the level of benefits payable is determined at the start of the contract and hence the ability of the Society to reduce the level of insurance risk accepted by varying terms and conditions may be limited. However, many contracts include a premium review clause and for some contracts the policyholder has the option to reduce benefits in lieu of a premium increase.

KEY RISK FACTORS

Mortality and morbidity:

The Society has partially mitigated these risks through varying the premium rates charged under the policy conditions and through the use of reinsurance to transfer part of the mortality and morbidity risk to third party reinsurers.

Persistency and expenses:

The Society mitigates these risks by charging premium rates it believes are sufficient to meet expenses while remaining competitive for the protection provided.

NON-PARTICIPATING INSURANCE CONTRACTS – NON-PROFIT ANNUITIES

KEY TERMS AND CONDITIONS

For non-profit annuities, the level of annuity payments is determined at the start of the contract and these payments continue until the death of the annuitant and in certain cases the later death of their dependants. Hence the ability of the Society to reduce the level of insurance risk accepted by varying terms and conditions is limited.

KEY RISK FACTORS

Longevity:

The contractual stream of payments made until the death of the annuitant gives rise to longevity risk. An increase in life expectancy will increase the payments that have to be made.

NON-PARTICIPATING INVESTMENT CONTRACTS – UNIT-LINKED POLICIES

KEY TERMS AND CONDITIONS

For unit-linked investment business most of the risks (particularly market and credit risk) are borne by the policyholders. The principal benefit payable is the value of the underlying assets and therefore the Society generally has limited ability to apply penalties on early surrender or early cessation of regular premiums. The ability to increase charges or apply penalties may be constrained by regulatory or

2. RISK MANAGEMENT (CONT.)

market pressures and by the obligation to treat customers fairly.

KEY RISK FACTORS

Persistency and expenses:

Acquisition and maintenance costs are recovered by management charges deducted over the policy's lifetime. If the policy is terminated early, the expense deductions made to the point of termination may be less than the costs incurred. Expenses may also exceed expense deductions for continuing policies. These risks are mitigated by the Society's ability to increase charges or in some instances to apply penalties on early surrender. The Society also controls its maintenance expenses on an ongoing basis.

(III) FINANCIAL OPTIONS AND GUARANTEES WITHIN INSURANCE CONTRACTS

Contracts issued by the Society have three principal types of financial option and guarantee:

Guaranteed lump-sum payments due on specified dates

These mainly comprise the sum assured together with annual bonuses added onto with profits contracts, the option to surrender certain unitised with profits bonds on specified dates without a market value reduction (MVR) applying, and the guarantee that an MVR will not be applied at the planned retirement date under unitised with profits pension policies. Although the Society invests in a broad spread of asset types, there is still a risk that assets held to back any individual policy may be depressed at the time that the guaranteed payment at maturity falls due to be paid. The potential cost of honouring these guarantees is quantified as part of the liability for with profits contracts.

Guaranteed annuities

These primarily arise in connection with pension business and occur in one of two forms

- a guaranteed income specified in the contract,
- guaranteed terms for converting lump-sum maturity benefits into an income at maturity.

These guarantees expose the Society to both insurance risk (longevity) and financial risk (cash flow interest rate). An increase in life expectancy will increase the liability arising under the guarantees as it extends the period over which the guaranteed rate must be paid. A reduction in market interest rates (or an increase in the volatility of interest rates) also increases the liability as it results in an increase in the gap (or the risk of a gap) between the future expected cash inflows from the Society's assets and the outflows from the guarantees, which remain fixed. For the closed Medical Sickness Society Fund (MSSF) the financial risk is mitigated by the portfolio of swaptions (interest rate derivatives).

Guaranteed investment return

Some pension policies in the MSSF provide a minimum investment return, and there is a risk that assets held to back any individual policy may be insufficient to meet this guarantee at the time that the maturity payment falls due to be paid.

The costs of financial options and guarantees are measured using a market-consistent stochastic model, and the management of the risks associated with these forms part of the Group's overall Capital Management strategy as set out in Note 13.

(IV) CONCENTRATIONS OF INSURANCE RISK

The Society writes a diverse mix of business and therefore has no material concentrations of risk by product type. However, income protection business is primarily sold to members of the medical and dental professions and so results are sensitive to changes in morbidity experience in these professions. The Society's Risk Committee regularly monitors exposure to this Risk, which is mitigated by the use of reinsurance.

All Society business has been written in the UK, so results are sensitive to demographic and economic changes arising in the UK. Note 13 provides further information on the Society's sensitivity to changes in these factors.

LIQUIDITY RISK

The Society ensures that we are able to meet our financial obligations as they fall due, even in extreme circumstances. Our liquidity risk in normal circumstances is limited. The level of liquidity is monitored from day-to-day with available funds held at levels considered appropriate to meet anticipated liabilities and unexpected levels of demand.

The contractual terms of the Society's unit-linked and with profits investment contracts provide that the policyholders could request repayment of the contracts on demand at any time. In practice, the Directors consider that the contractual terms do not fairly represent the liquidity risk to the business because it is extremely unlikely that all policyholders would choose to surrender their policies at the same time and the Society has invested significantly in liquid assets. The Society has a Liquidity Policy in place, and regular monitoring takes place to ensure adherence to it, with appropriate allowance made for stress conditions within the monitoring.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. RISK MANAGEMENT CONTINUED

The liquidity risk for the Bank, arising from customer bank accounts, which is monitored regularly and reported on a monthly basis, is set out below.

	2019		2018	
	Customer bank accounts	Deposits from banks	Customer bank accounts	Deposits from banks
	£m	£m	£m	£m
Repayable on demand	45.3	-	49.9	-
Three months or less but not on demand	51.2	-	35.0	-
One year or less but over three months	91.2	-	95.0	-
Five years or less but over one year	95.4	-	36.8	5.0
	283.1	-	216.7	5.0

In addition to the customer bank accounts and deposits from banks shown above, the deposits received from reinsurers, other creditors, creditors arising out of direct insurance operations and creditors arising out of reinsurance operations are financial liabilities, which are measured at amortised cost. The liquidity risk for these financial liabilities, as listed in the Balance Sheet, are set out below:

	Group		Society	
	2019	2018	2019	2018
	£m	£m	£m	£m
Repayable on demand	-	-	9.2	9.7
Three months or less but not on demand	31.4	24.8	21.5	10.5
One year or less but over three months	5.2	6.0	5.2	6.0
Five years or less but over one year	17.8	22.1	17.9	22.1
More than 5 years	5.1	7.1	5.1	7.1
	59.5	60.0	58.9	55.4

For the purposes of overall liquidity adequacy, it is the Bank's policy to maintain a liquidity buffer comprising of a stock of high quality, unencumbered liquid assets. The liquidity buffer held is at least at the minimum requirement for an Individual Liquidity Adequacy Standards (ILAS) firm as advised by the PRA. In normal market conditions, the stock is maintained with a cushion over the regulatory level as defined by the Bank's Board. Liquidity is monitored by means of a cash position report in accordance with the PRA's reporting requirements and reviewed on a daily basis. It should be noted that the Bank has no access to any liquid assets held by the rest of the Group.

In excess of £6.4bn (2018: £5.7bn) of the Group's assets are either highly liquid or readily realisable and therefore available to support the Group's liabilities at limited notice.

FINANCIAL INSTRUMENTS – FAIR VALUE

Section 34 of FRS 102 requires enhanced disclosures about fair value measurement and liquidity risk.

FRS 102 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (e.g. London Stock Exchange, Frankfurt Stock Exchange and New York Stock Exchange) and exchange traded derivatives such as futures and options.

Level 2 – The price of a recent transaction for an identical asset or liability provides evidence of fair value as long as there has not been a significant change in economic circumstances or significant lapse of time since the transaction took place.

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) with fair value estimated by using a valuation technique.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

2. RISK MANAGEMENT CONTINUED

FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF COMPREHENSIVE INCOME - GROUP

	At 31 December 2019				At 31 December 2018			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Shares and other variable yield securities	3,547.7	-	-	3,547.7	3,130.6	-	-	3,130.6
Debt and other fixed income securities	2,195.0	-	-	2,195.0	2,194.5	-	-	2,194.5
Deposits with credit institutions	528.7	-	-	528.7	339.2	-	-	339.2
Derivatives	-	-	-	-	-	-	-	-
Swaps	-	-	62.3	62.3	-	-	50.2	50.2
Swaptions	-	-	0.4	0.4	-	-	11	11
Equity Put Option	-	-	10.1	10.1	-	-	14.0	14.0
Total Assets	6,271.4	-	72.8	6,344.2	5,664.3	-	65.3	5,729.6

CREDIT RISK

Credit risk is the risk of loss if another party fails to fulfil its financial obligations to the Society. The main credit risks arise in relation to some types of investment such as corporate bonds, placing money on deposit with banks and the risk of failure of a reinsurer.

The processes for the management of market risk in the Society also apply to credit risk in respect of cash, deposits and fixed interest securities.

The Society's wholly owned subsidiary, Wesleyan Bank Limited ('the Bank'), offers unsecured personal loans to existing medical, dental, teaching and legal clients of the Society. All loans are subject to credit scoring guidelines. This calculates the level of risk for each applicant based on the information obtained. If the level of acceptable risk is exceeded the application is not accepted. Stringent control measures and procedures are in place to monitor bad debt levels and recovery. The level and occurrences of bad and doubtful debts are monitored daily and reported on a monthly basis to the Bank Board.

The Bank also provides commercial loans to firms operating in its chosen markets (law, dental and medical) which are sourced by either the Bank's direct sales team, Syscap which is subsidiary of the Wesleyan Group, or its panel of brokers. A credit application approval policy is in place covering the acceptance of these loans.

The Chief Actuary monitors the Society's credit risk exposure to reinsurers with reports to the Board as required. Where possible, new reinsurance is diversified to avoid over-concentration on a single reinsurer.

Other than risk of failure of a reinsurer, the Society's exposure to credit risk arises principally from its investment portfolio and from its holdings in bonds and cash in particular. The investment policies and procedures stipulate approved counterparties, permitted investments and exchanges as well as detailing specific counterparty ratings and exposure limits. For derivatives, the policy also details legal, collateral and valuation requirements. Significant counterparty exposure, in the case of derivatives, is mitigated by the use of collateral and at 31 December 2019 the Society's custodians held collateral represented by AAA rated assets valued at £61.4m (2018: £51.8m) and £8.0m (2018: £11.2m) in cash.

Other areas where the Society is exposed to credit risk include amounts due from intermediaries and insurance contract holders. An analysis of the risk profile of the Group's credit assets is provided in the table on page 98.

There is no significant difference between the credit risk profile of the Society's and the Group's investments and, therefore, no separate table has been prepared for the Society-only position.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems or from external events, this includes Cyber and Information Security risks. The Society has a low appetite for operational risk exposures and operates with an appropriate control environment based on evaluation of the costs of risk reduction, with Tolerances and limits set out in the Society's Risk Appetite Framework.

Operational risk can manifest through administrative errors, technological failures, criminal conduct, catastrophic events and failure to meet regulatory standards. Senior management are responsible for ensuring that material operational risks are identified, assessed, reported and managed using the approach as outlined in the Society's Risk Management Framework. The Society sub-categorises operational risk into the following elements;

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

2. RISK MANAGEMENT CONTINUED

- Financial Crime, which incorporates fraud and money laundering;
- Infrastructure, which includes IT architecture and supplier management;
- Catastrophe, which incorporates Business Continuity;
- Administration, which includes customer service and process management; and
- Regulatory, which includes adherence to relevant regulations for example GDPR.

The Society has specific risk management strategies in place to identify, measure, manage and monitor these elements of operational risk. Examples include Anti money laundering processes, supplier management review processes, business continuity planning and testing, product reviews, complaint handling processes, regulatory breach monitoring and reporting, and financial consultant training and advice quality monitoring.

3(a). EARNED PREMIUMS

	2019			2018		
	Gross £m	Reinsurance £m	Net £m	Gross £m	Reinsurance £m	Net £m
Earned Premiums - Society						
Premiums written						
Life ordinary business						
Non-linked regular	13.9	(1.5)	12.4	16.5	(1.5)	15.0
Non-linked single	64.1	-	64.1	53.8	-	53.8
	78.0	(1.5)	76.5	70.3	(1.5)	68.8
Pension business						
Non-linked regular	16.9	-	16.9	16.8	-	16.8
Non-linked single	88.3	-	88.3	63.1	-	63.1
	105.2	-	105.2	79.9	-	79.9
Industrial business						
Non-linked regular	0.1	-	0.1	0.3	-	0.3
Income protection insurance						
Non-linked regular	31.3	(8.6)	22.7	33.3	(10.0)	23.3
With profits ISA						
Regular	37.7	-	37.7	35.0	-	35.0
Single	87.2	-	87.2	92.1	-	92.1
	124.9	-	124.9	127.1	-	127.1
	339.5	(10.1)	329.4	310.9	(11.5)	299.4

The premiums received for investment contracts and therefore omitted from the above figures were as follows:

	2019 £m	2018 £m
Life - regular	6.0	4.7
Life - single	3.3	4.1
Pension - regular	16.8	16.3
Pension - single	13.0	7.3
Income protection - regular	2.2	1.2
	41.3	33.6

3(b). NEW BUSINESS PREMIUMS

The below is stated in terms of Annual Premium Equivalent (APE), being 12 months' premium for regular business plus 10% of single premiums.

In classifying new business premiums, the following bases of recognition have been adopted:

Recurrent single premium contracts are included as new business single premiums.

Increments under existing group pension schemes are classified as new business premiums.

Where regular premiums are received other than annually, the reported regular new business premiums are on an annualised basis.

	2019 £m	2018 £m
Regular premiums	22.8	17.6
Single premiums	25.4	20.9
	48.2	38.5
Split by:-		
Life ordinary business	9.5	8.3
Pension business	12.8	7.7
Income protection insurance	3.3	2.6
ISAs*	22.6	19.9
	48.2	38.5
Annuities**	1.5	1.5
	49.7	40.0

* Excludes the unit trusts managed by Wesleyan Unit Trust Managers Limited.

** The annuities amount represents the pension funds retained by the Society on the vesting of pensions during the year.

As set out in Note 3(a), the Society does not account for the amount received as premiums in relation to investment contracts as premium income in the consolidated profit and loss account; such amounts are accounted for as deposits received and added to the investment contract liabilities in the balance sheet. The amounts included above in respect of investment contract new business are as follows:

	2019 £m	2018 £m
Regular	1.7	1.0
Single	3.9	2.7
	5.6	3.7
Life ordinary business	0.5	0.6
Pension business	5.1	3.1
	5.6	3.7

4. NET INVESTMENT RETURN

	2019 £m	2018 £m
Investment income:		
Income from land and buildings	19.8	19.4
Income from other investments	212.9	191.9
Net gains on the realisation of investments	268.1	169.7
Net return on pension schemes (Note 24)	3.2	2.2
	504.0	383.2
Investment expenses and charges	(7.7)	(10.7)
Net unrealised gains/(losses) on investments	314.7	(514.7)
Net Investment return	811.0	(142.2)

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

5(a). OTHER TECHNICAL INCOME

	2019 £m	2018 £m
Gross profit from non-insurance subsidiaries*	2.5	1.9
Fee income in respect of investment contracts (Note 14)	10.7	10.9
Other income	3.5	1.4
	16.7	14.2

*Subsidiary profits above were generated from entities which had third party income of £18.5m (2018: £18.6m)

5(b). OTHER TECHNICAL CHARGES

	2019 £m	2018 £m
Gross loss from non-insurance subsidiaries*	16.7	21.3

*Subsidiary losses above were generated from entities which had third party income of £24.6m (2018: £21.0m)

6. CLAIMS INCURRED

	2019			2018		
	Gross £m	Reinsurance £m	Net £m	Gross £m	Reinsurance £m	Net £m
Claims paid	331.4	(14.5)	316.9	323.4	(17.1)	306.3
Claims handling expenses	1.3	-	1.3	1.2	-	1.2
	332.7	(14.5)	318.2	324.6	(17.1)	307.5
Change in provision for claims	0.4	-	0.4	1.7	-	1.7
	333.1	(14.5)	318.6	326.3	(17.1)	309.2
Analysed by type of benefit:						
Death claims			20.8			25.9
Maturities			49.3			48.7
Surrenders			176.9			161.9
Annuities			60.2			60.6
Income protection claims			11.4			12.1
			318.6			309.2

Claims relating to linked investment contracts and therefore omitted from the figures for claims incurred were as follows:

	2019 £m	2018 £m
Death claims	3.9	3.3
Maturities	34.2	15.6
Surrenders	57.1	58.5
	95.2	77.4

7. NET OPERATING EXPENSES - SOCIETY ONLY

	2019 £m	2018 £m
Acquisition costs	33.4	31.7
Administrative expenses	70.2	65.4
Reinsurance commission	(0.7)	(0.8)
Reinsurance profit share	(2.9)	(2.9)
Amortisation and impairment of goodwill and customer lists (Note 12a)	5.9	18.1
Net Operating Expenses	105.9	111.5

Administrative expenses for the Society include

	2019 £m	2018 £m
Interest on finance lease and contract purchase agreements	0.1	0.1
Operating lease rentals	0.3	0.9
Amortisation and impairment of computer software	15.5	5.7
Depreciation of tangible assets	2.6	2.5

During the year the Group obtained the following services from the Society's auditor at costs as detailed below.

	2019 £'000	2018 £'000
Auditors' remuneration (including expenses) amounted to:		
Fees payable to the Society's auditor for the audit of the parent company and consolidated financial statements	331	255
Fees payable to the Society's auditor for other services:		
The audit of the Society's subsidiaries	292	286
The audit of the Society's pension scheme	27	23
Audit-related assurance services	200	198

8. STAFF COSTS - GROUP

	2019 £m	2018 £m
Salaries and wages	80.3	78.0
Social security costs	8.2	8.0
Pension cost (Note 24)*	5.7	7.3
	94.2	93.3

* Includes £5.4m (2018: £5.8m) in respect of the Society's defined contribution scheme

Group staff costs are included within the Society expenses disclosure in Note 7, with subsidiary staff costs included as part of the disclosed profits and losses in Notes 5a and 5b.

The monthly average number of employees for the Group, including Executive Directors, during the year was comprised as follows:

	2019 Number	2018 Number
Wesleyan Financial Services Sales Advisors	335	339
General	1,188	1,217
	1,523	1,556

Note: Details of Directors' Remuneration are given in the Directors' Remuneration Report, Directors' Remuneration Policy and the Annual Report on Remuneration, on pages 49 to 61.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

9. TAXATION

	Group		Society	
	2019	2018	2019	2018
	£m	£m	£m	£m
Analysis of tax in the year:				
Current tax:				
UK corporation tax on income and gains	(12.0)	0.3	(12.8)	0.4
Foreign tax	(3.1)	(3.2)	(3.1)	(3.2)
Adjustments in respect of prior periods	(1.2)	-	(1.2)	-
Total current tax charge	(16.3)	(2.9)	(17.1)	(2.8)
Deferred tax:				
Origination and reversal of timing differences	(12.7)	22.0	(12.2)	17.6
Movement on deferred tax on pension scheme	1.7	(1.5)	1.7	(1.5)
Total deferred tax (charge)/credit	(11.0)	20.5	(10.5)	16.1
Total tax (charge)/credit	(27.3)	17.6	(27.6)	13.3

The tax charge for the Society which pays BLAGAB tax is provided at a rate of 20% (2018: 20%) computed in accordance with the rates applicable to life assurance companies whereby no tax is charged on pension business profits or permanent health insurance business profits.

For subsidiaries of the Group, tax is provided at a rate of 19% (2018: 19%). A further rate reduction to 17% with effect from 1 April 2020 has been substantively enacted at the balance sheet date.

Finance (No.2) Act 2017 introduced changes to the way tax losses are relieved in current and future periods, and these are effective from 1 April 2017. Broadly, these rules restrict relief for brought forward losses to 50% of taxable profits, subject to a £5m allowance per group, and allows carried forward losses incurred post 1 April 2017 to be offset against total profits of the company and group.

The tax expense for the subsidiaries is affected by current tax and the non-recognition of current year tax losses, as well as other timing differences. A reconciliation of the total tax expense can be found in the individual statutory accounts in each of Wesleyan's subsidiaries where material differences between accounting and taxable profits arise.

Tax losses of £52.8m (2018: £36.2m) within subsidiaries of the Wesleyan Group have not been recognised owing to uncertainty around their recovery.

10(a). OTHER FINANCIAL INVESTMENTS

	Group		Society	
	2019	2018	2019	2018
	£m	£m	£m	£m
Financial assets at fair value:				
Shares and other variable yield securities	2,544.5	2,237.9	2,544.5	2,237.9
Debt and other fixed income securities	2,031.5	2,032.0	2,066.0	2,070.4
Derivative financial instruments	72.8	65.3	72.8	65.3
Deposits with credit institutions	415.7	239.3	364.8	175.9
Financial assets at amortised cost:				
Other loans*	278.5	185.1	-	-
	5,343.0	4,759.6	5,048.1	4,549.5

* Other Loans represent: unsecured retail loans of £21.5m (2018: £26.1m) and commercial loans and leases of £257.0m (2018: £159.0m) which are net of an impairment loss provision of £6.2m (2018: £6.8m). Collateral in the form of property and other assets is held against the long term secured commercial loans and leases.

The table above shows financial assets which are classified as other financial investments. Other financial assets and liabilities are disclosed within the Balance Sheet, and are all held at amortised cost.

The value of unlisted investments included in shares and other variable yield securities and debt and other fixed income securities for the Group amounted to £0.1m (2018: £0.1m). The value of unlisted investments included in shares and other variable yield securities and debt and other fixed income securities for the Society amounted to £34.6m (2018: £38.4m). This relates primarily to loans issued to fellow Group companies.

10(b). ASSETS HELD TO COVER LINKED LIABILITIES

	Group		Society	
	2019	2018	2019	2018
	£m	£m	£m	£m
Financial assets at fair value:				
Shares and other variable yield securities	1,003.2	892.5	1,003.2	892.5
Debt and other fixed income securities	163.5	162.7	163.5	162.7
Deposits with credit institutions	113.0	99.9	113.0	99.9
	1,279.7	1,155.1	1,279.7	1,155.1

All assets held to cover linked liabilities are listed investments with the exception of deposits with credit institutions.

10(c). ASSETS SUBJECT TO CREDIT RISK

	Society	
	2019	2018
	£m	£m
AAA	89.7	128.8
AA	1,407.0	1,446.1
A	679.7	461.1
BBB	389.3	367.7
Below BBB or not rated	214.3	170.3
Total assets bearing credit risk	2,780.0	2,574.0
Derivative financial instruments	72.8	65.3
Sovereign Debt securities	1,457.0	1,527.2
Other Debt securities	772.5	705.8
Deposits with credit institutions [†]	477.8	275.7
Total assets bearing credit risk	2,780.1	2,574.0

[†] The Group balance sheet includes additional amounts within Wesleyan Bank for deposits with credit institutions of £48.2m (2018: £60.5m) which are rated A and above, as well as a £2.7m (2018: £2.9m) holding within Wesleyan Fund Trust Managers Limited (WFTM) unit trusts funds.

	2019	2018
	£m	£m
Analysis of sovereign debt securities is as follows:		
UK	1,416.2	1,427.6
USA	21.2	70.3
Germany	1.8	3.3
France	-	8.7
European Investment Bank	17.8	17.4
	1,457.0	1,527.2

	2019	2018
	£m	£m
Analysis of maturity of sovereign and other debt securities:		
Less than 1 year	201.2	99.9
1-5 years	586.9	557.2
More than 5 years	1,441.4	1,576.1
	2,229.5	2,233.1

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

10(d). INVESTMENT PROPERTY

A reconciliation of investment property is shown below:

	Total £m	Other freehold properties £m	Long leasehold properties £m
Current Value:			
At 1 January 2019	304.3	290.2	14.1
Additions	26.5	26.5	-
(Loss)/gain on fair value adjustments	(7.7)	(7.9)	0.2
Disposals	(9.0)	(9.0)	-
At 31 December 2019	314.1	299.8	14.3
Cost:			
At 1 January 2019	241.9	230.1	11.8
Additions	26.5	26.5	-
Disposals	(3.9)	(3.9)	-
At 31 December 2019	264.4	252.7	11.8

10(e). DERIVATIVE FINANCIAL INSTRUMENTS

	2019			2018		
	Contract/ Notional Amount £m	Fair Value Asset £m	Fair Value Liability £m	Contract/ Notional Amount £m	Fair Value Asset £m	Fair Value Liability £m
Swaps	237.3	62.2	-	264.1	50.1	-
Swaptions	181.2	0.5	-	200.5	1.1	-
Equity Put Option	138.2	10.1	-	137.3	14.0	-
Total	556.7	72.8	-	601.9	65.2	-

Swap rates were in the range 0.7 - 1.2% (2018: 1.0 - 1.6%).

11. OTHER DEBTORS

	Group		Society	
	2019 £m	2018 £m	2019 £m	2018 £m
Net investment in finance leases and similar hire purchase contracts	-	6.4	-	-
Income receivable	7.3	6.7	-	-
Other debtors	4.1	4.7	1.5	2.2
Deferred tax	4.2	4.7	-	-
	15.6	22.5	1.5	2.2

	Group		Society	
	2019 £m	2018 £m	2019 £m	2018 £m
Movement in the deferred tax asset				
At 1 January 2019	4.7	0.3	-	-
(Charged)/credited during the year	(0.5)	4.4	-	-
At 31 December 2019	4.2	4.7	-	-

12a. INTANGIBLE ASSETS AND GOODWILL

	Group				
	Total £m	Computer Software £m	Assets in course of construction* £m	Customer Lists £m	Goodwill £m
Cost:					
At 1 January 2019	160.8	76.6	12.3	16.8	55.1
Additions	10.6	1.6	9.0	-	-
Transfers	-	19.4	(19.4)	-	-
Write off of fully amortised assets	(4.2)	(4.2)	-	-	-
At 31 December 2019	167.2	93.4	1.9	16.8	55.1
Accumulated Amortisation:					
At 1 January 2019	45.5	21.5	-	5.1	18.9
Charge during the year	16.6	10.7	-	1.7	4.2
Write off of fully amortised assets	(4.2)	(4.2)	-	-	-
Impairment**	6.1	6.1	-	-	-
At 31 December 2019	64.0	34.1	-	6.8	23.1
Net Book Amount					
At 31 December 2019	103.2	59.3	1.9	10.0	32.0
At 31 December 2018	115.3	55.1	12.3	11.7	36.2

	Society				
	Total £m	Computer Software £m	Assets in course of construction* £m	Customer Lists £m	Goodwill £m
Cost:					
At 1 January 2019	88.0	75.7	12.3	-	-
Additions	9.0	-	9.0	-	-
Transfers	-	19.4	(19.4)	-	-
Write off of fully amortised assets	(4.2)	(4.2)	-	-	-
At 31 December 2019	92.8	90.9	1.9	-	-
Accumulated Amortisation:					
At 1 January 2019	21.5	21.5	-	-	-
Charge during the year	9.4	9.4	-	-	-
Write off of fully amortised assets	(4.2)	(4.2)	-	-	-
Impairment**	6.1	6.1	-	-	-
At 31 December 2019	32.8	32.8	-	-	-
Net Book Amount					
At 31 December 2019	60.0	58.1	1.9	-	-
At 31 December 2018	66.5	54.2	12.3	-	-

* Assets in course of construction relate to ongoing computer software development

** A £6.1m impairment loss was recognised in capitalised software costs

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

12b. TANGIBLE FIXED ASSETS

	Group					
	Total £m	Freehold buildings and Leasehold property* £m	Furniture and Fittings £m	Computer Hardware £m	Equipment for Hire £m	Motor Vehicles** £m
Cost or Valuation:						
At 1 January 2019	46.7	19.0	7.6	8.4	6.2	5.5
Additions	4.1	-	1.5	1.1	0.9	0.6
Disposals	(1.7)	-	-	-	-	(1.7)
Revaluations	3.2	3.2	-	-	-	-
At 31 December 2019	52.3	22.2	9.1	9.5	7.1	4.4
Accumulated Depreciation:						
At 1 January 2019	13.0	-	3.9	6.3	1.2	1.6
Charge during the year	4.3	0.8	0.5	0.9	1.3	0.8
Disposals	(0.8)	-	-	-	-	(0.8)
Revaluations	(0.8)	(0.8)	-	-	-	-
At 31 December 2019	15.7	-	4.4	7.2	2.5	1.6
Net Book Amount						
At 31 December 2019	36.6	22.2	4.7	2.3	4.6	2.8
At 31 December 2018	33.7	19.0	3.7	2.1	5.0	3.9

	Society					
	Total £m	Freehold buildings and Leasehold property* £m	Furniture and Fittings £m	Computer Hardware £m	Equipment for Hire £m	Motor Vehicles** £m
Cost or Valuation:						
At 1 January 2019	38.7	19.0	7.1	7.1	-	5.5
Additions	2.4	-	1.5	0.3	-	0.6
Disposals	(1.7)	-	-	-	-	(1.7)
Impairment	(0.5)	-	-	(0.5)	-	-
Revaluations	3.2	3.2	-	-	-	-
At 31 December 2019	42.1	22.2	8.6	6.9	-	4.4
Accumulated Depreciation:						
At 1 January 2019	10.6	-	3.5	5.5	-	1.6
Charge during the year	2.6	0.8	0.5	0.5	-	0.8
Disposals	(0.8)	-	-	-	-	(0.8)
Impairment	(0.5)	-	-	(0.5)	-	-
Revaluations	(0.8)	(0.8)	-	-	-	-
At 31 December 2019	11.1	-	4.0	5.5	-	1.6
Net Book Amount						
At 31 December 2019	31.0	22.2	4.6	1.4	-	2.8
At 31 December 2018	28.1	19.0	3.6	1.6	-	3.9

* Freehold buildings include the owner occupied section of the Head Office property. The property was revalued on 1 December 2019 by independent qualified surveyors. The basis of valuation used is open market value net of cost of purchase.

** Motor vehicles within the Group are held under contract purchase agreements.

13. FUND FOR FUTURE APPROPRIATIONS (FFA) AND CAPITAL MANAGEMENT

The following note sets out the Society's financial strength on a statutory basis (FFA) and a regulatory basis (Solvency II Own Funds). The Society's main financial risks are also set out below, with sensitivities to changes in key risks provided. The capital requirements shown below are based on Solvency II.

The Society's statutory capital position is represented by its FFA, which is shown in the table below.

FUND FOR FUTURE APPROPRIATIONS

	Group		Society	
	2019	2018	2019	2018
	£m	£m	£m	£m
At 1 January	650.6	655.7	653.6	662.2
Transfer from/(to) Profit and Loss Account	(32.7)	(28.2)	(39.8)	(31.7)
Transfer from/(to) Other Comprehensive Income	(19.7)	23.1	(19.7)	23.1
At 31 December	598.2	650.6	594.1	653.6

CAPITAL MANAGEMENT

(i) REGULATORY ENVIRONMENT

In reporting the Society's regulatory financial strength, capital and solvency are measured using the regulations prescribed by the PRA under the Solvency II regulatory reporting regime. These regulations include a number of capital tests, as described below. The Society has continually been able to meet all of these capital requirements throughout the year and continued to have significant resources and financial strength.

(ii) CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

As set out in the Society's PPFM, the Society's main objectives in managing its estate (which represents regulatory capital) are:

- to meet regulatory capital requirements;
- to finance the cash flow strains which arise from new policies we write or from policies already written;
- to enable us to invest a higher proportion of the With Profit Pool in equities and property;
- to smooth the payouts to With Profits policyholders;
- to meet some guarantee costs, where the Board have established that the estate has taken the guarantee risk or have determined that the guarantee cost is exceptionally high and should not be charged in full to policyholders;
- to provide finance for business developments with an expectation that the estate will recoup its investment from future profits; and
- to meet exceptional costs.

(iii) METHODOLOGY FOR DETERMINING REQUIRED CAPITAL RESOURCES

The Society is required to hold sufficient capital to meet the PRA's capital requirements under Solvency II regulations.

Pillar 1:

The Pillar 1 regulatory capital requirement, called the Solvency Capital Requirement (SCR), is reported in the publicly available Quantitative Reporting Templates (QRTs) submitted to the regulator each quarter. The Society's SCR is determined using a standard formula to cover a one in 200 risk event over a one year period.

Pillar 2:

The Society also submits to the PRA an 'Own Risk and Solvency Assessment (ORSA)' under Pillar 2 of the Solvency II regime. The ORSA is based on the Society's internal risk appetite, which requires more capital than the Pillar 1 regime, therefore providing a greater level of financial protection for the Society's policyholders.

Whilst the ORSA is used by the Society to run its business, the capital requirements and figures reported within these notes relate to the Pillar 1 position.

(iv) METHODOLOGY FOR DETERMINING AVAILABLE CAPITAL RESOURCES

The Society has two With Profits Funds, the Ordinary and Industrial Long Term Business Fund (OILTBF) and the Medical Sickness Society Fund (MSSF), which are shown separately in the capital position statement and in the table below. The MSSF was set up under the terms of the Scheme for the merger with Medical Sickness Annuity and Life Assurance Society Limited on 1 July 1997. It contains all with profits policies of Medical Sickness Society on that date and is maintained as a separate account within the Society's Long-term Business Fund. The OILTBF contains all of the business of the Society other than the business in the MSSF.

Available capital resources are calculated in accordance with the Solvency II, Pillar 1 requirements, and can be broadly described as placing a market value on the net assets including the value of future profits on all acquired in-force long-term business as well as on non-participating business issued by the Society. These are shown in the table below.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

13. FUND FOR FUTURE APPROPRIATIONS (FFA) AND CAPITAL MANAGEMENT CONTINUED

AVAILABLE CAPITAL RESOURCES

	OILIBF 2019 £m	MSSF 2019 £m	Total 2019 £m	OILIBF 2018 £m	MSSF 2018 £m	Total 2018 £m
Fund for Future Appropriations	598.2	-	598.2	650.6	-	650.6
Adjustments to assets	(103.1)	-	(103.1)	(114.4)	-	(114.4)
Adjustments to liabilities	81.6	72.1	153.7	91.4	43.9	135.3
Total available capital resources	576.7	72.1	648.8	627.6	43.9	671.5
Other adjustments	(3.2)	(42.8)	(46.0)	(3.3)	(17.6)	(20.9)
Eligible Own Funds to meet SCR	573.5	29.3	602.8	624.3	26.3	650.6
Solvency Capital Requirement	126.4	29.3	155.7	115.9	26.3	142.2
Cover for Solvency Capital Requirement	454%	100%	387%	538%	100%	457%

Under the merger Scheme, the whole of the surplus in the MSSF is progressively and equitably distributed to the policies in that fund. This means that for the purpose of the available capital resources statement there are no excess assets in the fund. However, some surplus is being held back in the fund to provide regulatory capital that may be required under stressed financial conditions.

(V) SOLVENCY II OWN FUNDS AND SURPLUS CAPITAL

Own Funds are determined in accordance with the Capital Management policies described above.

Total Liabilities are determined using the same methodology as described in Note 1, and are inclusive of the present value of future profits on linked non-profit business.

The Solvency Capital Requirement (SCR) represents the level of capital that the Society is required to hold in the Pillar 1 stress event. The SCR is calculated assuming that, amongst other less material risks:

- risk free yields rise;
- equity and property markets fall;
- longevity increases, increasing annuity liabilities;
- credit risk increases as per the regulations.

Credit risk is allowed for by assuming an immediate and permanent widening in yield spreads on corporate bonds over risk free rates, calculated on a stock-by-stock basis. A list of the most material stress assumptions and their impact is shown in the sensitivity analysis section.

(VI) MOVEMENTS IN AVAILABLE CAPITAL RESOURCES IN PERIOD

A summary Solvency II Pillar 1 Balance Sheet is shown below:

	2019 £m	2018 £m
Total value of investment assets	6,855.5	6,225.4
Value of reinsurance	59.5	80.8
Total Assets	6,915.0	6,306.2
With profits technical provisions		
– With profits benefit reserve	3,773.1	3,343.9
– Options & Guarantees	156.5	100.8
Linked technical provisions	1,220.5	1,117.7
Other Life technical provisions	865.5	844.9
Health technical provisions	91.7	82.8
Other liabilities	159.0	144.6
Total Liabilities	6,266.3	5,634.7
Total Available Capital Resources	648.8	671.4
Solvency Capital Requirement	155.7	142.2
Total Surplus Capital	493.1	529.2

13. FUND FOR FUTURE APPROPRIATIONS (FFA) AND CAPITAL MANAGEMENT

	OILTBF £m	MSSF £m	Total business £m
Balance at 1 January 2019	627.5	43.9	671.4
Modelling improvements	(1.3)	1.1	(0.2)
Effect of method changes	6.3	-	6.3
Effect of investment variations	26.1	20.6	46.7
Effect of experience variations	(1.2)	(5.3)	(6.5)
Effect of assumption changes	0.7	8.1	8.8
New Business	(0.2)	-	(0.2)
Effect of pension surplus	(20.1)	-	(20.1)
Effect of expense variances	(7.2)	-	(7.2)
Increase in risk margin	(9.3)	-	(9.3)
Other factors	(9.0)	3.7	(5.3)
Mutual Rewards Scheme	(35.6)	-	(35.6)
Balance at 31 December 2019	576.7	72.1	648.8

The table above shows key elements of the movements in available capital resources over the period. The most significant factor affecting the Open Fund is the Society's Mutual Rewards Scheme, which intends to distribute c.£33m to policyholders in 2020 if economic conditions allow. In addition, the Wesleyan Staff Pension Scheme surplus has decreased by £20m as a result of lower interest rates. This is offset by strong investment returns increasing available capital resources by £26m over the year.

The impact from changes to insurance assumptions is also shown, including those relating to persistency, mortality and expense assumption changes. These affect available capital resources as the assumptions have an impact on costs of guarantees, options and smoothing, the value of in force business and the with profits benefit reserve. There were no changes in management policy assumed for determining the cost of guarantees, options and smoothing and no significant changes in regulation or other similar external developments.

SENSITIVITY OF CAPITAL

The capital position of the Society is sensitive to changes in economic conditions and financial markets, both through the impact on asset values and also the effect that changes in interest rates and investment returns may have on liability valuations. The liabilities are also sensitive to the other assumptions that have been used in their calculation, such as mortality and persistency. The Society's approach to managing these risks is detailed in Note 2.

(I) ECONOMIC CONDITIONS AND FINANCIAL MARKETS

The liability valuation will include assumptions about future interest rates and investment returns. An adverse change in either variable will increase liabilities and hence reduce the available capital, depending upon the extent to which assets with similar anticipated cash flows match the liabilities.

To the extent that it cannot be reflected in reductions in payments to policyholders because of the presence of guarantees and options in the underlying contracts, an adverse change in the markets for the Society's investment assets will reduce the Own Funds.

(II) OTHER ASSUMPTIONS

The Society monitors actual experience in mortality, morbidity and persistency rates against the assumptions used, and applies that outcome to refine its long-term assumptions. Amounts paid will inevitably differ from estimates, particularly when the expected payments do not occur until well into the future. Liabilities are fully evaluated quarterly with estimates given monthly, or more frequently during periods of market downturn or uncertainty, allowing for changes in the assumptions used, as well as for the actual claims experience. If actual claims experience is less favourable than the underlying assumptions, or if it is necessary to increase provisions in anticipation of a higher rate of future claims, then available capital will be reduced.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

13. FUND FOR FUTURE APPROPRIATIONS (FFA) AND CAPITAL MANAGEMENT CONTINUED

(III) MAIN SENSITIVITIES

The most significant potential causes of a worsening of the Society's capital position arise from the following four risks:

Market risk in relation to with profits business, which would arise if adverse changes in the value of the assets supporting this business could not be fully reflected in payments to policyholders because of the effect of guarantees and options, particularly guaranteed annuity options.

Credit risk in relation to corporate bonds held by the Society. Widening credit spreads would reduce asset values across a range of funds, whilst liability values would remain unchanged, reducing Own Funds. In addition, default on expected future reinsurance profit would potentially lead to a worsening in the Society's balance sheet.

Longevity risk in relation to annuity business, which would arise if the mortality of annuitants improved more rapidly than the assumptions used for reserving.

Operational risk relating to costs incurred in the day-to-day running of the business, particularly as a result of actions taken by Society employees, for example fraud.

The timing of any impact on capital would depend on the interaction of past experience and assumptions about future experience. In general, if experience had deteriorated or was expected to deteriorate and management actions were not expected to reduce the future impact, then assumptions relating to future experience would be changed to reflect it. In this way, liabilities would be increased to anticipate the future impact of the worse experience with immediate impact on the capital position. An example of possible management action includes changes to with profits bonus rates.

In addition, actions could be taken to reduce the Society's required capital by risk management particularly relating to assets – for example, divestment from current equity or corporate bond holdings in favour of a safer but lower yielding asset such as cash.

A sensitivity analysis reflecting the impact of changes to mortality, morbidity, persistency, expense and market assumptions on the Society's available capital is provided below. Stresses reflect capital held for the stresses in the one in 200 scenario modelled for calculation of the Society's SCR.

The separate investment strategy for the assets backing policy asset shares described in the Market Risk Overview on page 87 enables a low market risk strategy to be adopted for capital without impacting on the long-term investment returns for with profits policyholders. This means that the capital position of the Society is less sensitive to changes in economic conditions and financial markets, and this leads to a lower SCR than would be the case if equity investment was at similar levels across all funds.

(IV) SENSITIVITY ANALYSIS

SCR stresses and impacts

Risk	Stress assumption used	Impact on available capital	
		2019 £m	2018 £m
Demographic			
Longevity improvement	20.0%	32.9	29.9
Morbidity level (inceptions and terminations)	25.0% / (20.0%)	7.7	7.9
Change to future lapses	(50.0%)	28.7	19.0
Expense (level and inflation increase)	10.0% / 1.0%	4.0	3.6
Economic			
Equity level fall	38.9%	46.0	30.4
Credit stress - reduction in value of AA rated corporate bond (term 10 / 15 / 20)	8.5% / 11.0% / 13.5%	47.8	51.6
Interest rate rise (term 10 / 15/ 20)	1.0% / 1.0% / 1.0%	21.9	29.9
Counterparty (credit quality 1- 5+)	0.01%/ 0.1%/ 0.2%/ 1.2%/ 4.2%	4.5	4.0
Property level fall	25.0%	8.6	7.8

13. FUND FOR FUTURE APPROPRIATIONS (FFA) AND CAPITAL MANAGEMENT

The table above shows sensitivities to movements in the assumptions used at 31 December 2019 on Pillar I Own Funds, after transfer of losses to With Profits asset shares.

The impacts of the value of non-profit business are more significant than the net changes in Own Funds. This is because much of the emerging losses from non-profit and unit-linked business in the stressed conditions would be charged to with profits policyholders and hence would reduce the Society's liabilities.

Sensitivities shown reflect the equivalent SCR stresses on the balance sheet for relevant economic, demographic and insurance assumptions. The Society has increased the amount of its capital invested in equities during the year, so is now more exposed to equity falls. Reductions in interest rates have also increased the Society's exposure to demographic risks. There has also been an increase in lapse risk as a result of changes to persistency assumptions, particularly the introduction of deferred retirements. There is less sensitivity to interest rates due to changes to asset holdings.

These are stresses which apply in a 1 in 200 scenario.

(1) DEMOGRAPHIC

ANNUITANT LONGEVITY

Decrease in base mortality rates.

This sensitivity demonstrates the effect of a decrease in the rate of deaths. For annuity business and policies that contain a guaranteed annuity option a decrease in mortality rates will increase the liability, as the average period over which annuity payments have to be made will be extended.

MORBIDITY

Increase in base morbidity rates, plus a reduction in claim terminations.

This sensitivity demonstrates the effect of an increase in the rate of serious illness.

PERSISTENCY

Reduction in lapse rates

This sensitivity reflects a single, downward movement in lapse rates. This means that fewer policies than expected are being surrendered or terminated early, with the result that more policies are assumed to remain in-force. For non-participating business an increase in lapse rates will tend to increase liabilities. However, for participating business, an increase in lapse rates will decrease the liability as fewer policies are assumed to remain in-force to exercise guarantees and options.

(2) EXPENSES

Increase in maintenance expenses, the ongoing cost of administering contracts.

This sensitivity is applied to the projected level of expenses. An increase in expenses beyond best estimate expense inflation will increase liabilities for non-participating business.

(3) ECONOMIC

This sensitivity is designed to show the effect of an adverse movement in interest rates used to discount liabilities and implicit in asset valuations. At the end of 2019 this relates to an upward movement in yields on the Pillar 1 balance sheet.

The value of liabilities is increased when the interest rates fall as the discount rate used in the calculation will be reduced. An increase in rates will have the opposite effect. The sensitivity test for interest rates is market-related and this can give rise to non-symmetrical increases and decreases.

EQUITY CAPITAL VALUES AND PROPERTY CAPITAL VALUES

Decrease in equity capital values at the valuation date, without a corresponding rise in dividend yield.

Decrease in property capital values without a corresponding rise in rental yield.

These sensitivities show the impact of a sudden change in the market value of assets. The value of liabilities will decrease when asset values fall, but other than for unit-linked business, the decrease will be less than the fall in asset values, as a result of minimum guaranteed payout levels on these contracts. Consequently, the available capital will be reduced by a fall in asset values.

CREDIT STRESSES

Increase in yield of commercial fixed interest security over government debt.

This sensitivity shows the impact in a sudden change in relative creditworthiness of corporate debt. The value of corporate debt assets will decrease when credit spreads increase, with no corresponding decrease in liability for policyholder assets.

COUNTERPARTY

Probability of counterparty default.

This sensitivity shows the impact of counterparty default in relation to the Society's holdings of short term deposits, reinsurance, and derivatives. In the event of a default these assets will reduce in value, potentially to nil.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

13. FUND FOR FUTURE APPROPRIATIONS (FFA) AND CAPITAL MANAGEMENT CONTINUED

INTEREST RATES

Stress to yield curve, as shown in table below:

Term (years)	5	10	15	20	25
Interest rate before stress (% per annum)	0.78	0.91	1.00	1.02	1.01
Interest rate after stress (% per annum)	1.78	1.91	2.00	2.02	2.01
Change	1.00	1.00	1.00	1.00	1.00

14. LONG-TERM BUSINESS PROVISION AND TECHNICAL PROVISION FOR LINKED LIABILITIES

The following note describes the Society's technical provisions, changes to them over the reporting period and the causes of these changes, as well as their effect on policyholders in terms of bonuses allocated to with profits policies. It also outlines the key assumptions used in calculating the provisions and the effect of those assumptions on the calculation of the provisions.

TECHNICAL PROVISIONS SUMMARY

Shown in the tables below are the total technical provisions of the Group at the end of 2019. The change since last year is then shown, broken down into the change in the long-term business provision for with profits and non profits business and the change in linked liabilities. The effect of reinsurance on the changes is also shown in the table. The technical provisions for the Society are £8.0m lower (2018: £5.9m higher) than the Group technical provisions explained below, resulting from valuing subsidiaries at fair value within the Society.

	OILTBF 2019 £m	MSSF 2019 £m	Total business 2019 £m	OILTBF 2018 £m	MSSF 2018 £m	Total business 2018 £m
Liability Analysis						
With profits liabilities						
Options and guarantees	95.4	155.7	251.1	72.4	149.5	221.9
Other policyholder obligations	3,305.0	527.3	3,832.3	2,874.9	483.2	3,358.1
Total with profits liabilities	3,400.4	683.0	4,083.4	2,947.3	632.7	3,580.0
Non profit life assurance	955.0	2.2	957.2	925.7	2.0	927.7
Total long-term business provision	4,355.4	685.2	5,040.6	3,873.0	634.7	4,507.7
Linked provisions	1,279.7	-	1,279.7	1,155.1	-	1,155.1
Technical provisions in balance sheet	5,635.1	685.2	6,320.3	5,028.1	634.7	5,662.8

Long-term Business Provision					
	Insurance contracts £m	Investment Contracts with DPI £m	Total long term business provision £m	Provision for Linked Liability £m	Total Liability £m
Gross provision					
At 1 January 2019	3,883.7	624.0	4,507.7	1,155.1	5,662.8
Change in technical provisions	418.4	114.5	532.9	124.6	657.5
At 31 December 2019	4,302.1	738.5	5,040.6	1,279.7	6,320.3
Reinsurers' share					
At 1 January 2019	80.4	-	80.4	-	80.4
Change in technical provisions	(21.1)	-	(21.1)	-	(21.1)
At 31 December 2019	59.3	-	59.3	-	59.3
Net provision					
At 1 January 2019	3,803.3	624.0	4,427.3	1,155.1	5,582.4
Change in technical provisions	439.5	114.5	554.0	124.6	678.6
At 31 December 2019	4,242.8	738.5	4,981.3	1,279.7	6,261.0

14. LONG-TERM BUSINESS PROVISION AND TECHNICAL PROVISION FOR LINKED LIABILITIES (CONTINUED)

CHANGE IN TECHNICAL PROVISION FOR LINKED LIABILITIES

	2019 £m	2018 £m
The change in liabilities on investment contracts comprises:		
Premiums received (Note 3(a))	41.3	33.6
Claims paid (Note 6)	(95.2)	(77.4)
Fee income deducted (Note 5(a))	(10.7)	(10.9)
	(64.6)	(54.7)
Allocation of net investment return	189.2	(60.0)
Change in technical provision for linked liabilities	124.6	(114.7)

CHANGE IN LONG-TERM BUSINESS PROVISION

	2019			2018		
	Insurance contracts £m	Investment contracts with DPF £m	Total long term business provision £m	Insurance contracts £m	Investment contracts with DPF £m	Total long term business provision £m
Gross Provisions						
Change in liabilities comprises:						
Assumption and method changes	0.3	6.2	6.5	(10.0)	(4.5)	(14.5)
Net investment return on technical provisions	398.0	81.1	479.1	(81.2)	(17.8)	(99.0)
Other	20.1	27.1	47.2	(82.8)	16.3	(66.5)
Increase in long-term business provision	418.4	114.4	532.8	(174.0)	(6.0)	(180.0)
Reinsurers Share						
Change in liabilities comprises:						
Assumption and method changes	(5.7)	-	(5.7)	(4.0)	-	(4.0)
Net investment return on technical provisions	0.3	-	0.3	0.3	-	0.3
Other	(15.6)	-	(15.6)	(1.5)	-	(1.5)
Increase in long-term business provision	(21.0)	-	(21.0)	(5.2)	-	(5.2)

Key changes in liability during 2019 result from:

Strong investment returns, which result in a £479m increase in liabilities, (shown in 'net investment return on technical provisions' in the table above).

Various assumption changes have been made during the year, most of which impacted with profits payouts so there is little change to overall liabilities. Liabilities did however reduce as a result of a reduction in expected GAR take-up rates.

Lower interest rates have increased liabilities by increasing the value of guarantees.

'Other' factors include new business added to the fund over the year, and an increase to future reinsurance premiums payable

VALUATION BASIS

(i) WITH PROFITS AND UNIT-LINKED INSURANCE BUSINESS

As described in Note 2, some of the Society's policies contain options and guarantees that can increase the benefits payable to the policyholder.

Unit-linked policies have been valued taking into account future expected payouts, including expenses. This takes account of future expense profit expected on these products, and thus is lower than the unit value at the valuation date.

The tables below show the principal expense assumptions used in determining the cost of options and guarantees in the long-term business provision in respect of with profits business. As well as with profits business, these expense assumptions also apply to all unit-linked and non-profit business. More granular assumptions by product were adopted during the year following a detailed review of experience.

Other significant assumptions impacting the cost of options and guarantees are equity volatility and correlation. Expected returns on assets and volatilities have been calibrated to ensure consistency with market values at an appropriate term for our anticipated liability profile. The cost of guarantees will be higher with higher investment volatility. The correlation of investment returns assumed has been based on management's view of historic equity and gilt returns.

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

14. LONG-TERM BUSINESS PROVISION AND TECHNICAL PROVISION FOR LINKED LIABILITIES CONTINUED

In calculating liabilities, allowance has been made for the impact of future management actions consistent with those set out in the PPFM. The most significant of these management actions are those that result in changes to assumed levels of bonus depending on market conditions. Management reserve the right to change the investment strategy in extreme conditions but this has not been reflected in these calculations.

Guarantee costs arise as a result of providing benefits at a level equal to the guaranteed sum assured and any accrued annual bonus under a contract, where this exceeds the policy asset share, whether on death, maturity, regular income withdrawal or guaranteed surrender.

Providing benefits in accordance with formula-based surrender scales which take into account sums assured and accrued bonuses may also give rise to guarantee costs where the resulting surrender value exceeds the policy asset share.

Unitised with profits business has low initial guarantees and almost all policies support a terminal bonus at 31 December 2019. No market value reductions (MVRs) applied on early surrender or transfer at that date, and no MVRs were applied during 2019.

Option costs arise from the cost of providing guaranteed annuity options at retirement for pension contracts where the annuity provided is on more favourable terms than those implied by market interest rates. Guaranteed annuity options are generally considerably in the money but apply to relatively few policies, except in the MSS Fund where derivative assets are held to hedge the interest rate risk. This liability has increased during 2019 as a result of lower interest rates increasing the value of guarantees.

Smoothing represents costs (which may be positive or negative) associated with smoothing with profits payouts such that benefits payable, after applying agreed bonus scales, differ from the with profits benefit reserve for the contract.

All options and guarantees were measured at fair value using a market-consistent stochastic model.

Expenses are assumed to inflate in line with RPI inflation over the long term. This rate is based on the implied price inflation curve from UK Government long dated index-linked and conventional gilts. Costs are expected to increase at a rate lower than RPI inflation until the end of 2022, whilst policy count is assumed to decline slightly over the short term. In addition, a reserve is being held to allow for anticipated higher project costs over the short term.

Assumptions for future mortality, morbidity and persistency are intended to represent a best estimate of future experience. Investigations are undertaken on a regular basis to assess the experience of the business.

Where appropriate, the Society's mortality experience was analysed over previous years. The results of these analyses were considered relative to UK industry-standard tables with adjustments where appropriate.

Persistency rates are assumed to vary according to either policy duration or age, and by broad class of policy. The rates experienced were smoothed, after considering the significance of the data. In particular, smoothing is required where there are only a few policies and lapse experience is limited.

(II) NON-PARTICIPATING INSURANCE BUSINESS (OTHER THAN CONTRACTS ATTACHED TO UNIT-LINKED BUSINESS)

Annuities in payment have been valued by discounting future annuity payments and expenses.

The assumptions used in the valuation of non-profit policies are best estimates of likely future experience. The interest rates used for discounting were prescribed by EIOPA and represent a risk-free rate of market-consistent swap yields. These yields were adjusted to allow for credit risk in line with the rules and guidance issued by the PRA.

The mortality rate assumptions used are the Society's assessment of best estimate levels of current mortality and, for annuities, the future rate of improvement. For income protection policies, the assumed level of morbidity is similarly a reflection of the Society's own recent experience.

Premiums are assumed to be paid in line with the policy conditions. However, for reviewable premium business, where profits and losses which have already occurred on non-profits business are yet to be passed to policyholders, a reserve is held in respect of expected future premium reductions due to policyholders.

For non-participating business which is written in the OILTBF, the long term insurance liabilities were calculated on a prospective basis determined as the present value of future benefits payable to policyholders plus the present value of future expenses less the present value of future premiums.

The principal assumptions made for Society business were as follows:

14. LONG-TERM BUSINESS PROVISION AND TECHNICAL PROVISION FOR LINKED LIABILITIES (CONTINUED)

Expenses	2019	2018
Per policy expenses (quoted gross of any tax relief)	£	£
Open Fund		
<i>Ordinary business</i>		
Life – Premium Paying	94.99	94.54
Life – Single Premium/Paid Up	94.99	94.54
Pensions – Premium Paying	99.78	99.87
Pensions – Single Premium/Paid Up	99.78	99.87
Group Locum	63.69	59.00
Income Protection	91.15	83.67
Life and Pensions – Annuities	79.28	79.77
Industrial assurance business		
Premium Paying	8.64	8.34
Paid Up	2.16	2.09
MSS Fund		
Pensions – Premium Paying	151.96	146.78
Income Protection	113.97	110.09
Life – Premium Paying, Pensions – Single Premium/Paid Up	75.98	73.39
	2019	2018
	%	%
% of Premium Expenses		
Open Fund		
<i>Industrial assurance business</i>		
Premium Paying/Premium Loan	22.00	22.00
Investment Expenses – % of fund		
Open Fund	0.083	0.085
MSS Fund	0.080	0.080
	2019	2018
	%	%
Mortality		
<i>Ordinary business</i>		
Life assurances	60%/70% AMC/AFC00 U	60%/70% AMC/AFC00 U
Pensions in Payment - Wesleyan	None in deferment 130%/130% PMA/PFA08	None in deferment 145%/130% PMA/PFA08
Pensions in Payment - ASW	85% AM/AF92 U in deferment: 125%/140% PMA/PFA08	85% AM/AF92 U in deferment: 125%/140% PMA/PFA08
Pension term assurance	90%/80% AMC/ AFC00	90%/80% AMC/ AFC00
Pensions in Payment - Medics	90%/80% PMA/ PFA08	90%/80% PMA/ PFA08
<i>Industrial assurance business</i>		
Life assurances	11% ELT14M-4	11% ELT14M-4

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

14. LONG-TERM BUSINESS PROVISION AND TECHNICAL PROVISION FOR LINKED LIABILITIES CONTINUED

For non-participating business, regular premium contributions are subject to assumptions regarding persistency in calculating the liabilities for non-participating business. Cessation of premiums is assumed as this would lead to a decrease in expected future value on these policies

Rates of return are set according to a best estimate assumption of the future returns available from the investments backing the Fund. Mortality assumptions are set by reference to publicly available tables, adjusted and validated against actual experience. Future expenses are based on recent expense experience, adjusted for expected future inflation.

The amount of the provision is dependent upon the risk free interest rates used to discount future liability cash flows. The risk-free interest rates are defined as the rate at which two parties are prepared to swap fixed and variable interest rate obligations, less a suitable adjustment for the risk of default by either party. The provision is also dependent upon the mortality experience assumed. A reduction in the future mortality rates assumed would increase the provision for annuity business.

SWAP YIELD CURVE AT KEY TERMS:

Term (years)	5	10	15	20	25
Interest rate (% per annum)	0.78	0.91	1.00	1.02	1.01

BONUSES

Bonuses allocated to in-force with profits policies increase the liabilities for with profits insurance and investment contracts and represent an allocation of surplus. The total bonus attributable to the year consisted of the following amounts:

	2019 £m	2018 £m
Society		
Bonuses paid as claims (including terminal bonus)	107.9	109.5
Bonuses allocated to policies in-force at 31 December	3.0	3.3
Total	110.9	112.8

15. PROVISIONS FOR OTHER RISKS

	Deferred Tax £m	Other £m	Total £m
Group			
At 1 January 2019	75.0	1.3	76.3
Charged during the year	10.5	0.8	11.3
At 31 December 2019	85.5	2.1	87.6

	Deferred Tax £m	Other £m	Total £m
Society			
At 1 January 2019	75.0	-	75.0
Charged during the year	10.5	-	10.5
At 31 December 2019	85.5	-	85.5

Deferred tax provided in the financial statements in respect of the total liability is as follows:

	2019 £m	2018 £m
Society		
Timing differences in respect of investment values	80.9	69.0
Deferred tax on pension asset	6.0	7.7
Deferred acquisition costs	(2.4)	(2.6)
Other timing differences	1.0	0.9
	85.5	75.0

The provision for deferred tax on unrealised gains on linked assets is included in the provision for linked liabilities and amounts to £7.1m (2018: £4.8m).

16. DEPOSITS RECEIVED FROM REINSURERS

During 2011, the Society undertook a financing transaction by restructuring its existing Income Protection reinsurance arrangement. An advance payment of £82.9m was received on 16 December 2011 in return for a commitment to pay a series of future claim rebates, which will be offset against future reinsurance claim recoveries in the period to 2034. At 31 December 2019, £27.1m (2018: £33.2m) of this deposit remains outstanding.

17. REINSURANCE

The gains and losses recognised in the Statement of Comprehensive Income at 31 December 2019 relating to reinsurance amounted to a charge of £13.0m (2018: credit of £4.1m).

18. OTHER CREDITORS

	Group		Society	
	2019 £m	2018 £m	2019 £m	2018 £m
Contract purchase agreements	2.8	3.9	2.8	3.9
Amounts payable to subsidiary undertakings	-	-	9.2	9.7
Other creditors	12.3	12.0	4.4	3.5
Taxation and social security	11.9	6.9	10.0	1.3
	27.0	22.8	26.4	18.4

All balances payable are unsecured and are due within one year apart from contract purchase agreements, as detailed below.

	Group		Society	
	2019 £m	2018 £m	2019 £m	2018 £m
Under one year	0.7	0.9	0.7	0.9
In the second to fifth years inclusive	2.1	3.0	2.1	3.0
	2.8	3.9	2.8	3.9

19. CAPITAL COMMITMENTS

Commitments authorised or contracted for but for which no provision had been made at the balance sheet date totalled £0.5m (2018: £2.4m).

20. FINANCIAL COMMITMENTS

At 31 December 2019, the Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods.

	2019 £m	2018 £m
Payments due		
Not later than one year	0.3	0.6
Later than one year and not later than five years	1.4	1.3
	1.7	1.9

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

21. INVESTMENT IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

	2019 £m	2018 £m
At 1 January	98.7	92.4
Fair value adjustment	(12.8)	6.3
At 31 December	85.9	98.7

All subsidiaries have been valued using either present value techniques with forecasts based on the financial projections of the Group, or based on their surplus capital. The valuations based on financial projections are sensitive to changes in short term profits and discount rates used, so can fluctuate significantly from one year to the next.

A discount rate of 8.2% (2018: 8.0%) has been used for Practice Plan Holdings Limited (and all associated subsidiaries) and a discount rate of 12.5% (2018: 12.5%) has been used for Wesleyan Unit Trust Managers Limited

The directly held subsidiary undertakings of the Society at 31 December 2019 are shown below.

Company	Percentage Held	Principal Activities	Registered Address
Wesleyan Trustees Limited	100%	To provide nominee services to the Trustee of the Wesleyan Staff Pension Scheme.	Colmore Circus, Birmingham, B4 6AR
Wesleyan Unit Trust Managers Limited	100%	To act as the operator of the Wesleyan range of unit trusts	Colmore Circus, Birmingham, B4 6AR
Wesleyan Bank Limited	100%	To provide banking and unsecured lending services.	Colmore Circus, Birmingham, B4 6AR
Wesleyan Administration Services Limited	100%	To provide administrative services to members of the Group.	Colmore Circus, Birmingham, B4 6AR
Wesleyan Financial Services Limited	100%	To act as the distribution arm of the Group's insurance and investment activities	Colmore Circus, Birmingham, B4 6AR
Practice Plan Holdings Limited	100%	Through its trading companies Practice Plan Limited and Practice Plan Insurance Limited. Practice Plan provides practice branded membership plans and support services to the UK dentistry market	Cambrian Works, Gobowen Road, Oswestry, Shropshire, SY11 1HS.
Wesleyan SIPP Trustees Limited	100%	To act as bare trustee of the Wesleyan SIPP.	Colmore Circus, Birmingham, B4 6AR
Wesleyan Staff Pension Trustees Limited	100%	To act as corporate trustee of Wesleyan Staff Pension Scheme.	Colmore Circus, Birmingham, B4 6AR
Medical Sickness Financial Planning Limited	100%	Dormant company	Colmore Circus, Birmingham, B4 6AR
Medical Sickness Annuity and Life Assurance Society Limited	100%	Dormant company	Colmore Circus, Birmingham, B4 6AR
Medical Sickness Society Limited	100%	Dormant company	Colmore Circus, Birmingham, B4 6AR
Medical Sickness Limited	100%	Dormant company	Colmore Circus, Birmingham, B4 6AR

The Group and all directly held subsidiary undertakings are incorporated and domiciled in England. All subsidiaries are 100% wholly owned and are held at fair value.

The indirectly held subsidiary undertakings of the Society as at 31 December 2019 are shown below. These entities are subsidiaries of Wesleyan Bank Limited or Practice Plan Holdings Limited.

21. INVESTMENT IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

Company	Percentage Held		Principal Activities	Registered Address
	Indirectly	Directly		
Practice Plan Holdings 2007 Limited	100%		Intermediary holding company	Cambrian Works, Gobowen Road, Oswestry, Shropshire, SY11 1HS.
Practice Plan Group (Holdings) Limited	100%		Holding company	Cambrian Works, Gobowen Road, Oswestry, Shropshire, SY11 1HS.
Practice Plan Group Limited	100%		Intermediary holding company	Cambrian Works, Gobowen Road, Oswestry, Shropshire, SY11 1HS.
Practice Plan Insurance Limited	100%		To carry on business of insurance	Cambrian Works, Gobowen Road, Oswestry, Shropshire, SY11 1HS.
Practice Plan Limited	100%		To provide a direct debit collection and administration service for dental practice patient membership schemes	Cambrian Works, Gobowen Road, Oswestry, Shropshire, SY11 1HS.
Isoplan Limited	100%		Holding company	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ.
Medenta Finance Limited	100%		To provide credit broking services	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ.
Worldwide Assistance Limited	100%		To operate a Discretionary Scheme to assist dental plan members in the event that they suffer a dental emergency and/or trauma	Cambrian Works, Gobowen Road, Oswestry, Shropshire, SY11 1HS.
Isoplan UK Limited	100%		Dormant company	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ.
Isoplan International Limited	100%		Dormant company	Cambrian Works, Gobowen Road, Oswestry, Shropshire, SY11 1HS.
Syscap Holdings Limited	100%		Holding company	Ci Tower, St. Georges Square, New Malden, Surrey, England, KT3 4TE.
Syscap Group Limited	100%		Holding company	Ci Tower, St. Georges Square, New Malden, Surrey, England, KT3 4TE.
Serco Paisa Limited	50%		Joint venture with Serco Group plc to effect finance	Ci Tower, St. George's Square, New Malden, Surrey, KT3 4TE.
Syscap Limited	100%		To arrange lease and loan finance	Ci Tower, St. Georges Square, New Malden, Surrey, England, KT3 4TE.
Syscap Leasing Limited	100%		To arrange lease finance and the provision of loans and associated services	Ci Tower, St. Georges Square, New Malden, Surrey, England, KT3 4TE.
DPAS Limited	100%		To act on behalf of dental practices and patient customers to provide and administer private dental plans	Cambrian Works, Gobowen Road, Oswestry, Shropshire, SY11 1HS.
DPAS Investment and Consultancy Services Limited	100%		To carry out consultancy and research activities	Cambrian Works, Gobowen Road, Oswestry, Shropshire, SY11 1HS.
Quality Plan Limited	100%		Dental insurance	Units 84-85 Enterprise House Balloo Avenue, Bangor, County Down, BT19 7QT.
Segregated Account 15 ¹	100%		Dental insurance	Chubb Building, 17 Woodbourne Avenue, Hamilton, HM08, Bermuda

¹ Incorporated in Malta

² Incorporated in Bermuda

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

21. INVESTMENT IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS CONTINUED

The entities listed below are taking advantage of exemption from audit under section 479a of the Companies Act 2006 on the basis that the Society irrevocably guarantees the debts and liabilities that these subsidiaries have entered into during the 2019 financial year.

Companies exempt from audit

Wesleyan Administration Services Limited	(Registered Number: 05188850)
Practice Plan Holdings Limited	(Registered Number: 06772074)
Practice Plan Holdings 2007 Limited	(Registered Number: 06023648)
Practice Plan Group (Holdings) Limited	(Registered Number: 05467316)
Practice Plan Group Limited	(Registered Number: 04807010)
Isoplan Limited	(Registered Number: SC210901)
Isoplan International Limited	(Registered Number: 03858678)
Isoplan UK Limited	(Registered Number: SC126957)
Medenta Finance Limited	(Registered Number: SC276679)
Syscap Holdings Limited	(Registered Number: 05740449)
Syscap Group Limited	(Registered Number: 03132650)
Syscap Limited	(Registered Number: 02471568)
Syscap Leasing Limited	(Registered Number: 02718043)
Quality Plan Limited	(Registered Number: NI067553)
Worldwide Assistance Limited	(Registered Number: 10907861)

22. CONTINGENT LIABILITIES

The balance sheet of Wesleyan Bank Limited ("the Bank") includes loans to customers amounting to £0.3m (2018: £0.5m), which are secured on life policies taken out with Wesleyan Assurance Society. The Society has guaranteed these loans.

The Society, by an agreement dated 2 July 1998 as amended, has placed at the disposal of the Bank an irrevocable overdraft facility not exceeding £10m to cover any liquidity risk issues. In addition to the irrevocable overdraft facility, by an agreement dated 24 December 2012, the Society placed at the disposal of the Bank a continuing committed loan facility of up to £40m. The Society has confirmed to the PRA that, whilst noting that its legal liability is limited to the face value of its shareholding, it recognises a moral responsibility to ensure that the Bank continues at all times to meet its obligations.

In addition the Society has guaranteed the repayment of the mutual gold fixed term bonds issued by the Bank up to a maximum sum of £0.25m (2018: £0.25m) for an individual or £0.5m (2018: £0.5m) for a joint account in the event that the Bank fails to repay such amounts. The total value of these bonds held by customers at 31 December 2019 was £1.6m (2018: £2.8m).

Under a Trust Deed approved by HMRC dated 28 May 2012 as amended, the Society has covenanted to accept the ultimate responsibility for the funding of Wesleyan Staff Pension Scheme.

The Society has absolutely, irrevocably and unconditionally agreed to provide sufficient capital resources to Wesleyan Unit Trust Managers Limited, Wesleyan Financial Services Limited, Wesleyan Administration Services Limited and Wesleyan SIPP Trustees Limited, as well as companies listed in Note 21 as exempt from audit, to enable them to meet their individual liabilities in order to protect and enhance its investments in these subsidiary companies.

23. GENERAL BUSINESS

The Society has retained the risk in respect of any industrial disease claims arising on the book of general insurance policies sold to General Accident (now part of Aviva plc) in 1995. To date, claims received have been negligible and management consider the possibility of future claims to be remote.

In order to comply with the EC Directive 2009/138/EC and PRA GENPRU 2.1.30 the Society holds capital to meet the absolute floor of the minimum capital requirement of €3.7m (2018: €3.7m).

24. PENSION SCHEMES

The Society operates a defined benefit pension scheme – Wesleyan Staff Pension Scheme ("the Scheme"), which since 1 October 2009 has been closed to new entrants, with new members of the Society from 1 October 2009 eligible to join the Society's defined contribution scheme. The Scheme is fully funded with the assets of the scheme held in a separate fund administered by the Corporate Trustee. The Scheme closed to future accrual of benefits on 5 April 2016.

The most recent valuation of the Scheme was as at 31 December 2018. The valuation used the projected unit method and was carried out by a qualified Actuary employed by Aon Hewitt.

The results of the latest funding valuation at 31 December 2018 have been adjusted to the balance sheet date taking account of experience over the period since 31 December 2018, changes in market conditions and differences in the financial and demographic assumptions.

The principal assumptions used to calculate the liabilities under FRS 102 are set out below:

RECONCILIATION OF ACCOUNTING BASIS TO BALANCE SHEET

	2019 £m	2018 £m	2017 £m
Total market value of assets	517.4	496.7	526.6
Present value of funded defined benefit obligations	(420.1)	(379.8)	(432.1)
Present value of unfunded defined benefit obligations	(6.2)	(5.6)	(4.9)
Surplus in Scheme	91.1	111.3	89.6
Related deferred tax liability	(6.0)	(7.7)	(6.2)
Net pension asset recognised on balance sheet	85.1	103.6	83.4

ANALYSIS OF SURPLUS

	2019 £m	2018 £m
Surplus in Scheme at beginning of year	111.3	89.6
Past service cost	-	(1.2)
Contributions	0.3	0.3
Other finance income	3.2	2.2
Actuarial (loss)/gain recognised in other comprehensive income	(23.7)	20.4
Surplus in Scheme at end of year	91.1	111.3

ANALYSIS OF PROFIT AND LOSS CREDIT/(CHARGE)

	2019 £m	2018 £m
Past service cost	-	(1.2)
Interest on net defined benefit asset	3.2	2.2
Total credit recognised in profit and loss	3.2	1.0

CHANGES TO THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION DURING THE YEAR

	2019 £m	2018 £m
Opening defined benefit obligation	385.4	437.0
Interest cost	10.9	10.6
Actuarial gains/(losses) on liabilities	47.5	(34.5)
Net benefits paid out	(17.5)	(28.9)
Past service cost	-	1.2
Closing defined benefit obligation	426.3	385.4

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

24. PENSION SCHEMES CONTINUED

CHANGES TO THE FAIR VALUE OF SCHEME ASSETS DURING THE YEAR

	2019 £m	2018 £m
Opening fair value of assets	496.7	526.6
Interest income on Scheme assets	14.1	12.8
Actuarial gains/(losses) on assets	23.8	(14.1)
Contributions by the employer	0.3	0.3
Net benefits paid out	(17.5)	(28.9)
Closing fair value of assets	517.4	496.7

ACTUAL RETURN ON ASSETS

	2019 £m	2018 £m
Expected return on assets	14.1	12.8
Actuarial gains/(losses) on assets	23.8	(14.1)
Actual return on assets	37.9	(1.3)

HISTORY OF ASSET VALUES, DEFINED BENEFIT OBLIGATIONS, SURPLUSES AND EXPERIENCE GAINS AND LOSSES

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Fair value of assets	517.4	496.7	526.6	570.6	491.2
Defined benefit obligation	(426.3)	(385.4)	(437.0)	(484.5)	(432.6)
Surplus	91.1	111.3	89.6	86.1	58.6

The main assumptions used by the independent qualified actuary to calculate the liabilities under FRS 102 are set out below:

	2019 (% p.a.)	2018 (% p.a.)	2017 (% p.a.)
RPI Inflation	3.15	3.40	3.35
CPI Inflation	2.15	2.30	2.25
Rate of general long-term increase in salaries	N/A	N/A	N/A
Pension increases in payment (LPI)	3.00	3.20	3.20
Discount rate for Scheme liabilities	2.00	2.90	2.50

SCHEME ASSET ALLOCATION

	2019 £m	2018 £m	2017 £m
Equities	0.3	0.4	0.3
Property	0.9	1.0	1.1
Government Bonds	288.9	273.3	295.6
Corporate Bonds	224.0	215.1	227.0
Other	3.3	6.9	2.6
Total	517.4	496.7	526.6

24. PENSION SCHEMES (continued)

The mortality assumptions used for FRS 102 purposes were as follows:

Post-retirement mortality:

31 December 2019 - S3PxA tables with best estimate individual scaling factors and improvements in line with the CMI 2018 (Sk = 7.0) projections and a long-term rate of improvement of 1.5% for males and 1.25% for females;

31 December 2018 - S2PxA tables with best estimate individual scaling factors and improvements in line with the CMI 2017 (Sk = 7.5) projections and a long-term rate of improvement of 1.5% for males and 1.25% for females;

The future life expectancies at age 65 implied by these assumptions are as follows:

	2019 Years	2018 Years
Male current pensioner	22.6	22.4
Male future pensioner (member currently aged 45)	23.7	24.1
Female current pensioner	23.5	24.1
Female future pensioner (member currently aged 45)	25.3	25.4

Approximate impact on balance sheet and statement of comprehensive income charge for the coming year of changing the key assumptions

	Approximate effect on estimated Statement of Comprehensive Income for year ending 31 December 2020 £m				Approximate effect on Balance Sheet at 31 December 2019 £m	
	Service cost	Expenses	Net interest cost on defined benefit liability	Total pension cost	Assets (excluding any restriction)	Defined benefit obligation Surplus
Current figures			(1.8)	(1.8)	517.4	(426.3) 91.1
Following a 0.25% p.a. decrease in the discount rate ¹			(1.2)	(1.2)	517.4	(447.4) 70.0
Following a 0.25% p.a. increase in the RPI inflation assumption ²	-		(1.5)	(1.5)	517.4	(443.5) 73.9
Following a one year increase in life expectancy ³	-	-	(1.4)	(1.4)	517.4	(445.2) 72.2

Notes:

1. Assuming a 0.25% p.a. decrease in the discount rate used for the calculation of liabilities, but no effect on the asset value.

2. Assuming a 0.25% p.a. increase in the inflation assumption used for the calculation of liabilities, but no effect on the asset value.

3. Calculated assuming flat adjustments to all current and future mortality rates (rather than an adjustment to the rates of longevity improvements).

NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2019

25. POST BALANCE SHEET EVENTS

Subsequent to the Society's year end, the full extent of the Coronavirus (COVID-19) pandemic has begun to emerge with significant volatility in financial markets around the world and Government-imposed restrictions on movement. Despite the significant stimulus packages announced by governments around the globe it is likely that many developed economies will enter a period of downturn, the severity and length of which are unknown. The extent of the future impact on the Society cannot be estimated with any certainty. However as at the date of approving these financial statements, our trading performance for the first 3 months of the year is in line with plan and as noted in the going concern section on page 48, we have performed various stresses related to COVID-19 and under these stress scenarios, the Society's capital was projected to remain above regulatory requirements and sufficient liquidity existed to meet liabilities as they fell due.

As at 31 March 2020, the Society's solvency ratio had reduced from 31 December 2019 due to lower risk-free yields and wider corporate bond credit spreads. The solvency position remained above our risk appetite trigger, as specified by our capital management framework. We continue to actively monitor our solvency position and remain ready to take any necessary action to ensure we maintain a strong capital position as the pandemic develops.

26. MEMBERSHIP OF THE SOCIETY

In order to be a member of the Society, a person must be a policyholder of a qualifying policy of insurance or have made additional voluntary contributions after 1 May 2006 under the Wesleyan Assurance Society Group AVC policy.

A qualifying policy is any subsisting policy issued in the ordinary life department, any policy issued after 28 April 1998 or any policy issued prior to 29 April 1998 where, on or after this date, premiums payable are increased by £25 per month or more, or additional benefits are allocated as a result of an additional single premium (other than a single premium received from the Contributions Agency). These are basic requirements of membership but they do not necessarily confer membership as there are various exceptions included in the Rules of the Society. Holders of Industrial Assurance policies are not members of the Society. Holders of policies which have been transferred to the Society under Schedule 2C of the Insurance Companies Act 1982 are also not members. For policies issued from 28 April 2000, a qualifying policy requires to have been in force for two years before membership is conferred unless the new policy was issued within a period of not more than one month after the date of cessation of another qualifying policy.

Any policy issued by the Society to the Trustees in respect of annuity business effected within the Society by the Trustees of an occupational pension scheme to secure all or part of the accrued rights of 100 or more members of that scheme in a single transaction shall not confer any rights of membership in the Society nor shall any policy issued subsequently by the Society to the individual members of that scheme under that arrangement.

Any person who is an employee of the Society or of one of its wholly owned subsidiary companies and makes additional voluntary contributions after 1 May 2006 for pension entitlements under the Wesleyan Assurance Society Group AVC Policy shall forthwith be a member of the Society, even though no qualifying policy is issued direct to such person and the trustees of such scheme shall not be a member of the Society.

Members are not liable for any debts or sums of money due or to become due by the Society, apart from policy premiums and/or as separately contracted.

The directors may at any time confer upon any person, firm or company taking out a policy (other than a Qualifying Policy) or purchasing other products of the Society the title of "associate member" or any similar title or name determined by the directors and may, subject to the restrictions in this Rule, confer on or apply to any such associate member such discounts bonuses or other incentives as the directors may from time to time reasonably deem appropriate. Any associate member shall not be a member of the Society, unless such associate member otherwise qualifies as a member of the Society under the Rules, and shall not be entitled to receive notice of, or attend, any annual or other general meeting of the Society nor shall such associate member have any rights to vote at any annual or other general meeting of the Society. The application of the term "associate member" shall not in any way affect the rights and liabilities of a member under the Rules.

27. RELATED PARTY TRANSACTIONS

The Directors of the Society and its subsidiaries are related parties of the Society. Total premium income received from Directors for the year ended 31 December 2019 was £689,890 (2018: £166,851). No claims were paid in 2019 (2018: £157,037). All such transactions are on terms which are no better than those available to all employees of the Group.

Banks are obliged by law to observe a strict duty of confidentiality to their customers and the Directors of Wesleyan Bank Limited do not consider it appropriate to make disclosures relating to balances and transactions with Directors. All such transactions and balances arise in the normal course of business and on terms which are available to all staff of the Group.

Wesleyan Staff Pension Scheme is also a related party. James Neecham, the Chief Actuary and Roger Dix, the Chief Risk Officer, are Directors of the Corporate Trustee. The total contributions to the scheme during the year were £0.3m (2018: £0.3m).

The Society operates a defined contribution scheme which is included as part of the total assets and liabilities of the Society. As at 31 December 2019 the total assets of the scheme were £95.8m (2018: £76.3m), of which contributions and transfers into the scheme within premium income in the year totalled £14.9m (2018: £14.0m). Key management personnel are also part of the scheme, with the total value of assets in the scheme relating to key management personnel being £1,334,606 as at 31 December 2019 (2018: £742,684).

The total employee benefits payable to key management personnel for the year ended 31 December 2019 was £4,870,553 (2018: £6,616,334).

Included within the balance sheet of Wesleyan Unit Trust Managers Limited (a wholly owned subsidiary of the Society) are investments held in Wesleyan Unit Trust Managers Limited's (WUTM) unit trusts funds. WUTM holds a £2.6m (2018: £2.9m) investment in these unit trusts, representing 1.4% (2018: 1.9%) of the total balance.

Additionally the Society directly holds a £18.2m (2018: £16.0m) investment in these funds. The remaining investments in these unit trusts are not consolidated in the Group's results, being ring-fenced funds owned by independent unitholders not held for the Society's own purpose.

Amounts owed to group undertakings from the Society relate to Wesleyan Administration Services Limited of £5.9m (2018: £4.3m), Wesleyan Financial Services Limited of £3.3m (2018: £5.2m).

GLOSSARY

Annual Bonus (With Profits): Bonuses which are added each year to conventional with profits policies to increase the guaranteed amount payable.

Annual Premium Value (APV): Used as a measure of Life and Pensions new business volumes. It is calculated by adding total premiums to be received each year for new regular premium policies and 10% of single premiums received in the year.

Annuity Policy: An insurance policy that provides a regular income in exchange for a lump sum payment.

Asset Shares: Asset shares reflect the amount of money paid into with profits policies by way of premiums and investment returns, less the costs of administering those policies.

Assets Under Management: Total assets actively managed or administered by, or on behalf of, the Group.

Association of British Insurers (ABI): The ABI represents the collective interests of the UK's insurance industry.

Best Estimate Liabilities: The expected value in today's money of all future cash flows in respect of in-force business.

BLAGAB: Basic life assurance and general annuity business is a term used to distinguish between two types of long-term business for tax purposes.

Closed Fund: A fund that has stopped taking on new business.

Defined Benefit Scheme: A type of occupational pension scheme, where the benefits are based on the employee's salary and service.

Defined Contribution Scheme: A scheme under which the individual member's contributions and those of their employer are invested to accumulate a pot of money which is used to provide an income in retirement.

Derivatives: Financial instruments, the prices of which are directly dependent upon the value of one or more underlying securities. They are often used to mitigate risk.

Discretionary Participation Feature:

A discretionary participation feature is a contractual right held by a policyholder to receive additional payments as a supplement to guaranteed benefits. Such contracts are more commonly known as 'with profits' or 'participating' contracts and are accounted for as insurance contracts.

Estate: The amount by which the assets (including PVFP) of the Society exceed the asset shares and other anticipated liabilities of the current in-force policies, and represents a measure of financial strength.

Final Bonus: A bonus that is added to a policy when it becomes a claim. Final bonus rates are not guaranteed. The aim in setting final bonus rates is that policyholders should receive their policies' fair share of the fund. This is assessed using either asset shares or a shadow fund.

Financial Conduct Authority (FCA):

A regulatory body which focuses on the regulation of conduct by retail and wholesale firms.

Fund for Future Appropriations (FFA):

The excess of assets over the aggregate of policy and other liabilities. It is a measure of the Society's capital. Transfers to and from the FFA reflect the excess or deficiency of income over claims, expenses, tax and changes in the technical provisions.

Group: Wesleyan Assurance Society and all of its subsidiary companies.

Group Operating Profit: A measure of profitability used to provide a better understanding of the operating performance of the Group. More information on how it is calculated is set out in the Results and Performance section of this report.

Guarantee: The minimum level of benefit which the insurer will pay if the insured event occurs on a guaranteed date.

Income Protection: Insurance typically covering loss of up to 75% of income due to illness or injury. Generally payment is in the form of regular income payments, after a deferred period, while the member remains unable to work. Payments may continue until the end of the policy term or cease after a set period.

Individual Savings Account (ISA):

A tax free investment contract, allowing investment into cash, stocks and shares and in certain other assets.

Industrial Business (IB): Life assurance business sold under the Industrial Assurance Acts 1923 to 1958 under which the premiums were originally contracted to be collected door to door.

In-force Policy: Long-term business written before the period end which has not terminated before the period end.

Internal Available Capital: An internal measure of the Society's financial strength. This is calculated as the excess of assets over its liabilities as defined by the Society.

Maintenance Expenses: Expenses relating to the servicing of the in-force book of business.

Merger Scheme: A Court-approved Scheme, which sets out how the Open Fund and the MSS Fund should be managed.

MSS Fund (MSSF): A closed fund set up under the terms of the Merger Scheme. It contains all the with profit policies of Medical Sickness Society in-force on that date and is maintained as a separate account within the Wesleyan's Long Term Business Fund.

Mutual: A business that is owned by its members rather than by shareholders.

MVR: Market value reduction. A reduction to the value of the units attaching to a Unitised With Profits policy on payment of a claim in circumstances where the policy's fair share of the fund is below the value of the units.

OILTBF: The Ordinary and Industrial Long-Term Business Fund.

Table 1. *Salmonella* serotypes and phage types isolated from the 1000 samples of water collected from the 1000 houses in the 1000 houses study

Serotype	Phage type									
	1	2	3	4	5	6	7	8	9	10
14, 14a, 14b, 14c, 14d, 14e, 14f, 14g, 14h, 14i, 14j, 14k, 14l, 14m, 14n, 14o, 14p, 14q, 14r, 14s, 14t, 14u, 14v, 14w, 14x, 14y, 14z, 14aa, 14ab, 14ac, 14ad, 14ae, 14af, 14ag, 14ah, 14ai, 14aj, 14ak, 14al, 14am, 14an, 14ao, 14ap, 14aq, 14ar, 14as, 14at, 14au, 14av, 14aw, 14ax, 14ay, 14az, 14ba, 14bb, 14bc, 14bd, 14be, 14bf, 14bg, 14bh, 14bi, 14bj, 14bk, 14bl, 14bm, 14bn, 14bo, 14bp, 14bq, 14br, 14bs, 14bt, 14bu, 14bv, 14bw, 14bx, 14by, 14bz, 14ca, 14cb, 14cc, 14cd, 14ce, 14cf, 14cg, 14ch, 14ci, 14cj, 14ck, 14cl, 14cm, 14cn, 14co, 14cp, 14cq, 14cr, 14cs, 14ct, 14cu, 14cv, 14cw, 14cx, 14cy, 14cz, 14da, 14db, 14dc, 14dd, 14de, 14df, 14dg, 14dh, 14di, 14dj, 14dk, 14dl, 14dm, 14dn, 14do, 14dp, 14dq, 14dr, 14ds, 14dt, 14du, 14dv, 14dw, 14dx, 14dy, 14dz, 14ea, 14eb, 14ec, 14ed, 14ee, 14ef, 14eg, 14eh, 14ei, 14ej, 14ek, 14el, 14em, 14en, 14eo, 14ep, 14eq, 14er, 14es, 14et, 14eu, 14ev, 14ew, 14ex, 14ey, 14ez, 14fa, 14fb, 14fc, 14fd, 14fe, 14ff, 14fg, 14fh, 14fi, 14fj, 14fk, 14fl, 14fm, 14fn, 14fo, 14fp, 14fq, 14fr, 14fs, 14ft, 14fu, 14fv, 14fw, 14fx, 14fy, 14fz, 14ga, 14gb, 14gc, 14gd, 14ge, 14gf, 14gg, 14gh, 14gi, 14gj, 14gk, 14gl, 14gm, 14gn, 14go, 14gp, 14gq, 14gr, 14gs, 14gt, 14gu, 14gv, 14gw, 14gx, 14gy, 14gz, 14ha, 14hb, 14hc, 14hd, 14he, 14hf, 14hg, 14hi, 14hj, 14hk, 14hl, 14hm, 14hn, 14ho, 14hp, 14hq, 14hr, 14hs, 14ht, 14hu, 14hv, 14hw, 14hx, 14hy, 14hz, 14ia, 14ib, 14ic, 14id, 14ie, 14if, 14ig, 14ih, 14ii, 14ij, 14ik, 14il, 14im, 14in, 14io, 14ip, 14iq, 14ir, 14is, 14it, 14iu, 14iv, 14iw, 14ix, 14iy, 14iz, 14ja, 14jb, 14jc, 14jd, 14je, 14jf, 14jg, 14jh, 14ji, 14jj, 14jk, 14jl, 14jm, 14jn, 14jo, 14jp, 14jq, 14jr, 14js, 14jt, 14ju, 14jv, 14jw, 14jx, 14jy, 14jz, 14ka, 14kb, 14kc, 14kd, 14ke, 14kf, 14kg, 14kh, 14ki, 14kj, 14kl, 14km, 14kn, 14ko, 14kp, 14kq, 14kr, 14ks, 14kt, 14ku, 14kv, 14kw, 14kx, 14ky, 14kz, 14la, 14lb, 14lc, 14ld, 14le, 14lf, 14lg, 14lh, 14li, 14lj, 14lk, 14lm, 14ln, 14lo, 14lp, 14lq, 14lr, 14ls, 14lt, 14lu, 14lv, 14lw, 14lx, 14ly, 14lz, 14ma, 14mb, 14mc, 14md, 14me, 14mf, 14mg, 14mh, 14mi, 14mj, 14mk, 14ml, 14mn, 14mo, 14mp, 14mq, 14mr, 14ms, 14mt, 14mu, 14mv, 14mw, 14mx, 14my, 14mz, 14na, 14nb, 14nc, 14nd, 14ne, 14nf, 14ng, 14nh, 14ni, 14nj, 14nk, 14nl, 14nm, 14nn, 14no, 14np, 14nq, 14nr, 14ns, 14nt, 14nu, 14nv, 14nw, 14nx, 14ny, 14nz, 14oa, 14ob, 14oc, 14od, 14oe, 14of, 14og, 14oh, 14oi, 14oj, 14ok, 14ol, 14om, 14on, 14oo, 14op, 14oq, 14or, 14os, 14ot, 14ou, 14ov, 14ow, 14ox, 14oy, 14oz, 14pa, 14pb, 14pc, 14pd, 14pe, 14pf, 14pg, 14ph, 14pi, 14pj, 14pk, 14pl, 14pm, 14pn, 14po, 14pp, 14pq, 14pr, 14ps, 14pt, 14pu, 14pv, 14pw, 14px, 14py, 14pz, 14qa, 14qb, 14qc, 14qd, 14qe, 14qf, 14qg, 14qh, 14qi, 14qj, 14qk, 14ql, 14qm, 14qn, 14qo, 14qp, 14qq, 14qr, 14qs, 14qt, 14qu, 14qv, 14qw, 14qx, 14qy, 14qz, 14ra, 14rb, 14rc, 14rd, 14re, 14rf, 14rg, 14rh, 14ri, 14rj, 14rk, 14rl, 14rm, 14rn, 14ro, 14rp, 14rq, 14rr, 14rs, 14rt, 14ru, 14rv, 14rw, 14rx, 14ry, 14rz, 14sa, 14sb, 14sc, 14sd, 14se, 14sf, 14sg, 14sh, 14si, 14sj, 14sk, 14sl, 14sm, 14sn, 14so, 14sp, 14sq, 14sr, 14ss, 14st, 14su, 14sv, 14sw, 14sx, 14sy, 14sz, 14ta, 14tb, 14tc, 14td, 14te, 14tf, 14tg, 14th, 14ti, 14tj, 14tk, 14tl, 14tm, 14tn, 14to, 14tp, 14tq, 14tr, 14ts, 14tt, 14tu, 14tv, 14tw, 14tx, 14ty, 14tz, 14ua, 14ub, 14uc, 14ud, 14ue, 14uf, 14ug, 14uh, 14ui, 14uj, 14uk, 14ul, 14um, 14un, 14uo, 14up, 14uq, 14ur, 14us, 14ut, 14uu, 14uv, 14uw, 14ux, 14uy, 14uz, 14va, 14vb, 14vc, 14vd, 14ve, 14vf, 14vg, 14vh, 14vi, 14vj, 14vk, 14vl, 14vm, 14vn, 14vo, 14vp, 14vq, 14vr, 14vs, 14vt, 14vu, 14vv, 14vw, 14vx, 14vy, 14vz, 14wa, 14wb, 14wc, 14wd, 14we, 14wf, 14wg, 14wh, 14wi, 14wj, 14wk, 14wl, 14wm, 14wn, 14wo, 14wp, 14wq, 14wr, 14ws, 14wt, 14wu, 14wv, 14ww, 14wx, 14wy, 14wz, 14xa, 14xb, 14xc, 14xd, 14xe, 14xf, 14xg, 14xh, 14xi, 14xj, 14xk, 14xl, 14xm, 14xn, 14xo, 14xp, 14xq, 14xr, 14xs, 14xt, 14xu, 14xv, 14xw, 14xx, 14xy, 14xz, 14ya, 14yb, 14yc, 14yd, 14ye, 14yf, 14yg, 14yh, 14yi, 14yj, 14yk, 14yl, 14ym, 14yn, 14yo, 14yp, 14yq, 14yr, 14ys, 14yt, 14yu, 14yv, 14yw, 14yx, 14yy, 14yz, 14za, 14zb, 14zc, 14zd, 14ze, 14zf, 14zg, 14zh, 14zi, 14zj, 14zk, 14zl, 14zm, 14zn, 14zo, 14zp, 14zq, 14zr, 14zs, 14zt, 14zu, 14zv, 14zw, 14zx, 14zy, 14zz										

PROFESSIONAL ADVISERS

Solicitors

The Wilkes Partnership LLP
41 Church Street
Birmingham
B3 2RT

Independent Auditor

Ernst & Young LLP,
The Paragon,
Counterslip,
Bristol BS1 6BX

Bankers

Lloyds Banking Group Plc,
25 Gresham Street,
London EC2V 7HN

Financial advice: retirement planning • investing • funding • insurance

Wesleyan Assurance Society

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