

OUR GOVERNANCE

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SENIOR LEADERSHIP TEAM AS AT 28 MARCH 2024



MARIO MAZZOCCHI
Group Chief Executive



GILLIAN CASS
Chief Financial Officer



JAMES NEEDHAM
Chief Product Officer



MARTIN LAWRENCE
Director of Investments



NATHAN WALLIS
Chief of Staff



LISA PERKINS
HR Director



DAVID STEWART
Chief Operating Officer



JONATHAN WELSH
Chief Risk Officer



SELENA PRITCHARD
Company Secretary

OUR BOARD OF DIRECTORS

Key

DIRECTORS

- Non-Executive Directors
- Executive Directors



NATHAN MOSS ● B D

Society Chair and Chair of People, Culture and Governance Committee

- ▶ 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 served as a Non-Executive Director at Canada Life Group where he chaired the group's board risk committee and as Chair of Canada Life Platform Ltd and Stonehaven UK Ltd. Previously he was a Non-Executive Director at One Savings Bank plc, and Homeserve Membership Ltd.



ANNE TORRY ● B D E

Senior Independent Director and Chair of the With Profits Committee

- ▶ Anne joined the Board in January 2019. She is Chair of Wesleyan's With Profits Committee and also sits on the Remuneration and People, Culture and Governance Committees. Anne was appointed as Senior Independent Director in January 2022.
- ▶ She has more than 30 years' experience of insurance, strategic leadership and change, working internationally in the general insurance, life and savings sectors. Most recently she served as CEO of Zurich UK Life.
- ▶ Anne is a Non-Executive Director for Aon UK Ltd, Aon Investment Ltd and Homeserve Membership Ltd.



IAN MCCAIG ● C

Non-Executive Director

- ▶ Ian joined the Board in September 2019 and was appointed to the Society's Risk Committee. He is also Chair of Wesleyan Unit Trust Managers and was appointed to the Board of Wesleyan Financial Service in December 2023.
- ▶ He has worked across a number of sectors, most recently as CEO of First Utility Ltd. He led the company through several years of significant growth before its acquisition by Shell at the end of 2017. Prior to that Ian was CEO of lastminute.com.
- ▶ Ian is also on the Board of Smart DCC and Chair at Lumon.



PHILIP MOORE ● A C E

Chair of the Risk Committee

- ▶ Philip joined the Board in October 2020 and has almost 40 years' experience within financial services.
- ▶ Until his retirement in 2017, Philip was Group Finance Director for LV=. Prior to this, he held a number of roles, including Chief Finance Officer and then Chief Executive Officer at Friends Provident plc. Philip also spent nine years with PwC, where he developed its life actuarial business in the UK.
- ▶ Philip serves on the Board of Bank of Ireland (UK) plc where he chairs the Audit Committee. He is a Non-Executive Director at Skipton Building Society and Connells Ltd. He is also a governor/trustee of a number of other not for profit organisations.



LINDA WILDING ● A B F

Chair of the Remuneration Committee and Chair of Investment Committee

- ▶ Linda joined the Board in June 2019 and was appointed Chair of the Remuneration Committee later in the year. Linda became Chair of the Investment Committee in December 2021. Linda will step down from the Audit Committee on 31 March 2024 and join the People, Culture and Governance Committee on 1 April 2024.
- ▶ She has extensive experience in the private equity investment and healthcare sectors and worked in the private equity division of Mercury Asset Management from 1989 to 2001.
- ▶ She is currently a Non-Executive Director at BMO Commercial Property Trust plc, Sherborne Investors (Guernsey), C Limited Odyssean Investment Trust plc and is a Non-Executive Director at Letterone Investment Holdings SA and Letterone Holdings SA. She is also a governor/trustee of a number of other not for profit organisations.



HARPREET SOOD ● C D

Non-Executive Director

- ▶ Harpreet joined the Board in May 2021 and is a member of the Risk and People, Culture and Governance Committees and a Board member of Wesleyan Financial Services.
- ▶ He is a practising NHS GP, a board member of Health Education England and an adviser to early-stage digital health companies. He co-founded the NHS Digital Academy, a programme to build leadership, digital health and informatics workforce capability in England.
- ▶ Harpreet was formerly Senior Adviser to Health Technology at Reckitt and a Non-Executive Director at Digital Health London, a network that supports more than 30 digital health companies.

MEMBERSHIP OF BOARD COMMITTEES

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



RITA BAJAJ ● **A** **F**

Non-Executive Director

- ▶ Rita joined the Board in May 2022 and is a member of the Audit and Investment Committees. She acts as the Board's Consumer Duty Champion and was also appointed to the Board of Wesleyan Financial Services in February 2024.
- ▶ She has over 30 years' experience working in global investment markets, including leading investment teams at Royal London and Invesco Perpetual. She has also managed global and US equity vehicles for several major US investment institutions.
- ▶ Rita is a Board member at Benefact Group plc and Fidelity International Life, where she is the Senior Independent Director, and the London Pension Fund Authority. She is also Chair of Threadneedle Investment Services Limited, and an Independent Governance Member for Hargreaves Lansdown's workplace SIPP Committee.



GARY DIXON ● **A** **C**

Chair of the Audit Committee

- ▶ Gary joined the Board in August 2023 and was appointed Chair of the Audit Committee. He was also appointed to the Board of Wesleyan Unit Trust Managers in December 2023.
- ▶ Gary has over 30 years' experience in financial services and regulation. After a career at Coopers and Lybrand, Gary formed Resources Compliance UK Ltd, providing regulatory and risk advisory services. Following the sale of the group in 2008, he became interim CEO of Home and Capital Trust Limited Group.
- ▶ He sits on the Board of Trading 212 (UK) Ltd and the Universities Superannuation Scheme. He is Chair of the Audit and Risk Committee for both organisations. He is also Chair of Council at the University of Leicester and sits on the Member Appointment Committee for the Financial Reporting Council (FRC).



MARIO MAZZOCCHI ●

Group Chief Executive

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



GILLIAN CASS ●

Chief Financial Officer
(until 31 March 2024)

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



NATHAN BECKETT ●

Chief Financial Officer
(from 1 April 2024)

- ▶ Nathan joined Wesleyan in 2008 and has held a number of senior roles within the Society including Head of Corporate Audit, Group Financial Controller, Finance Director of Practice Plan and Managing Director of Practice Plan. Most recently Nathan has acted as Managing Director of Dental, General Insurance and Direct.
- ▶ Nathan is a Chartered Accountant, joining Wesleyan following a career in audit practice and financial training.
- ▶ In addition to Finance, Nathan will also have accountability for Wesleyan's Company Secretarial and Legal teams.
- ▶ He is an attendee of the Risk and Audit Committees.

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 and is a signatory to the Stewardship Code.

This report summarises the Society's governance arrangements and continued enhancements and, in accordance with the UK Corporate Governance Code, identifies any areas of the Code where the Society does not comply, for which an explanation is given. The Society is aware of the changes included in the latest version of the Code issued in January 2024 and will seek to adopt these changes within the implementation timescale.

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, Head of Internal Audit and Company

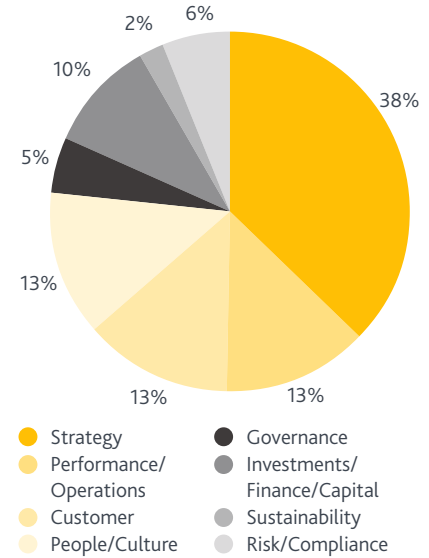
Secretary attend all Board meetings. There is a formal schedule of matters reserved for the Board's decision. The roles of Chair and Group Chief Executive are separated and the Chair has primary responsibility for the effective functioning of the Board. Authority is delegated to the Group Chief Executive for implementing strategy and managing the Society.

BOARD FOCUS

The Board and its Committees have access to the Chief Product Officer, 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.

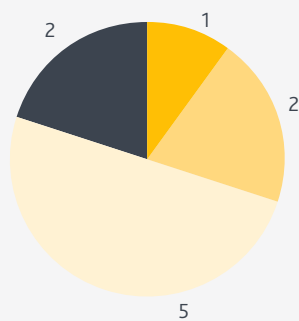
The current **Board member profiles** are shown on pages 60 to 61. All Directors hold policies with the Society in accordance with the Rules of the Society. **The Remuneration Report** on pages 82 to 88 explains the basis of remuneration of the Executive and Non-Executive Directors.

AREAS OF FOCUS AT BOARD MEETINGS DURING 2023



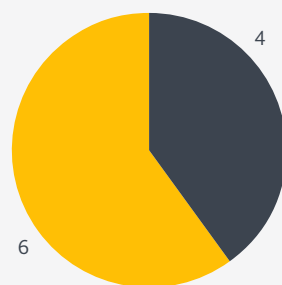
BOARD DIVERSITY

TENURE



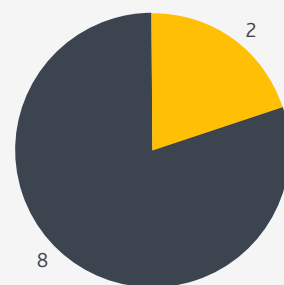
- 0-1 years
- 1-3 years
- 3-5 years
- 5-7 years

GENDER MIX



- Male
- Female

ETHNIC DIVERSITY



- Minority Ethnic
- White

BOARD EVALUATION

The Board regularly reviews its performance and effectiveness and has implemented a three-year review programme working with an independent Board reviewer, Independent Audit Limited.

The process includes individual private interviews with our Executive and Non-Executive Directors (NEDs), a Board meeting observation and review of Board and Committee papers.

2023 was the second year of the programme and follows a self-evaluation in 2022. Good progress was made against the outcome of the 2022 review, including increasing time at Board meetings for strategic conversations.

The review focused on:

What the Board does – this covered strategy, overseeing management, financial oversight, risk management, people and culture and stakeholders.

How the Board does this – looking at its composition, dynamics, information and support, meetings, committees and development.

The outcome of the review was presented to the Board in December 2023 and a discussion facilitated to decide on next steps.

BOARD REVIEW INSIGHTS

- ▶ The review concluded that the Board had many strengths and was well placed to provide the support and challenge needed in the next phase of the Society's strategic journey and to help the Executive to prioritise effectively.
- ▶ The Board wished to continue to get close to customers, building on the work already done in this area.
- ▶ The Board was made up of NEDs with a wide range of expertise, with a good level of diversity and all contributed well and added value to discussions. Having NEDs from outside of financial services to increase diversity of thought was seen as a benefit, although it was accepted that they required support to reach the right level of technical understanding.
- ▶ The Board regularly reviewed skills but would benefit from focus on needs over the next 3-5 years to ensure it had the skills to meet the longer-term needs of the business.
- ▶ There was considerable focus on board room dynamics with open and frank discussions, challenging the Executive who responded well and were open to input. There was interaction with the business, giving NEDs good visibility of senior management.
- ▶ The Chair had an inclusive style and ensured all had opportunity to contribute to Board meetings. The Senior Independent Director provided strong support, and contributed to employee engagement working with the Partnership Council.

- ▶ Committees worked well and the Audit and Risk Committees understood the risk and controls around the next phase of strategic development, including operational risk impacts as the business transitions. The Board also recognised the need to remain focused on cyber security and IT, using external support where needed. The importance of good two-way communication with the With Profits Committee, which looks after the interests of With Profits policyholders, was recognised and would be further prioritised in 2024.

2024 KEY ACTION AREAS

- ▶ Continue to closely oversee strategic plans, including regular review of appropriateness of KPIs, including around culture.
- ▶ Hearing more from customers and front-line colleagues.
- ▶ Continuing to challenge key priorities, reviewing against what has been achieved so far.
- ▶ Reviewing Board and Executive succession plans, taking into account the skills needed for the future.
- ▶ Bringing in external expertise where needed to support the Board such as around cyber and IT.
- ▶ Continuing to work with the With Profits Committee to best leverage their expertise.



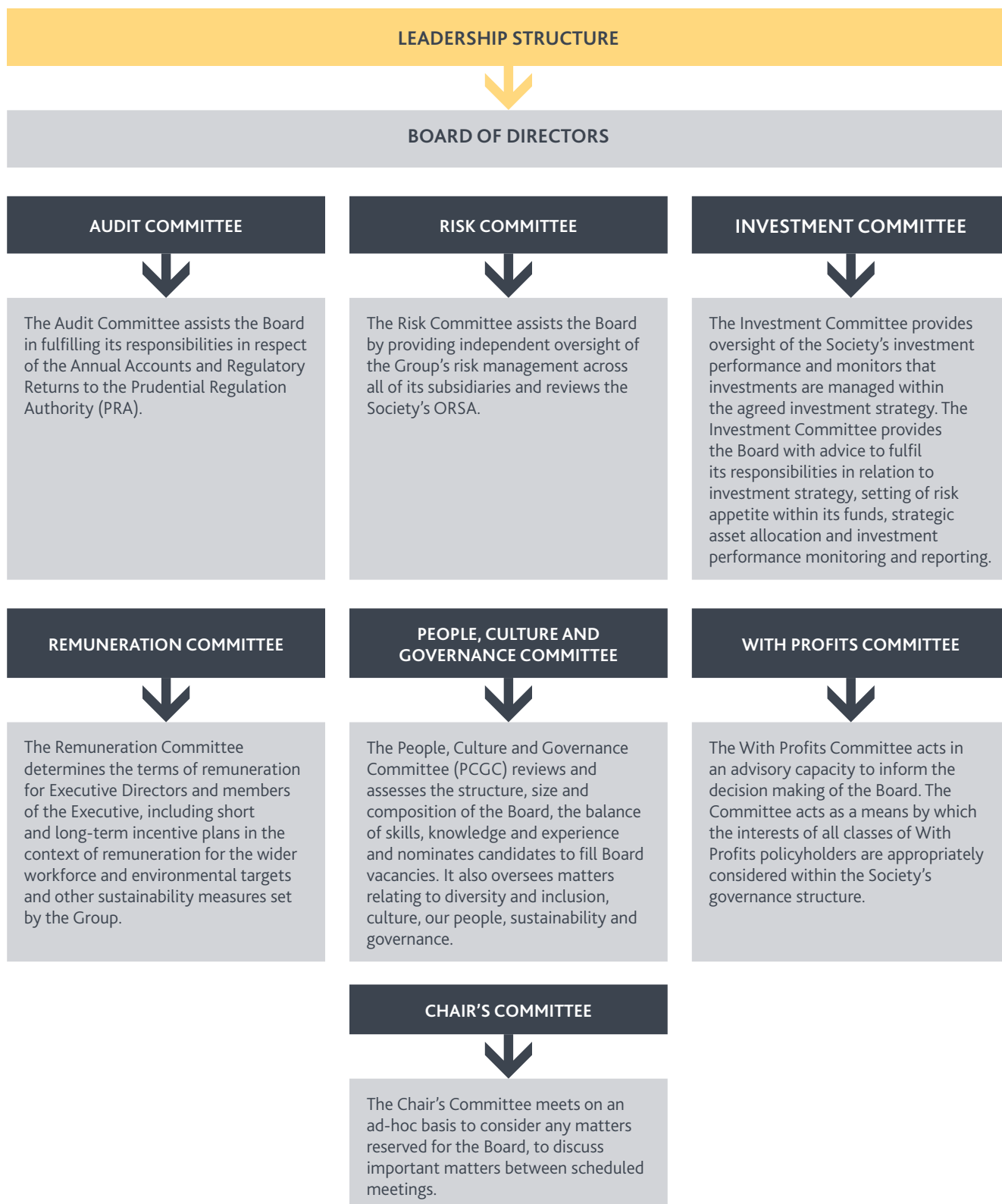
CORPORATE GOVERNANCE CONTINUED

AREAS OF GOVERNANCE

| SECTION | DESCRIPTION | FURTHER INFORMATION |
|---|---|---|
| 1 BOARD LEADERSHIP AND COMPANY PURPOSE | <p>Wesleyan is led by the Board whose role is to promote its long-term sustainability, generating value for members and contributing to wider society. It is supported in its role by a number of sub-committees. The Board establishes Wesleyan's purpose, values and strategy and ensures that these and its culture are aligned.</p> | <p>Read more about the Directors' skills and experience on pages 60 to 61</p> |
| 2 DIVISION OF RESPONSIBILITIES | <p>The Board demonstrates objective judgement and promotes a culture of openness and debate. It includes an appropriate combination of executive and independent non-executive directors with a clear division of responsibilities between the leadership of the Board and the executive leadership.</p> | <p>Read more about the division of responsibilities on page 69</p> |
| 3 COMPOSITION, SUCCESSION AND EVALUATION | <p>Appointments to the Board are subject to a formal, rigorous and transparent procedure, and an effective succession plan is in place. Board and Senior Management diversity in all its forms is promoted. The Board and its Committees have the right combination of skills, experience and knowledge.</p> | <p>Read more about the Board's composition, succession and evaluation on page 70</p> |
| 4 AUDIT, RISK AND INTERNAL CONTROL | <p>The Board has procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Society is willing to take in order to achieve its long-term strategic objectives.</p> | <p>Read more about our approach to risk management on pages 71 to 72</p> |
| 5 REMUNERATION | <p>There is a formal and transparent process in place for setting executive remuneration and for fixing the remuneration packages of individual Directors. The Remuneration Policy aims to attract, retain and motivate by linking reward to performance.</p> | <p>Read more on our Remuneration Policy on page 77</p> |
| 6 SUSTAINABILITY | <p>The Society Board has a responsibility for setting the risk appetite and strategic direction around Sustainability including climate-related risks and opportunities. The Board approves the Sustainability Strategy, Carbon Offsetting Policy and our annual Climate Financial Risk Assessment as part of the ORSA (Own Risk and Solvency Assessment) process, which underpins the Society's strategic plans.</p> | <p>Read more about Sustainability on pages 25 to 45</p> |

1 BOARD LEADERSHIP AND COMPANY PURPOSE

Wesleyan is led by the Board whose role is to promote its long-term sustainability, generating value for members and contributing to wider society. It is supported by a number of sub-committees.



CORPORATE GOVERNANCE CONTINUED

BOARD COMMITTEES

The Board delegates specific responsibilities to a number of Board Committees, which are supported by senior management. Terms of Reference for the below committees are available on request or from the Society's website – www.wesleyan.co.uk.

AUDIT COMMITTEE

Andrew Neden served as Chair of this Committee from his appointment to the Board, with effect from November 2014, until his retirement. He was succeeded as Chair by Gary Dixon on 29 August 2023. The Committee comprises two other Non-Executive Directors as listed on pages 60 to 61. Other attendees include the Group Chief Executive, Chief Financial Officer, Chief Product Officer, Chief Risk Officer and Head of Internal Audit.

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.

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. Philip Moore was appointed as Chair from February 2021. The Committee comprises three other Non-Executive Directors, as listed on pages 60 to 61. Other attendees include the Group Chief Executive, Chief Financial Officer, Chief Product Officer, Chief Risk Officer and Head of Internal Audit.

It is the Chair's practice to meet separately with the Chief Risk Officer ahead of most meetings. The Committee's main activities during 2023 included:

- ▶ Reviewing and assessing the risk oversight provided by management in connection with current and emerging risk exposures, including in relation to operational and cyber related risks;
- ▶ Assessing the impact of management's strategic plans as well as external events on the risk profile of the Group, including the impact of the Society's transformation plans and the strategic plan for Wesleyan Financial Services;

- ▶ Gaining assurance that an appropriate culture in relation to the management of risk continues to be maintained;
- ▶ Receiving reports from the Chief Risk Officer on a wide range of issues, including new products and regulatory change;
- ▶ Providing independent oversight of the Society's management of climate-related risks. This includes review and challenge of the Climate Financial Risk Assessment as well as the overall effectiveness of the Group's Risk function, Integrated Risk Management (IRM) framework, policies and processes in managing these risks;
- ▶ Receiving a report from the Chief Risk Officer assessing the impact of the financial risks from climate change and proposing relevant actions to address them. Review of sustainability reports and governance processes for inclusion in the Report and Accounts;
- ▶ Monitoring progress to comply with the new FCA Consumer Duty requirements, prior to sign off by the Board.

INVESTMENT COMMITTEE

The Investment Committee was established as a Board sub-committee in November 2016. Its purpose is to provide advice to the Boards of the Society and Wesleyan Unit Trust Managers in relation to investment strategy, asset manager performance and investment governance and reporting. It also oversees the performance and operation of the Society's investments. Linda Wilding became Chair in December 2021.

The Committee also comprises one other Non-Executive Director as listed on pages 60 to 61, and an independent, Non-Board member, Andrew Kirton from 1 March 2023. Andrew has 40 years financial services experience, including 20 years at Mercer in a variety of leadership and consulting roles, six of which he spent as Chief Investment Officer. In addition, other attendees include the Chief Financial Officer, Chief Product Officer, Chief Risk Officer, With Profits Actuary and Director of Investments. The Committee's main activities during 2023 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, and making recommendations to the respective Boards;

- ▶ Reviewing investment performance and ESG matters using external benchmarks as appropriate;
- ▶ Reviewing impacts of market conditions such as the impact on performance from increased rates of inflation and what this might mean for future strategy;
- ▶ Monitoring investments to ensure they are managed in line with our Sustainable Investing Policy. This policy documents our three Sustainable Investing Principles ('Reducing Harm', 'Positive Impact', and 'Driving Change') and includes targets for both ESG scores and carbon footprint against benchmark for each investment fund;
- ▶ Reviewing and approving our updated Stewardship Code Report as a Signatory to the Code;
- ▶ Considering and examining governance / audit and compliance issues, including the further embedding of the respective roles and responsibilities of Asset Owner and Asset Manager.

REMUNERATION COMMITTEE

Linda Wilding was appointed Chair of the Committee in September 2019. The Committee comprised two other Non-Executive Directors during 2023 as listed on pages 60 to 61. The Group Chief Executive and HR Director are in attendance as required. The Committee determines Remuneration policies for the Society, which includes setting appropriate environmental

targets and other sustainability measures for the 'Balanced Scorecard' used in determining performance linked pay awards for the Executive team. The Committee also exercises oversight over the Society's Remuneration Policy. No individual takes part in the setting of their own remuneration.

PEOPLE, CULTURE AND GOVERNANCE COMMITTEE

Nathan Moss was appointed Chair of the Committee in January 2018. The Committee comprised two other Non-Executive Directors during 2023 as listed on pages 60 to 61.

The Committee's main activities during 2023 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. This has been considered particularly in light of the transformation agenda currently underway;
- ▶ 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;
- ▶ Considering progress on developing and implementing initiatives to improve the Society's overall sustainability position;
- ▶ Considering activity to further improve inclusivity and diversity across the Society and the approach to employee wellbeing. It has also considered the approach for the Board Effectiveness Review;
- ▶ Regularly reviewing the culture and governance of the Society, including the views of employees, skills and capabilities across the workforce, employee value proposition and its Community and Citizenship Strategy;
- ▶ Regular updates on matters discussed at the Partnership Council. The Senior Independent Director is a member of the Committee and attends the Partnership Council meetings;
- ▶ Considering whether Directors can be recommended 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, does not chair the Committee when it deals with the matter of succession to his role.

WITH PROFITS COMMITTEE

The Committee covers both the Open Fund and the Medical Sickness Society (MSS) Fund, which is closed to new business. The Committee is chaired by Anne Torry and attended by one other Non-Executive Director as listed on pages 60 to 61. They are joined by four independent external appointees Chris Davidson, Paul McNamara, Peter Needleman and Jonathan Hewitt, who joined the Committee in August 2023.

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 providing its advice to the Board, the Committee also had regard to Consumer Duty requirements introduced during 2023 where the overarching principle is that the Society should act to deliver good outcomes for customers.
- ▶ 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. Specifically in 2023, this included consideration of the Society's strategic plans for transformation and that the interests of the existing and future With Profits policyholders had been appropriately taken into account.

Ultimate responsibility for managing the Open Fund and the MSS Fund rests with the Board. The role of the Committee is, in part, to act in an advisory capacity to inform the decision-making of the Board. The Committee also acts as a means by which the interests of the With Profits policyholders are appropriately considered within the Society's governance structures. The Committee will address issues affecting With Profits policyholders as a whole or as separately identifiable groups of policyholders. The Committee is not empowered to take management decisions.

The Committee can engage external professional consultants to assist in delivering its objectives effectively.

The Committee's PPFMs, are available on request or 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. During 2023 no meetings were required.

CORPORATE GOVERNANCE CONTINUED

MEMBERS ADVISORY BOARD

Wesleyan's Members Advisory Board is made up from professionals across the medical, dental and teaching professions and includes individuals at various stages of their careers. The Board is very important to us as it is one of the key ways we are able to collate first-hand experience of the challenges, expectations and needs of our chosen professions. We meet with members on a regular basis as a group and we also work with them individually to use their unique insight as we develop new and existing propositions. As a mutual with a clear purpose to serve the professions, their insight into their lives and careers allows us to understand how we can better help them and their colleagues. Harpreet Sood attends Members Advisory Board meetings so key matters are raised at the Society Board.

Following a consultation with the Members Advisory Board, we developed the Board during 2023 to ensure it is representative of our professions across measures of diversity, career type and life-stage. A refreshed operating rhythm now focuses on greater levels of engagement, aligned purpose and value exchange. The Members Advisory Board has appointed Co-Chairs from amongst its membership. Further detail on [membership](#) can be found on page 8.

WESLEYAN FOUNDATION

For more information on the [Wesleyan Foundation](#) please see pages 34 to 35.

SUBSIDIARY COMPANY GOVERNANCE

The Society's main subsidiaries are set out in Note 20 on pages 112 to 117 of these accounts. The Group is managed as far as possible as an integrated whole. Other than for Wesleyan Financial Services Limited and Wesleyan Unit Trust Managers Limited, the Boards of the Society's subsidiary companies were chaired by a senior executive, with other senior executive colleagues appointed to the particular Board relevant to their role.

THE MAIN AREAS DISCUSSED BY THE SOCIETY BOARD IN 2023 WERE:

| SECTION | DESCRIPTION |
|-----------------------|---|
| STRATEGY | <ul style="list-style-type: none"> ▶ Provided oversight and challenge to strategic plans and projects, reviewing progress and key milestones covering the Society's continued transformation programme. This included consideration of key risks and views from the Chief Risk Officer ▶ Received updates on the Society's Distribution Strategy ▶ Received reports on Investment Performance and considered and approved the With Profits Fund strategy ▶ Received external presentations on the macroeconomic outlook, industry trends, product landscape and insights from the professions ▶ Received regular reports on progress of the Group's approach on sustainability and carbon neutrality |
| OPERATIONS | <ul style="list-style-type: none"> ▶ Received updates on performance against service levels for operations and technology ▶ Monitored progress against plans to enhance operational resilience and cyber security ▶ Reviewed management of the Transformation Portfolio and monitored delivery of benefits from change projects |
| CUSTOMERS/ MEMBERS | <ul style="list-style-type: none"> ▶ Reviewed and approved With Profits bonus rates ▶ Received updates on enhancements to the governance of the Members Advisory Board |
| FINANCE | <ul style="list-style-type: none"> ▶ Received regular updates on the financial performance of the business ▶ Approved the Strategic Plan and 2024 budget ▶ Approved the annual report and accounts and related documents for the Society and its subsidiaries ▶ Received education and reports on the capital management of the business |
| PEOPLE/ CULTURE | <ul style="list-style-type: none"> ▶ Received updates on Community and Citizenship activity and the work of the Foundation ▶ Reviewed key People metrics including the results of the Employee Opinion Surveys undertaken during the year and the associated actions ▶ Received updates on Executive and Board succession |
| ASSURANCE | <ul style="list-style-type: none"> ▶ Received regular updates on the key risks faced by the business and mitigating actions ▶ Reviewed and approved the Solvency and Financial Condition Report ▶ Reviewed and approved the Own Risk and Solvency Assessment Report (ORSA) ▶ Received an update on development of the control framework within the business |
| GOVERNANCE/ RISK | <ul style="list-style-type: none"> ▶ Reviewed and approved key regulatory requirements relating to Cyber Strategy, the Operational Resilience Self Assessment and implementation of the plan to comply with the new FCA Consumer Duty Requirements ▶ Received reports from the Board's Sub Committees and subsidiaries ▶ Discussed the outcome of the 2023 Board Effectiveness review |

2 DIVISION OF RESPONSIBILITIES

COMMITTEE MEMBERSHIP AND ATTENDANCE AT MEETINGS

| | SOCIETY'S BOARD** | AUDIT COMMITTEE | RISK COMMITTEE | INVESTMENT COMMITTEE | REMUNERATION COMMITTEE | PCG COMMITTEE* | WITH PROFITS COMMITTEE | CHAIR'S COMMITTEE |
|---------------------------------|-------------------|-----------------|----------------|----------------------|------------------------|----------------|------------------------|-------------------|
| Meetings in the year | 7 | 5 | 6 | 4 | 4 | 5 | 7 | - |
| NON-EXECUTIVE DIRECTORS: | | | | | | | | |
| Nathan Moss | 7 | - | - | - | 4 | 5 | - | - |
| Andrew Neden | 6/6 | 4/4 | 4/4 | - | - | - | - | - |
| Anne Torry | 7 | - | - | - | 4 | 5 | 7 | - |
| Linda Wilding | 7 | 5 | - | 4 | 4 | - | - | - |
| Ian McCaig | 7 | - | 6 | - | - | - | - | - |
| Philip Moore | 7 | 4 | 6 | - | - | - | 5 | - |
| Harpreet Sood | 7 | - | 4 | - | - | 4 | - | - |
| Rita Bajaj | 7 | 5 | - | 4 | - | - | - | - |
| Gary Dixon | 3/4 | 1/2 | 1/3 | - | - | - | - | - |
| EXECUTIVE DIRECTORS: | | | | | | | | |
| Mario Mazzocchi | 7 | - | - | - | - | - | - | - |
| Gillian Cass | 7 | - | - | 1/1*** | - | - | - | - |

* People, Culture and Governance Committee

** The Board meetings in March, May and December were held over two consecutive days, but have been classed as one meeting for the purposes of this table. Rita Bajaj attended the Board session on 29 March, but not on 30 March 2023. Philip Moore and Linda Wilding attended the Board session on 30 March but not 29 March 2023.

*** Gillian Cass stepped down as a member of the Investment Committee after the meeting on 24 March 2023, but remained an attendee following that date.

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 an Executive Committee and Transformation Committee to assist him in carrying out his responsibilities. The Committees meet monthly to manage business activities and strategic transformation. Papers are prepared and presented to the Board after agreement by the Committees.

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.

CORPORATE GOVERNANCE CONTINUED

3 COMPOSITION, SUCCESSION AND EVALUATION

THE CHAIR

Nathan Moss has held the role of Chair since 1 January 2018.

EXECUTIVE DIRECTORS

As at 31 December 2023 there were two Executive Directors on the Board, the Group Chief Executive and Chief Financial Officer.

NON-EXECUTIVE DIRECTORS

There are currently eight 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 2023 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.

The Chair and the Deputy Chair / Senior Independent Director are appointed by the Board. The Senior Independent Director 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 to appraise the Chair's performance on a regular basis.

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 of the industry.

APPOINTMENTS TO THE BOARD

All appointments are subject to review by the Board, as advised by the PCGC. 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.

During 2023, Andrew Neden retired from the Board in November and Gary Dixon was appointed to the Board in August 2023 following regulatory approval. Gillian Cass will leave the Board on 31 March 2024 following her resignation.

BOARD 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 good mix 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 in this area, including the gender and ethnic background balance.
- ▶ Wesleyan has set aspirational annual diversity targets for both gender and those from ethnic minorities. Our aim is unchanged from 2023 to have 42% of senior roles at Wesleyan - Board, Executive and Senior Management - filled by women and 20% by ethnic minority colleagues by 2025. A strategy is in place to achieve these targets.

- ▶ The People, Culture and Governance Committee has assisted in encouraging a diverse range of candidates through a Diversity Commitment Charter which sets our diversity requirements. We only work with external recruitment partners who are aligned to these requirements. We have also implemented improved reporting from partners on diversity metrics.
- ▶ 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 Board continues to encourage development of a pipeline of high-calibre candidates by encouraging a diverse range of high performing individuals within the business to take on activities to gain Board experience. This included opportunities to present at Board and meet with Board members.
- ▶ Board members have undertaken a wide range of engagement activities across the business during the year.

4 AUDIT, RISK AND INTERNAL CONTROL

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.

CONTROL PROCEDURES

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

- ▶ Executive Committee meetings, led by the Group Chief Executive, which consider significant risk and control issues as part of their remit;
 - ▶ 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 pandemic, cyber attack 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 & Data Protection Officer who has oversight of the compliance with the FCA's/PRA's business standards and Data Protection requirements on a day-to-day basis, including in relation to the Consumer Duty Principle;
 - ▶ Preparation and monitoring of detailed budgets for functional business segments; and
 - ▶ A change programme management function to structure, co-ordinate, monitor and report on the most significant projects that the Society is undertaking.

CORPORATE GOVERNANCE CONTINUED

INFORMATION AND COMMUNICATION

Regular management information in respect of financial performance, customer service, complaints handling, investment performance and operations 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 budget and Strategic Plan to assist in the monitoring of results. Performance against these plans is actively monitored and, where appropriate, corrective action is agreed and implemented.

The Board receives regular reports on how its financial advice and marketing functions are complying with FCA regulations, including the Consumer Duty principles.

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 on pages 112 to 117 of the Notes to the Accounts.

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.

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. During 2023 the Audit and Risk Committees continued to monitor enhancements to Information Technology (IT) general controls and actions taken to resolve these. The Society takes the addressing of such issues extremely seriously and the Committees have and will continue to provide close oversight over the continued enhancement of IT general controls.

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, 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

Under the UK Corporate Governance Code the Directors are required to state whether the business is a going concern for the 12 months from the signing date. In considering this requirement, the Directors have:

- ▶ Reviewed and 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.
- ▶ Considered the results of stress and scenario testing within the Own Solvency and Risk Assessment (ORSA), which covers a wide range of scenarios to thoroughly test the Society's resilience to severe events. This testing showed the Group to be well placed to withstand these scenarios.

▶ The ORSA provides assurance to the Board that the going concern basis of accounting remains appropriate and the following points are highlighted as key considerations for directors when approving the going concern basis of accounting:

- Solvency: The Society has remained solvent throughout 2023 and the Group's Solvency Ratio was 322% as at 31 December 2023. Financial projections demonstrated the ability of the Society to withstand market shocks in a range of scenarios, including very severe ones. Specifically, the Board considered solvency projections that incorporated an estimated view of an economic downturn. The projections demonstrated that excess capital would remain in the Group in the going concern period to 31 March 2025;
- Liquidity: Financial projections highlighted that the Society's liquidity was adequate to meet the liabilities as they fell due in the going concern period to 31 March 2025; and
- Operational Resilience: The Society has procedures to ensure the resilience of the Society to adverse events including business continuity plans, disaster recovery procedures and cyber resilience controls. Operational issues and working practices are kept under constant review to ensure they remain resilient.

Having carried out this assessment, and after making appropriate enquiries, the Directors confirm that they consider that the Society has adequate resources to continue in operation for the period to 31 March 2025 and it is appropriate to prepare the financial statements on a going concern basis.

DIRECTORS' REMUNERATION REPORT



“ The decisions made by the Remuneration Committee have been taken to underpin and reward the continued strong progress towards the achievement of our strategy. ”

LINDA WILDING
Chair of the Remuneration Committee

DEAR MEMBER,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report. The report aims to set out simply and transparently how the Remuneration Committee addressed its responsibilities during the year, to explain decisions made and to share proposals for 2024.

This year has seen the continued implementation of our transformation plan. The decisions made by the Remuneration Committee have been taken in this context to underpin and reward the continued strong progress towards the achievement of our strategy and the requirement to retain and motivate talent in a competitive market.

2023 BUSINESS PERFORMANCE

2023 was another challenging year both at home and abroad, with geopolitical events impacting domestic economies. In the UK, economic growth effectively flatlined causing consumer confidence to remain low. While inflation fell over the year, interest rates remained high. This was good news for cash savers and those using cash to pay off debt, but it put mortgage holders under increased pressure.

In another year of difficult trading conditions, Wesleyan made steady progress. Operating profit increased to £12.3m from £7.2m, driven in part by strong cost management and supported by the work we have done as part of our ongoing transformation strategy. Additional income streams and more efficient ways of working mean we are in a stronger position to withstand the difficult economic environment.

We are confident that the year-on-year growth we delivered in 2023 is proof that our strategy is working and we are delivering better outcomes for our members and customers as we build a more sustainable mutual.

2023 REMUNERATION OUTCOMES SALARY AND FEES

The Remuneration Committee determined that the 2023 base salary increase for the Executive Directors was 4% for both the Group Chief Executive (CEO) and the Chief Financial Officer (CFO). This was in line with our wider workforce. The salary increases were implemented with effect from 1 April 2023.

The Non-Executive Directors' fees and the Chair of the Board were increased by 3% with effect from 1 April 2023. However larger increases are potentially required from time to time.

ANNUAL BONUS

Under our annual bonus plan, performance is assessed for 80% of the bonus using a balanced scorecard for Society performance measures including customer, financial, employee, strategic and Environment, Social and Governance (ESG) metrics. The scorecard is underpinned by both conduct risk and individual behaviour considerations, with 20% assessed through personal performance. 50% of the payment is deferred over three years.

For 2023 the on-target opportunity was 50% of salary and the maximum was 100% of salary for both the CEO and CFO.

The bonus amounts earned for 2023 are 50.89% of salary for Mario Mazzocchi and 49.89% of salary for Gillian Cass. Further details are set out on page 75.

The Committee did not apply discretion to the formulaic variable remuneration outcomes.

LONG-TERM INCENTIVE PLANS (LTIPs)

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

LTIP awards are subject to targets and outcomes which are assessed over a three-year performance period. In line with best practice, the LTIP awards are subject to a further two-year holding period such that participants are only entitled to be paid the value of vesting LTIP awards after a period of five years.

LTIP VESTING IN 2023

The three year performance period for the 2021 LTIP concluded on 31 December 2023. The maximum possible value of the 2021 LTIP award is 100% of salary for the CEO and 75% of salary for the CFO. The overall vesting for the 2021 LTIP was 45.36% of maximum. The LTIP is subject to a further two-year holding period before payment is made in March 2026.

LTIP GRANTED IN 2023

The 2023 to 2025 LTIP was granted during the year with a maximum value of 100% of salary for the CEO and 75% of salary for the CFO.

EXECUTIVE CHANGES

Gillian Cass, our CFO, will leave the Society on 31 March 2024 and will be succeeded by the internal promotion of Nathan Beckett who will commence in the role on 1 April 2024. Nathan joined Wesleyan in 2008

EXECUTIVE REMUNERATION 'AT A GLANCE'

and has more recently been the Director of Dental, General Insurance (GI) and Direct.

Gillian is leaving the role of CFO as part of our transformation plan and as such is a good leaver. Her remuneration on leaving the business is set out in the main body of our Remuneration Report. In summary she will be paid her salary, benefits and pension until 31 March 2024 and she will receive her 2023 annual bonus at the normal time. In addition, a payment in lieu of notice of £151,424 will be paid, there will also be a payment of £26,208 in respect of statutory payments associated with loss of office. Both payments will be paid when Gillian leaves the Society. Her inflight LTIPs will vest at the normal time subject to testing of the performance targets and pro-rated for service. She will also continue to receive her deferred bonus payments when they are due to be paid.

EXECUTIVE DIRECTOR REMUNERATION FOR 2024

During 2023, the Committee has carefully reviewed the remuneration of our CEO. The Committee has considered the CEO's performance during the year. The Committee has acknowledged his notable leadership skills and experience. This is a critical time for the Society and the Committee agreed that it was necessary to ensure our CEO is appropriately retained, incentivised and rewarded for the successful delivery of our long term transformation plan. As a result, the Committee has agreed that the CEO's annual bonus and LTIP opportunity should be increased as set out below. In arriving at these increases to the CEO's incentives the Committee has reviewed market data of comparable businesses to the Society and is comfortable that, mindful of the specific circumstance of the Society, the increases are appropriate and do not result in the CEO being paid above market rates. The Committee has also noted its preference to increase variable pay rather than base salary with increased remuneration only being received if performance is delivered against the transformation plan and the wider targets set for the incentives. These increases to annual bonus and LTIP require a change to our Executive Directors' Remuneration Policy and Members will be asked to approve these changes at our 2024 AGM as an advisory vote on our Remuneration Policy.

SALARY AND FEES

The Remuneration Committee has determined that the 2024 base salary increase for the CEO will be 3.48%. The salary for the new CFO is £250,000 and has been set on appointment with the first review effective from 1 April 2025. The increase for the Non-Executive Directors and the Chair will be 3.7%.

These increases will be effective from 1 April 2024 and are in line with the 4% salary budget allocated for the wider workforce.

ANNUAL BONUS

For 2024, our CEO's annual bonus maximum opportunity will increase to 120% of salary. The CFO's maximum annual bonus remains at 100% of salary. On target annual bonus remains at 50% of maximum opportunity.

The measures included in the balanced scorecard have been tailored to ensure the scorecard is simple and effective, focusing on the key areas which are aligned to the Society's operational plan for the year ahead and are detailed later in this report. There have been no changes to the measures or weightings included in the balanced scorecard.

LTIP

For 2024 our CEO's maximum LTIP award will increase to 120% of salary. The CFO's maximum LTIP award remains at 75% of salary. To ensure a focus on retention and delivery of our transformation plan, the Committee has agreed an additional exceptional award in 2024 of 50% of the normal LTIP award, for our Executive Directors and key Senior Leaders. This will be a one off increase with any future grants reverting to normal levels. The exceptional award will also be subject to Members approval at our 2024 AGM as part of the changes to our Policy.

There are seven measures against which the 2024 LTIP will be assessed. These measures are aligned to the Society's plan, including financial, customer, employee and sustainability. The Diversity and Inclusion measure has been removed for the 2024 LTIP as this measure is being reviewed. During 2024 we are reviewing how to improve reporting for this measure so that it is more representative of our workforce and the markets that we serve.

WIDER WORKFORCE REMUNERATION

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

MUTUALITY AND ME

During 2023 we have continued to enhance our Mutuality and Me proposition (see page 16) and this has seen an increase in annual holiday allowance for all employees from 1 January 2024. We are supporting working carers through our partnership with the Grace Care Consultancy, and we are continuing to offer financial coaching to our employees.

In 2024 we will be relaunching our recognition scheme to provide more opportunities for colleagues to be recognised throughout the year and we will also be introducing some enhancements to recognise our longer serving employees.

An overall salary budget of 4% has been approved for 2024, this includes increasing our minimum full time salary to £22,632 and increasing some salaries to a more competitive market position.

ANNUAL BONUS

The bonus scheme for the majority of employees was changed for 2023 and has been assessed through financial, customer and ESG measures which align to the strategic plan. The assessment of the scheme has resulted in a bonus pot of 73% of the on-target amount. Bonus payments are linked to individual performance assessed during 2023.

Our Remuneration Policy is developed based on the key principles outlined on page 77. The Remuneration Policy continues to be applied in a measured way to ensure that we reward the right performance contribution and behaviours and support the short-term and long-term strategic goals of the Society. The table below summarises the application of the Remuneration Policy for 2023 and the changes proposed for 2024.

We will continue to monitor the effectiveness of our policies to ensure they support the Society and the long-term interests of our customers, members and other stakeholders.

| | GROUP CHIEF EXECUTIVE (MARIO MAZZOCCHI) | GROUP CHIEF FINANCIAL OFFICER (GILLIAN CASS) | CHANGES FOR 2024 |
|--|--|---|---|
| Base salary | £546,000 (4% increase on 1 April 2023) | £302,848 (4% increase on 1 April 2023) | 3.48% increase for Mario to £565,000 on 1 April 2024 Nathan Beckett promoted to CFO on 1 April 2024 on a salary of £250,000 |
| Benefits | Car allowance, private medical, medical assessment, group product discount, death in service | | No Change |
| Pension | Up to 10% of salary in line with wider workforce | | No Change Nathan Beckett receives a pension allowance of 15%, this will be reduced to 10% on 1 April 2025 |
| ANNUAL BONUS | | | |
| Measures | Balanced scorecard based on Society and individual performance, with a Consumer Duty risk underpin | | No Change |
| Maximum opportunity | 100% of salary | 100% of salary | Increased to 120% of salary for the CEO from 1 January 2024 No change for CFO |
| Achievement | £277,859 (50.89% of max) | £151,091 (49.89% of max) | |
| Structure | 50% deferred for three years paid in annual tranches | | No Change |
| LONG-TERM INCENTIVE PLAN ('LTIP') | | | |
| Measures | Based on strategic, financial, customer and employee performance measures | | No Change |
| Award level | 100% of salary | 75% of salary | Increased to 120% of salary for the CEO for 2024 Additional exceptional award for the 2024 LTIP for the CEO and CFO of 50% of the normal LTIP award. |
| Achievement | £226,800 (45.36% of max) for 2021 LTIP | £95,256 (34.02% of max) for 2021 LTIP | |
| Structure | Three-year performance period, two year holding period with a risk underpin | | No Change |

GOVERNANCE OF REMUNERATION

MEMBER ENGAGEMENT

The Directors' Remuneration Report (supported by 96.8% of members who voted at the last AGM) will be subject to an advisory vote at our 2024 AGM.

The Directors' Remuneration Policy is subject to an advisory vote every three years or earlier if there is a change and was voted on at the 2023 AGM. The Directors' Remuneration Policy was supported by 94.9% of those voting at the 2023 AGM.

REMUNERATION POLICY

The proposed increase in the CEO's incentives and the exceptional one-off LTIP for both Executive Directors require a change to our current Remuneration Policy. Therefore, members will be asked to approve a new Remuneration Policy

which will incorporate these changes as an advisory vote at our AGM in June 2024. There will be a further advisory vote on our Remuneration Report in respect of the operation of the Policy in 2023 and the proposal for 2024.

STRUCTURE OF THE REPORT

This report has been structured 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 the disclosures provided will help members to better understand how reward strategy supports their interests and the Society's business objectives.

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

I hope that you will support these resolutions.

Yours sincerely,



LINDA WILDING
Chair of the Remuneration Committee



REMUNERATION POLICY

ROLE OF THE REMUNERATION COMMITTEE

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

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

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

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

REMUNERATION COMMITTEE MEMBERS AND ADVISERS

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

The Remuneration Committee was supported during the year by the HR Director and the Group Chief Executive. The Society's Chief Risk Officer provides input on the Executive Remuneration Framework design and application. The Risk Committee assesses Executive behaviours and Society performance, considers whether any inappropriate risks have been taken and makes recommendations to the Remuneration Committee accordingly. Benchmarking data has been received from Willis Towers Watson and Korn Ferry to support remuneration decisions. No individual takes part in the discussion on their own remuneration.

In performing its duties, the Remuneration Committee draws on the advice of independent external consultants. During the year, the Remuneration Committee received advice on market levels of pay and bonus, best practice and disclosure requirements from Korn Ferry.

The total cost of advice from Korn Ferry to the Remuneration Committee on Directors' remuneration matters during 2023 was £32,055.

STATEMENT OF VOTING ON REMUNERATION RESOLUTIONS

The following table sets out the number of votes for, against and abstentions for the advisory vote on the latest annual Directors' Remuneration Report and Directors' Remuneration Policy at the Society's 2023 AGM.

| AGM | RESOLUTION TEXT | VOTES FOR | VOTES AGAINST | % FOR | WITHHELD |
|------|---|-----------|---------------|-------|----------|
| 2023 | To receive the Directors' Remuneration Report | 3,386 | 111 | 96.8 | 85 |
| 2023 | To approve the Directors' Remuneration Policy | 3,307 | 178 | 94.9 | 92 |

REMUNERATION PHILOSOPHY

The overarching principles of our approach to Executive remuneration are:

| PRINCIPLE 1 | PRINCIPLE 2 | PRINCIPLE 3 | PRINCIPLE 4 |
|---|--|--|--|
| Competitive remuneration which is sufficient to recruit, motivate and retain senior leaders of the calibre required to lead the Society successfully. | Aligned with our current financial performance, promotes robust conduct risk management, good customer outcomes and desired employee behaviours. | Support our business strategy and the long-term security for our members, customers, employees and other stakeholders. | Ensure our arrangements are transparent, understandable, fair, reasonable and proportionate. |

REMUNERATION POLICY CONTINUED

REMUNERATION POLICY TABLE

| ELEMENT | PURPOSE AND LINK TO STRATEGY | OPERATION | OPPORTUNITY | PERFORMANCE METRICS |
|--------------------|--|---|---|--|
| Base salary | To attract and retain high performing individuals to lead the Society. | <p>Base salary is reviewed annually, or more frequently if there is a significant change in an individual's role or responsibilities.</p> <p>Any decision on base salary is influenced by a range of factors including but not limited to:</p> <ul style="list-style-type: none"> ▶ level of experience; ▶ Society affordability and performance; ▶ ability to attract/retain/motivate; ▶ pay awards for the wider workforce; ▶ prevailing market conditions; and, ▶ periodic external benchmark data | <p>There is no maximum base salary.</p> <p>Increases in base salary will normally be in line with those awarded to other Society employees but higher increases may be made, for example, to reflect:</p> <ul style="list-style-type: none"> ▶ increase in scope of role or responsibility; or ▶ an Executive Director falling significantly behind the market rate for that role | Subject to annual review of individual contribution and Society performance. |
| Benefits | To operate a competitive benefits structure. | <p>Benefits currently provided are:</p> <ul style="list-style-type: none"> ▶ a car allowance ▶ private medical cover for the individual and their family; ▶ medical assessment; ▶ group product discounts (available to the wider workforce and directors on the same terms); and, ▶ death in service benefit of 4x pensionable base salary (8x for employees who joined prior to 1 October 2021) | <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 |
| Pensions | To provide post-retirement benefits in a cost-effective manner. | <p>All Executive Directors are a member of the Society's Staff Group Personal Pension scheme. Where they are limited by the Annual Allowance, they will receive a partial cash allowance for the balance of their employer contributions above the Annual Allowance limit.</p> <p>If a cash allowance is paid, the amount is reduced to allow for the cost of employer's National Insurance Contributions.</p> | <p>The Society contributes up to 10% of base salary. The new CFO will transition from his current pension contribution of 15% of base salary to 10% on 1 April 2025.</p> <p>The Society regularly reviews pension benefits for Directors taking account of tax and legislative changes.</p> | N/A |

| ELEMENT | PURPOSE AND LINK TO STRATEGY | OPERATION | OPPORTUNITY | PERFORMANCE METRICS |
|----------------------------|--|--|---|---|
| <p>Annual bonus</p> | <p>To ensure that there is an appropriate incentive for Executive Directors to meet the annual objectives of the Society.</p> | <p>Individual performance evaluations for bonus are recommended by the Group Chief Executive following a similar procedure applied to the wider workforce but based on an individual Balanced Scorecard linked to delivery of the Society's overall strategy. The evaluation considers the individual's contribution towards the Society's desired behaviours and strategic goals, engendering robust risk, conduct and compliance management and customer outcomes.</p> <p>Performance evaluation of the Group Chief Executive is recommended by the Society's Chair with input from other Non-Executive Directors.</p> <p>50% of any bonus earned is deferred. Any deferred amounts will be paid in three equal tranches after one, two and three years.</p> <p>Variable pay will be subject to malus and clawback provisions.</p> | <p>Overall cash payment of:</p> <ul style="list-style-type: none"> ▶ 60% of base salary for the CEO and 50% of base salary for the CFO if both the Society and individual perform on target; and, ▶ a further 60% of base salary for the CEO and 50% of base salary for the CFO if both the Society and individual perform at stretch target <p>During the deferral period any unvested amounts may be adjusted up or down to reflect the performance of the With Profits ISA Fund (or other such fund as the Remuneration Committee deems appropriate).</p> <p>All payments of annual bonus are subject to approval by the Remuneration Committee and are non-pensionable.</p> | <p>Balanced Scorecard approach for both Society and individual performance based on financial, customer, employee, strategic and ESG metrics.</p> <p>The Remuneration Committee may increase or decrease pay-outs based on the evaluation of personal behaviours and any risk, conduct, compliance or other concerns.</p> |
| <p>LTIP</p> | <p>To strengthen the link between the rewards received for the performance delivered for our members and the long-term financial stability of the Society.</p> | <p>Any payment will be made in cash, net of relevant taxes. The awards will vest following the assessment of the relevant performance conditions which will, normally, be assessed at the end of a three-year performance period and then will be subject to a further holding period of two years.</p> <p>The Remuneration Committee may adjust pay-outs based on the evaluation of personal behaviours and any conduct risk, compliance or other concerns.</p> <p>LTIP awards will be subject to malus and clawback provisions up to the end of the holding period.</p> | <p>The maximum normal award is 120% of base salary for the CEO and 75% of base salary for the CFO.</p> <p>For 2024 only there will be an additional exceptional LTIP award of 50% of the normal award.</p> <p>All LTIP payments are subject to approval by the Remuneration Committee and are non-pensionable.</p> | <p>LTIP awards will be subject to financial and non-financial measures that are aligned to the Society's strategy. Vesting of any LTIP award will be subject to satisfactory overall conduct risk and performance.</p> <p>Awards will vest at 25% of maximum for threshold performance, rising with linear progression to full vesting at stretch target.</p> |

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

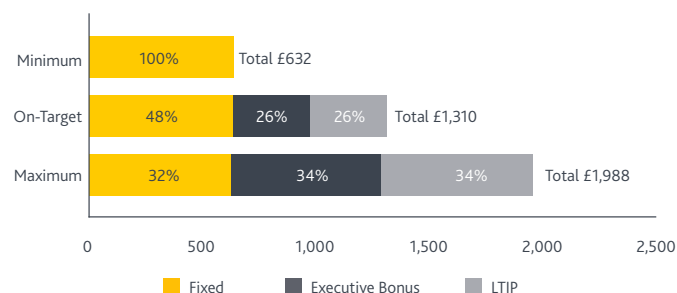
REMUNERATION POLICY CONTINUED

ILLUSTRATION OF REMUNERATION POLICY FOR 2024

The charts below illustrate the amounts that Executive Directors would be paid in respect of 2024 for their role as an Executive Director, under three different performance scenarios:

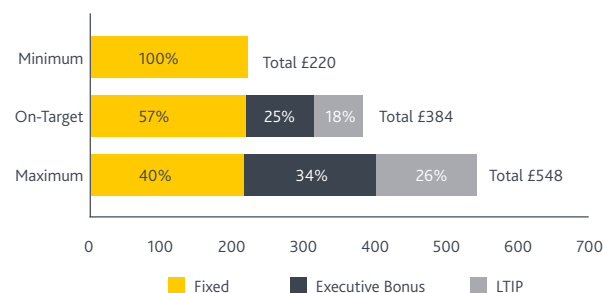
MARIO MAZZOCCHI

Percentages/Amounts (£000's)



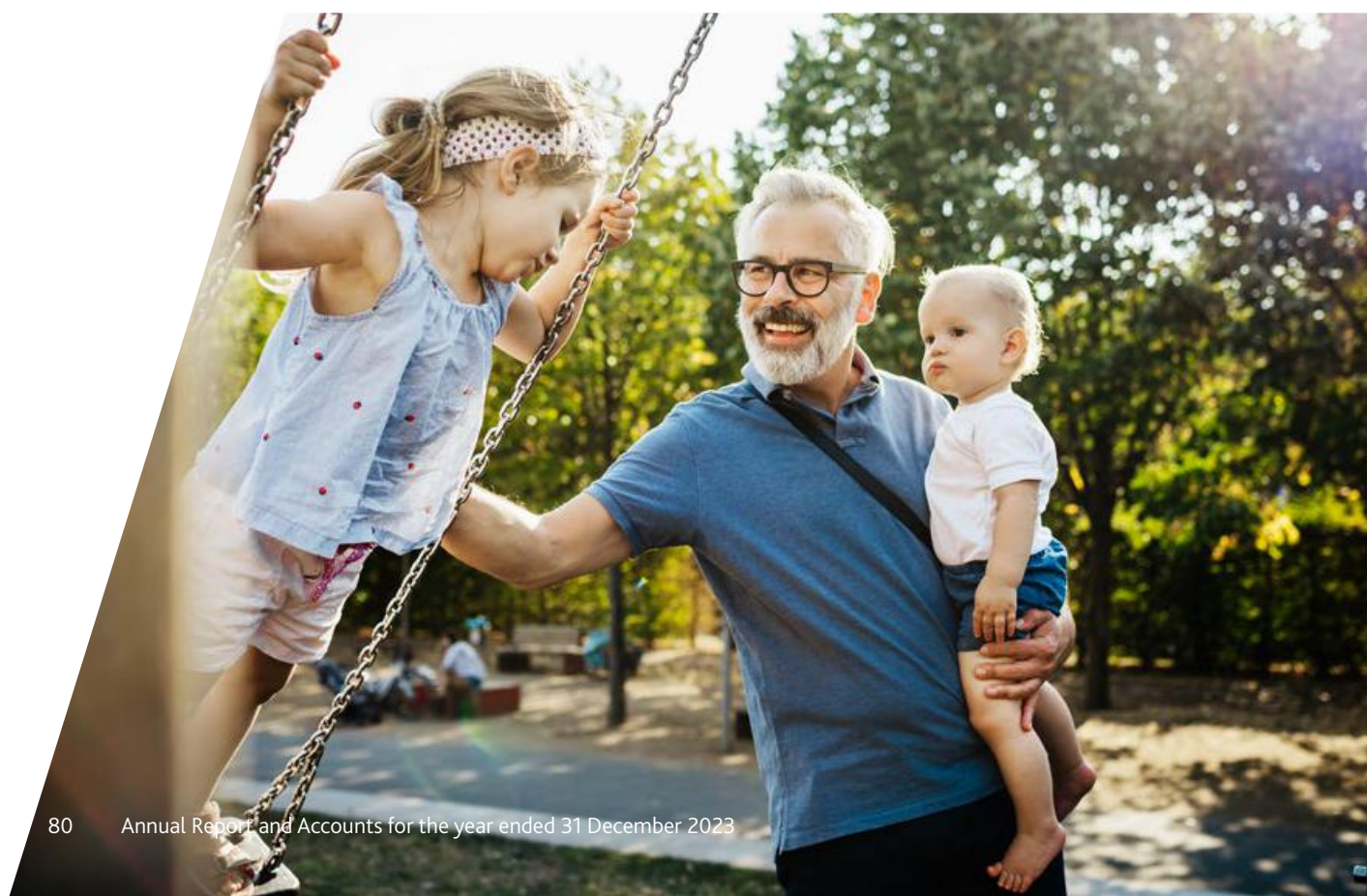
NATHAN BECKETT

Percentages/Amounts (£000's) (from 1 April 2024)



Note - the LTIP granted in 2024 includes the on-target and maximum performance for the normal LTIP award and does not include the one-off additional exceptional award. The chart for Nathan Beckett is for the period in the CFO role from 1 April 2024.

| | |
|------------------------------|---|
| Below threshold | Fixed elements of remuneration only — base salary, benefits and pension. |
| On target performance | <p>Annual Bonus: For illustrative purposes the CEO has been assumed to be paid 60% of salary and the CFO paid 50% of salary, the actual amount payable to each Director would depend on the Remuneration Committee's evaluation of individual performance.</p> <p>LTIP: For illustrative purposes we have assumed 50% achievement of maximum LTIP potential for both the CEO and the CFO.</p> |
| Maximum performance | <p>Annual bonus: For illustrative purposes the CEO has been assumed to be paid 120% of salary and the CFO paid 100% of salary assuming both the Society and individual have performed at stretch performance.</p> <p>LTIP: 100% of the maximum LTIP opportunity has been shown (120% of salary for the CEO and 75% of salary for the CFO).</p> |



REMUNERATION POLICY FOR THE CHAIR AND NON-EXECUTIVE DIRECTORS

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

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

REMUNERATION POLICY FOR THE WIDER WORKFORCE

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

The LTIP participation includes employees from Senior Management roles who are not Executive Directors. The employees invited to join the LTIP are in roles which are key to achieving the Society's Plan and the list of participants is reviewed each year prior to the LTIP awards being granted.

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

During 2023 we continued to enhance our reward framework to remain competitive by updating our salary ranges, increasing salaries that are lower in relation to the market and increasing our minimum salary to National Minimum Wage plus 8% for a pension contribution. These changes will be implemented from April 2024 as part of the salary review.

Throughout 2023 we have continued to embed initiatives which support our employees and our performance culture. We updated our behaviours to clarify the behavioural expectations of colleagues and leaders that are linked to performance. Aligned to the behaviours, we invested in building colleague capability in personal ownership and emotionally intelligent leadership via a new Development Programme. We expanded our regulatory learning schedule, incorporating the new Consumer Duty regulations to ensure colleague understanding and compliance. Since 2021, we have continued to increase the number of offers made to internal candidates, supporting employees career development.

The bonus scheme for the majority of employees has been reviewed and will continue to be assessed through financial, customer and ESG measures which align to the strategic plan.

REMUNERATION POLICY FOR NEW APPOINTMENTS

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

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

ANNUAL REPORT ON REMUNERATION

ANNUAL REPORT ON REMUNERATION

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

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

| ELEMENT OF REMUNERATION | POLICY |
|-------------------------|--|
| Notice period | Up to twelve months. |
| Termination payments | <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.</p> <p>Benefits may also be provided in connection with termination of employment and may include, but are not limited to, statutory payments, outplacement, legal fees and payments in respect of accrued holiday.</p> |
| Annual bonus | <p>LEAVERS DURING THE ANNUAL BONUS PERFORMANCE YEAR</p> <p>Awards may ordinarily only be paid to individuals that remain an employee, however, the Remuneration Committee has the discretion to determine an appropriate bonus amount taking into consideration the circumstances of the leaver.</p> <p>No bonus award will be paid unless the leaver is determined to be a 'good leaver'. For a 'good leaver' the Remuneration Committee has the discretion to grant awards on such basis as it deems appropriate (this could include pro-rating for time and performance). Awards may be paid at the Remuneration Committee's discretion in line with the deferral schedule or on cessation of employment.</p> <p>UNPAID DEFERRED BONUS PREVIOUSLY AWARDED</p> <p>Unless determined as a 'good leaver' unpaid deferred bonus awards will lapse upon cessation of employment. For a 'good leaver' awards will typically be paid in full on the scheduled date.</p> |
| LTIP | <p>LEAVERS DURING THE THREE YEAR PERFORMANCE PERIOD</p> <p>Unless determined as a 'good leaver' unvested LTIP awards will lapse upon cessation of employment.</p> <p>GOOD LEAVERS DURING THE THREE YEAR PERFORMANCE PERIOD</p> <p>In a limited number of circumstances, a leaver may be determined by the Remuneration Committee to be a 'good leaver'. Awards to 'good leavers' will normally vest to the extent determined by reference to the performance targets and the proportion of the performance period that has elapsed at cessation of employment. LTIP awards will then be paid at the end of the holding period. In exceptional circumstances the Remuneration Committee retains the discretion to waive any of the conditions for a 'good leaver'.</p> <p>LEAVERS DURING THE TWO YEAR HOLDING PERIOD</p> <p>If an employee ceases employment following the end of the three year performance period but before the end of the two year holding period, the vested LTIP award will be paid in line with regulation requirements and scheme rules.</p> |
| Malus and Clawback | <p>The Remuneration Committee may decide that elements of bonus and LTIP should be paid back subject to claw back and malus provisions that include:</p> <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. |
| 'Good leaver' | <p>A 'good leaver' for the purposes of the variable pay will be any employee 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 Remuneration Committee so decides. |

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

REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2023

SINGLE FIGURE OF REMUNERATION FOR EACH DIRECTOR

The remuneration of the Directors of Wesleyan Assurance Society for the year ended 31 December 2023 and the previous year is set out in the tables below.

| DIRECTOR | YEAR | FIXED REMUNERATION (£000s) | | | | VARIABLE REMUNERATION (£000s) | | | | | TOTAL |
|-----------------|------|----------------------------|----------|---------|-------------|-------------------------------|----------|----------------------|----------------|-------|-------|
| | | BASE SALARY/ FEES | BENEFITS | PENSION | TOTAL FIXED | BONUS | | LONG-TERM INCENTIVES | TOTAL VARIABLE | | |
| | | | | | | CASH | DEFERRED | | | | |
| Mario Mazzocchi | 2023 | 541 | 15 | 47 | 603 | 139 | 139 | 227 | 505 | 1,108 | |
| | 2022 | 519 | 14 | 45 | 578 | 92 | 92 | 369 | 553 | 1,131 | |
| Gillian Cass | 2023 | 300 | 12 | 26 | 338 | 76 | 76 | 95 | 247 | 585 | |
| | 2022 | 288 | 12 | 25 | 325 | 51 | 51 | - | 102 | 427 | |

| DIRECTOR | YEAR | TOTAL £000s |
|--------------------------------------|------|-------------|
| Nathan Moss (Chair) | 2023 | 153 |
| | 2022 | 144 |
| Andrew Neden (Left 30 November 2023) | 2023 | 59 |
| | 2022 | 61 |
| Anne Torry (SID from 1 January 2022) | 2023 | 93 |
| | 2022 | 90 |
| Linda Wilding | 2023 | 64 |
| | 2022 | 61 |
| Ian McCaig | 2023 | 64 |
| | 2022 | 61 |
| Philip Moore | 2023 | 64 |
| | 2022 | 61 |
| Harpreet Sood | 2023 | 64 |
| | 2022 | 61 |
| Rita Bajaj (Joined May 2022) | 2023 | 64 |
| | 2022 | 42 |
| Gary Dixon (Joined June 2023) | 2023 | 35 |

Notes:

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

The Non-Executive Directors' fees will be increased by 3.7% with effect from 1 April 2024. The SID role was inclusive of an additional fee of £28,487 per annum in 2023 and this fee will be increased by 3.7% to £29,541 for 2024.

ANNUAL REPORT ON REMUNERATION CONTINUED

2023 ANNUAL BONUS AWARD

The maximum annual bonus possible in 2023 for the Executive Directors was 100% of base salary. The bonus amount is based on the results achieved through the Balanced Scorecard (BSC) and personal performance for 2023. The targets set were aligned to the budget and support the three-year plan. Five of the six targets were achieved which resulted in a bonus payment of 50.89% of salary for Mario Mazzocchi and 49.89% of salary for Gillian Cass. These results reflect the performance achieved in 2023 and therefore the Committee did not apply its discretion to adjust the formulaic outturn.

| AREA | MEASURE | WEIGHTING | THRESHOLD | TARGET | STRETCH |
|------------|-------------------------|-----------|----------------|--------|---------|
| Customer | Investment Performance | 30% | [Progress bar] | | |
| | Products per customer | | [Progress bar] | | |
| Financials | Net Investment Inflows | 40% | [Progress bar] | | |
| | Operating profit | | [Progress bar] | | |
| Employee | Employee Opinion Survey | 30% | [Progress bar] | | |
| | Customer index | | [Progress bar] | | |

| | CEO | CFO |
|---------------------------------|----------|----------|
| Bonus opportunity (% of salary) | 100% | 100% |
| Overall outcome (% of salary) | 50.89% | 49.89% |
| Overall outcome (£) | £277,859 | £151,091 |

2024 ANNUAL BONUS

There are no changes planned for the balanced scorecard for the annual bonus in 2024. The scheme will continue to include performance conditions based on a mixture of financial and non-financial measures assessed through a balanced scorecard approach.

| PERFORMANCE MEASURE | WEIGHTING |
|-------------------------|-----------|
| Investment Performance | 30% |
| Products per Customer | |
| Net Investment Inflows | 40% |
| Operating Profit | |
| Employee Opinion Survey | 30% |
| Customer Index | |

BONUS PAYMENTS DEFERRED FROM PREVIOUS YEARS

The following table sets out the amounts paid in respect of the outstanding deferred variable pay awards. 50% of the 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 With Profits ISA Fund. The performance of the With Profits ISA Fund was 10.99% for 2021, -0.43% for 2022 and 4.16% for 2023.

| BONUS PERIOD | PAYABLE | MARIO MAZZOCCHI | | GILLIAN CASS | |
|-----------------|------------|-----------------|--------------|--------------|--------------|
| | | CURRENT (£) | ORIGINAL (£) | CURRENT (£) | ORIGINAL (£) |
| 2020 Deferred 3 | March 2024 | – | – | 16,333 | 16,333 |
| 2021 Deferred 2 | March 2024 | 47,535 | 45,833 | 26,620 | 25,667 |
| 2021 Deferred 3 | March 2025 | 47,535 | 45,833 | 26,620 | 25,667 |
| 2022 Deferred 1 | March 2024 | 31,899 | 30,625 | 17,693 | 16,987 |
| 2022 Deferred 2 | March 2025 | 31,899 | 30,625 | 17,693 | 16,987 |
| 2022 Deferred 3 | March 2026 | 31,899 | 30,625 | 17,693 | 16,987 |
| 2023 Deferred 1 | March 2025 | 46,310 | 46,310 | 25,182 | 25,182 |
| 2023 Deferred 2 | March 2026 | 46,310 | 46,310 | 25,182 | 25,182 |
| 2023 Deferred 3 | March 2027 | 46,310 | 46,310 | 25,182 | 25,182 |

Gillian Cass' deferred bonus for 2020 represents payments made to compensate for bonus forfeited from her previous employment of which 50% has been deferred over three years (payable in 2022, 2023 and 2024). The bonus is not amended by the With Profits ISA Fund performance but is subject to malus and clawback conditions.

LTIP AWARDS

2021 LTIP

The three year performance period for the 2021 LTIP concluded on 31 December 2023. The 2021 LTIP has 15 participants. It is based on the performance against a balanced scorecard of measures designed to deliver the Society's strategy. The outturn of the 2021 LTIP is 45.36% of maximum and the LTIP will continue to be subject to a conduct risk underpin. The Committee were comfortable that the outturn reflected the financial and non-financial performance delivered over the performance period and therefore no adjustments were applied to the formulaic outturns.

2021 LTIP OUTTURN

| MEASURE | WEIGHTING | THRESHOLD | MAXIMUM |
|--------------------------------|-----------|-----------|---------|
| Total customer | 15% | | |
| Assets Under Management | 15% | | |
| Customer Attrition | 10% | | |
| Employee Opinion Survey | 10% | | |
| Cost Income Ratio | 15% | | |
| Return on Capital | 15% | | |
| Sustainability | 10% | | |
| Gender | 5% | | |
| Ethnicity | 5% | | |

| | CEO | CFO |
|--------------------------------|----------|---------|
| LTIP opportunity (% of salary) | 100% | 75% |
| Overall outcome (% of salary) | 45.36% | 34.02% |
| Overall outcome (£) | £226,800 | £95,256 |

ANNUAL REPORT ON REMUNERATION CONTINUED

2024 LTIP AWARD

A new three year LTIP has been introduced for 2024 in line with the new Remuneration Policy. There are seven key measures included in the LTIP which will remain unchanged from the 2023 LTIP as they continue to be aligned to the Strategic Plan. Diversity and Inclusion will be removed as a performance measure as we undertake a full review of this measure. The review will look at how we measure gender and ethnicity and how we set our targets to align to our ED&I plans.

| STRATEGIC PRIORITY | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|--------------------|------------------|------------------|--------------------|----------------|------|----------------|------|---------|------|------|
| 2020 LTIP | Tranche 1 Vested | Tranche 2 Vested | Tranche 3 Vested | Holding Period | | Payment | | | | |
| 2021 LTIP | | Vested | | Holding Period | | Payment | | | | |
| 2022 LTIP | | | Performance Period | | | Holding Period | | Payment | | |
| 2023 LTIP | | | Performance Period | | | Holding Period | | Payment | | |
| 2024 LTIP | | | Performance Period | | | Holding Period | | Payment | | |

KEY

- Vested – based on performance for the period.
- Performance Period – awards will only be payable if stretching financial and non-financial performance targets are delivered over the three-year performance period.
- Holding Period – payment will be paid at the end of the two-year holding period.
- Payment – the payment will be paid in the following March.

The weighting of the elements of the performance targets for the 2022, 2023 and 2024 LTIPs are summarised in the table below. All participants of an LTIP are measured against the same targets. The weightings and performance targets were reduced and simplified for 2023 and 2024, with a focus on the key measures.

| | | 2022 | 2023 | 2024 |
|--------------------------------------|-----------------------------|------|------|------|
| Life long partner | Customer Numbers/Growth | 15% | 15% | 10% |
| | Assets under Management | 15% | | |
| | Surplus Capital Generation | | 15% | 20% |
| Brilliant to do business with | Customer Attrition | 10% | | 10% |
| | Culture / EOS | 10% | | |
| | Culture and Inclusion Index | | 10% | 10% |
| Mutuality with edge | Cost Income Ratio | 15% | 20% | 20% |
| | Return on Capital | 15% | 20% | 20% |
| Diversity and Inclusion | Gender and Ethnicity | 10% | 10% | |
| Environmental | Sustainability | 10% | 10% | 10% |
| Total | | 100% | 100% | 100% |

PAYMENTS ON CEASING TO BE A DIRECTOR AND TO FORMER DIRECTORS

There are no payments to former Directors that have not already been disclosed in previous Remuneration Reports.

The following sets out the remuneration for Gillian Cass on leaving the Society:

- ▶ Salary and benefits will continue to her leave date of 31 March 2024.
- ▶ 2024 Annual Bonus will be calculated pro rata to her leave date, the bonus payment will be calculated against performance measures and paid at the usual time.
- ▶ In-flight LTIPs will continue to vest as normal. The 2021 LTIP will be paid in full subject to the assessment of performance, whilst the 2022 and 2023 LTIP will be prorated to her leave date.
- ▶ Deferred payments for the 2021, 2022 and 2023 bonus years will continue to be deferred as normal as detailed on page 85.
- ▶ Two payments will be paid on leaving, a payment in lieu of notice of £151,424 and £26,208 in respect of statutory payments associated for loss of office.

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

| YEAR | CEO SALARY (£'000) | CEO SINGLE FIGURE OF REMUNERATION (£'000) | ANNUAL BONUS PAY OUT AGAINST MAXIMUM OPPORTUNITY (%) | LTIP VESTING RATES AGAINST MAXIMUM OPPORTUNITY (%) |
|-------------------------------------|--------------------|---|--|--|
| 2023 (Mario Mazzocchi) | 541 | 1,108 | 51 | 45 |
| 2022 (Mario Mazzocchi) | 519 | 1,131 | 35 | 74 |
| 2021 (Mario Mazzocchi) | 500 | 833 | 70 | n/a |
| 2020 (Mario Mazzocchi) | 492 | 549 | 0 | n/a |
| 2019 (Mario Mazzocchi) ¹ | 466 | 720 | 54 | n/a |
| 2019 (Craig Errington) ² | 502 | 807 | 55 | n/a |
| 2018 (Craig Errington) | 492 | 674 | 0 | 59 |
| 2017 (Craig Errington) | 482 | 936 | 63 | 74 |
| 2016 (Craig Errington) | 473 | 870 | 74 | 67 |
| 2015 (Craig Errington) | 463 | 836 | 32 | 62 |
| 2014 (Craig Errington) | 453 | 966 | 60 | 71 |

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

² Based on full year in role



ANNUAL REPORT ON REMUNERATION CONTINUED

PAY RATIOS

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

| YEAR | | WORKFORCE PERCENTILE | | | CEO |
|-------|--------------------------|----------------------|--------|----------|-----------|
| | | 25TH | MEDIAN | 75TH | |
| 2023 | Total Remuneration Ratio | 38.8:1 | 24.9:1 | 16.5:1 | - |
| | Total Remuneration (£) | 28,535 | 44,415 | 67,074** | 1,108,000 |
| | Base Salary (£) | 27,535 | 42,315 | 69,261 | 541,000 |
| 2022 | Total Remuneration Ratio | 36.3:1 | 23.8:1 | 16.5:1 | - |
| 2021 | Total Remuneration Ratio | 29.1:1 | 18.1:1 | 11.9:1 | - |
| 2020 | Total Remuneration Ratio | 20.1:1 | 12.6:1 | 8.8:1 | - |
| 2019* | Total Remuneration Ratio | 26.7:1 | 17.1:1 | 11.4:1 | - |

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

** Overall remuneration reduced due to salary sacrifice benefits selected.

The increased ratios for 2022 and 2023 reflect the higher weighting of performance related pay for the CEO relative to the wider workforce. The Committee believe that senior employees including the CEO should have a significant portion of their total remuneration linked to performance which results in fluctuations in pay ratios from year to year depending on business performance.

RELATIVE IMPORTANCE OF SPEND ON PAY

Pay is a significant element of Society expenditure, representing 53% (2022: 56%) of operating expenses of the Group.

| | 2023 (£M) | 2022 (£M) | CHANGE (%) |
|--|--------------|--------------|---------------|
| Expenses of the Group (net operating expenses and investment expenses and charges) | 187.3 | 174.9 | 7.1 |
| Overall expenditure on pay | 99.7 | 97.3 | 2.5 |



LINDA WILDING

Chair of the Remuneration Committee

28 March 2024

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", FRS 103 "Insurance Contracts"), 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 and FRS 103 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 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,

S. Pritchard

SELENA PRITCHARD
Company Secretary

28 March 2024

DIRECTORS' REPORT

The Directors present their Annual Report and audited Consolidated Financial Statements for the year ended 31 December 2023.

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 25 to these accounts.

PRINCIPAL ACTIVITIES

The principal activities of the Group during 2023 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, 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 9 to 11 and in the Strategic Report on pages 12 to 57. 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 is projecting further growth in 2024 and beyond, based on expansion and ongoing improvements in 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 page 13. 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 102 to 143 show the results for the year ended 31 December 2023 and the financial position at that date. The financial results are presented in accordance with the Companies Act 2006 and have been reviewed by the Chief Actuary. The Directors, having taken advice from the Chief Actuary, have declared rates

of bonuses which can be found on our website.

RISK MANAGEMENT

Details of the key risks to the Society and its approach to risk management are set out on pages 48 to 53 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 60 to 61.

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 2023, with the exception of Gillian Cass who leaves the business on 31 March 2024, will be standing for re-election at the Society's AGM on 6 June 2024 along with Gary Dixon and Nathan Beckett. 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.

CHARITABLE DONATIONS

Charitable donations amounted to £961,643 (2022: £1,094,000) which included grants to over 120 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 | 875 |
| Other donations | 87 |
| Total | 962 |

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 employees. 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 Modern Slavery 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.

INDEPENDENT AUDITOR

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



SELENA PRITCHARD
Company Secretary

28 March 2024

REPORT FROM THE AUDIT COMMITTEE



“ The Board considers that all members of the Committee are independent and bring significant and relevant skills and experience to its function. ”

GARY DIXON
Chair of the Audit Committee

MEMBERSHIP AND ROLE OF THE COMMITTEE

Members of the Committee at 31 December 2023 were Gary Dixon (Chair), Philip Moore, Rita Bajaj and Linda Wilding. Andrew Neden stepped down as Chair of the Committee on 29 August 2023 to be succeeded by Gary Dixon. The Company Secretary acts as secretary to the Committee. The 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 members of the Committee are independent and bring significant and relevant skills and experience to its function. All members undertake induction training and continuing professional development. Gary Dixon, a Fellow of the Institute of Chartered Accountants in England & Wales, and an experienced Audit Committee Chair, and Philip Moore, formerly Finance Director at LV= and a Fellow of the Institute of Actuaries, are considered by the Board to have recent and relevant financial experience and skills.

In order to help the Committee meet its oversight responsibilities, regular updates are provided by external auditors, Ernst & Young LLP, on significant and topical areas affecting businesses.

The terms of reference of the Audit Committee include all matters required under the UK Corporate Governance Code, Prudential Regulation Authority (PRA) Rules and follow Financial Reporting Council (FRC) guidance. The Committee plays a key role in assisting the Board with regard to financial reporting (Annual Accounts and submissions to the PRA including for subsidiary companies) and

ensuring that internal controls (including financial and operational controls and risk management processes) within the Society are appropriately robust. The Committee also provides independent assurance to the Board on the effectiveness of the Society's controls over managing climate-related risks.

The Committee invites members of the Executive and their direct reports to meetings so they can answer questions and provide first-hand details of technical financial matters and/or explanations of controls in place to mitigate the Society's risks, and provide direct responses to any matters raised by internal or external audit in their reports. The external Auditor, Ernst & Young LLP, attends Committee meetings, particularly when financial reporting is considered. Private meetings are held with each of the Head of Internal Audit, Chief Financial Officer, Chief Actuary and the external Auditor at least once a year.

SUMMARY OF KEY ACTIVITIES DURING 2023:

During the year the Committee:

- ▶ 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 and Valuation Reports, after review of the production process and assumptions on which the models and valuations included therein are based;
- ▶ Reviewed the proposed internal audit plan, and proposed amendments to it throughout the year, to ensure it addressed key areas of risk and that there was appropriate co-ordination

with the Regulatory Monitoring Team and external auditor;

- ▶ Monitored the Group's internal controls by considering a number of third party, external and internal audit reports (including client money matters) on key controls and risk management functions;
- ▶ Received the Head of Internal Audit's annual opinion on the overall effectiveness of the governance, risk and controls framework for the Group. This included an opinion on whether the organisation's risk appetite was being adhered to and recommendations to strengthen the control framework further;
- ▶ Ensured that significant findings and recommendations made - including findings raised by External Audit and management's proposed responses - were received, discussed and appropriately acted upon;
- ▶ Reviewed arrangements through which employees can raise concerns about possible irregularities relating to financial reporting or other matters including reviewing whistleblowing reports;
- ▶ Received updates on progress with enhancements to the First Line Controls Framework, Group Finance Transformation and Data Projects;
- ▶ Received reports detailing enhancements to IT general controls; and,
- ▶ Received regular updates on the reforms to the audit and corporate governance environment.

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 2022 and are set out in the significant issues table below.

| AREA OF FOCUS | AUDIT COMMITTEE ACTION | CONCLUSION/OUTCOME |
|---|---|--|
| Valuation of Assets and Liabilities and Data Quality. | The Committee reviewed the Chief Actuary's Actuarial Function Report which provided assurance on the controls in place to ensure the accuracy of the year end valuation. | The Committee was satisfied with the controls over the valuation of these assets and liabilities. |
| 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. | <p>The Committee considered the methods used to determine the current level of expenses to maintain policies. The Committee reviewed management's analysis of how transformation initiatives had reduced Society expenses over the year. However, these benefits were partially offset by difficult trading conditions, so maintenance expenses would need to be spread over fewer policies.</p> <p>The Committee also reviewed management's proposed allowance for future inflationary expense increases, which was consistent with past experience and market practice.</p> | The Committee agreed with management's conclusions about the current and future level of maintenance expenses. |
| Assumptions in relation to morbidity, mortality and lapse rates. | <p>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.</p> <p>In particular, the Committee reviewed reports from management proposing changes to assumptions relating to annuitant life expectancy and sickness claims on income protection policies.</p> | The Committee agreed the conclusions that management used to value the insurance liabilities were appropriate and also concurred with the other proposed changes to assumptions. |
| External Reporting. | The Committee reviewed drafts of the Annual Report and Solvency and Financial Condition Report (SFCR) and raised points with management. The Committee considered whether the reports taken as a whole were 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 reports did meet these criteria and could be recommended to the Board for approval. Reports obtained from management provided assurance that the SFCR met regulatory requirements. |
| Valuation of assets. | The Committee reviewed the processes and practices followed in valuing assets and ensured that these were based on or derived from externally available data, with external confirmation in those areas open to more judgement, for example property valuations. | The Committee was satisfied that the valuations overall were in line with market data. |

INTERNAL AUDIT

Internal Audit undertakes a six-monthly planning exercise to determine which activities and controls should be subject to audit review over the following period. 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. Internal Audit adopts a flexible audit planning approach to allow it to quickly focus resource (including co-source support to leverage industry insight and benchmarking and subject matter expertise) where needed utilising either an assurance or consultative approach. Areas subject to Internal Audit review in 2023 included but were not limited to:

- ▶ Governance of transformation framework and key strategic transformation programmes;
- ▶ Cyber Security Framework, Governance of Robotic Process Automation, End User Computing Framework and IT General Controls;
- ▶ Customer servicing and delivery processes (including Protection Claims);
- ▶ Operations, sustainable investments, distribution and finance processes;
- ▶ Governance of the Society's Own Risk Solvency Assessment (ORSA), Operational Resilience Framework and First Line Controls Framework; and,
- ▶ Key regulatory projects, including oversight over the development and implementation of the Consumer Duty 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 Society internal audit plan are reviewed and approved on a quarterly basis by the Society Audit Committee. Root cause analysis is performed over the findings from the audits performed to identify thematic issues requiring attention by the business.

Internal reviews of the effectiveness of the Internal Audit function are undertaken annually with input from Committee members and management. The 2023 review was positive with only minor areas for enhancement identified.

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 2023 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;
- ▶ Assessed the findings of the year end audit and discussed changes made to the audit approach. Control matters highlighted were closely examined and steps taken to ensure appropriate actions were put in place. The Auditors required Letter of Representation was thoroughly reviewed before signing by the directors; and
- ▶ Undertook a review of the independence of the Auditor and 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. Issues identified in the conduct of the audit were raised with the external Auditor and actions agreed to ensure these points were addressed.

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 was reviewed and updated in 2023. 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, depending on the amount. The Committee was satisfied that all non-audit services provided during the year complied with policy.

Ernst & Young LLP were appointed as external Auditors on 11 May 2017 following a tendering exercise. A resolution proposing the reappointment of Ernst & Young LLP as external Auditor was put to the AGM held on 25 May 2023. 97% of votes cast were in favour and Ernst & Young LLP were duly reappointed. The current external audit partner is Ben Morphet. The Society expects to tender for its external Auditor at least every ten years and rotate its audit partner at least every five years. 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 2023, the assessment identified only minor areas for improvement. 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.



GARY DIXON
Chair of the Audit Committee

28 March 2024

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 2023 and of the group's loss for the year then ended;
- ▶ the Group and Society financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ 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 (the 'Society') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise:

| Group | Society |
|---|--|
| Consolidated balance sheet as at 31 December 2023 | Balance sheet as at 31 December 2023 |
| Consolidated statement of comprehensive income for the year then ended and related notes 1 to 26 to the financial statements including a summary of significant accounting policies | Related notes 1 to 26 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (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. 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 GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Society's ability to continue to adopt the going concern basis of accounting included:

- ▶ confirmed our understanding of management's going concern assessment process and obtained management's assessment which covers the period to 31 March 2025.
- ▶ with support from our actuarial specialists, reviewed and challenged management's three-year strategic and financial plan and management's five-year Own Risk Solvency Assessment Report (ORSA) projections, determining that the models are appropriate to enable management to make an assessment on the going concern of the Society;
- ▶ assessed the accuracy of management's analysis by testing the inputs and the clerical accuracy of the models used;
- ▶ with support from our actuarial specialists, evaluated the liquidity and solvency position of the Society by reviewing base case liquidity and solvency projections.
- ▶ obtained and reviewed the latest Board approved ORSA, with support from our actuarial specialists, assessed whether the stress testing included in the ORSA was reasonable and considered the solvency position under each stress scenario;
- ▶ evaluated management's forecast analysis to understand how severe the downside scenarios would have to be to result in the elimination of solvency headroom and concluded it to be remote;
- ▶ assessed the plausibility of available management actions to mitigate the impact of the key risks by comparing them to our understanding of the Society;
- ▶ performed enquiries of management and those charged with governance to identify risks or events that may impact the Society's ability to continue as a going concern. We also reviewed management's assessment approved by the Board, and made enquiries as to the impact of economic uncertainty on the business; and
- ▶ assessed the appropriateness of the going concern disclosures by comparing the consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Society's ability to continue as a going concern for a period to 31 March 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and Society's ability to continue as a going concern.

OVERVIEW OF OUR AUDIT APPROACH

| | |
|-------------------|--|
| Audit scope | <ul style="list-style-type: none"> ▶ We performed an audit of the complete financial information of the Society and audit procedures on specific balances for a further four components. ▶ The components where we performed full or specific audit procedures accounted for 99.9% of Total assets and 99.7% of Total Liabilities. |
| Key audit matters | <ul style="list-style-type: none"> ▶ Valuation of gross technical provisions – assumptions and modelling ▶ Valuation of Investment properties |
| Materiality | ▶ Overall Group materiality of £11m which represents 2.50% of Fund for Future Appropriations. |

AN OVERVIEW OF THE SCOPE OF THE SOCIETY AND GROUP AUDITS

TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company 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, the potential impact of climate change, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

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 six reporting components of the Group, we selected five components which represent the principal business units within the Group.

Of the five components selected, we performed an audit of the complete financial information of one component (“full scope component”) which was selected based on their size or risk characteristics. For the remaining four 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 99.9% (2022: 99.7%) of the Group’s Total assets and 99.7% (2022: 99.8%) of the Group’s Total liabilities. For the current year, the full scope components contributed 99.1% (2022: 98.8%) of the Group’s Total assets and 99.2% (2022: 98.7%) of the Group’s Total liabilities. The specific scope components contributed 0.8% (2022: 0.9%) of the Group’s Total assets and 0.5% (2022: 0.9%) 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 components that together represent 0.1% (2022: 0.3%) of the Group’s Total Assets and 0.3% (2022: 0.2%) 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 analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

CHANGES FROM THE PRIOR YEAR

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

INVOLVEMENT WITH COMPONENT TEAMS

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

CLIMATE CHANGE

Stakeholders are increasingly interested in how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on their operations will be predominantly in respect of the valuation of financial instruments, insurance and investment contract liabilities and goodwill and other intangible assets. These are explained on pages 36 to 45 in the required Task Force for Climate related Financial Disclosures and on page 112 in the principal risks and uncertainties. The Group have also explained their climate commitments on pages 42 to 45. All of these disclosures form part of the “Other information,” rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on “Other information”.

In planning and performing our audit we assessed the potential impacts of climate change on the Group’s business and any consequential material impact on its financial statements.

The Group has explained in the accounting policies how they have reflected the impact of climate change in their financial statements, including how this aligns with their commitment to the aspirations to achieve net zero emissions by 2050. Significant judgements and estimates relating to climate change are included in note 1. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under UK GAAP.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESLEYAN ASSURANCE SOCIETY CONTINUED

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 36 to 45 and the significant judgements and estimates disclosed in note 1 and whether these have been appropriately reflected following the requirements of UK GAAP. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

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 |
|--|--|---|
| <p>Valuation of gross technical provisions: Actuarial assumptions and modelling</p> <p>The valuation of the technical provisions as at 31 December 2023 is £6,420.1m (2022: £6,023.9m) as disclosed in note 14 to the financial statements.</p> <p>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.</p> <p>Non-economic assumptions such as persistency, morbidity, guaranteed annuity rate take-up and mortality are set based on past experience and market experience, over-laid with the application of judgement in particular around future trends.</p> <p>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.</p> <p>Expense assumptions are set based on the anticipated costs associated with administering the business, this requires assumptions on areas including future expenses inflation along with the split between acquisition / maintenance and between different classes of business.</p> | <p>To obtain sufficient audit evidence to conclude on the appropriateness of actuarial assumptions, using EY actuaries as part of our audit team, we performed the following procedures:</p> <ul style="list-style-type: none"> ▶ obtained an understanding and tested the design and operating effectiveness of key controls over management's process for setting and updating actuarial assumptions; ▶ tested that the policy records data used in the process for setting and updating demographic and expense assumptions was complete and accurate; ▶ reviewed and challenged the results of management's experience analysis, including the longevity, morbidity and expenses, to assess whether these justified the adopted assumptions. This incorporated specific challenge of management's consideration of COVID-19 in the setting of these assumptions and whether it was appropriate for management not to adjust the key long-term assumptions for the impact of COVID-19; ▶ 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; ▶ 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; and ▶ 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 benchmarking survey. | <p>We determined that the actuarial assumptions used by management are reasonable based on the analysis of the experience to date, industry practice and the financial and regulatory requirements.</p> <p>We consider it appropriate that long term assumptions have not been adjusted to reflect the impact of COVID-19 as the longer-term impact on morbidity and mortality in particular is not yet clear, and the position adopted by management is consistent with that taken by most companies operating in the life insurance sector.</p> <p>We determined that the models used are appropriate, that changes to the models were implemented as intended, and that controls over management's processes for modelling the technical provisions using the core actuarial modelling systems were operating effectively.</p> <p>We also determined that technical provisions modelled outside the core actuarial modelling systems is fairly stated.</p> |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|--|---|---|
| <p>We consider the integrity and appropriateness of models to be critical to the overall valuation of technical provisions. We consider the technical provisions calculated outside of the core actuarial system and the model developments applied to the core actuarial modelling system to represent a particular area of risk and therefore we focus our work specifically on these areas. As at 31 December 2023, the out-of-model reserves represent 5% of the total technical provisions.</p> | <p>To obtain sufficient audit evidence to conclude on core actuarial modelling systems and balances calculated outside these systems, using EY actuaries as part of our audit team we performed the following procedures:</p> <ul style="list-style-type: none"> ▶ assessed the scope and completeness of the actuarial model baselining performed by management relative to the previous exercises to ensure all material products have been baselined in an appropriate timeframe. ▶ reviewed and challenged the scope, approach and results of management’s model baselining performed during the period to determine whether this is appropriate and complete, and the results are reasonable. ▶ reviewed and challenged the baselining models developed by management to ensure key policy features have been modelled appropriately. ▶ obtained an understanding of management’s process for model changes to the core actuarial system and assessed the completeness of model changes through review of relevant committee meetings minutes; ▶ confirmed that there were no model changes made in the core actuarial modelling systems in the year; ▶ gained an understanding of the rationale for balances calculated outside of the core actuarial system and assess the appropriateness of the applied calculation methodology, inputs and assumptions used to derive the technical provisions; ▶ stratified the components of the balances modelled outside the core actuarial system as at the balance sheet date and focused our testing on those that, in our professional judgement, present a higher risk of material misstatement. As part of the testing, we gained an understanding of the rationale for balances calculated outside of the core actuarial system and assessed the appropriateness of the applied calculation methodology | |
| <p>Valuation of Investment properties</p> <p>The valuation of investment properties is subject to significant judgement and volatility. These have a total value of £392.3m (2022: £365.5m) as disclosed in note 10(D) to the financial statements.</p> <p>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 of the investment properties valuation process. This included understanding the procedures in place through which the Society gains assurance over the property valuations provided by management’s expert.</p> <p>We performed substantive analytical procedures to obtain assurance that the investment properties held in both 2023 and 2022 moved in line with published market indices and any anomalies were selected for independent revaluation procedures.</p> <p>We utilised EY property valuation specialists to independently value 27 (2022: 24) investment properties, representing 45% (2022: 53%) 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 property portfolio is within a reasonable range of estimate.</p> |

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESLEYAN ASSURANCE SOCIETY CONTINUED

In the prior year, our auditor's report included a key audit matter in relation to Valuation of assets with more complex valuations methodologies - Derivatives. In the current year, we have not considered valuation of derivatives to be a key audit matter due to the net asset/liability position has been relatively low and there were no errors identified in this balance in prior periods.

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 £11 million (2022: £12 million), which is 2.50% (2022: 2.55%) 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 Society to be £11 million (2022: £12 million), which is 2.50% (2022: 2.55%) 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 75% of our planning materiality, namely £8.25m (2022: £9m). We have set performance materiality at this percentage because our prior year audit experience indicates a lower risk of misstatements.

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 £1.6m to £8m (2022: £1.8m to £6m).

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 £0.55m (2022: £0.60m), 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, 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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.
- ▶ the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- ▶ information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

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; or
- ▶ the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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.

VOLUNTARY REPORTING RELATING TO THE CORPORATE GOVERNANCE STATEMENT

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Society's voluntary compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- ▶ Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 89;
- ▶ Directors' explanation as to its assessment of the Society's prospects, the period this assessment covers and why the period is appropriate set out on page 72;

- ▶ Directors' statement on fair, balanced and understandable set out on page 89;
- ▶ Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 48;
- ▶ The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 71 to 72; and;
- ▶ The section describing the work of the audit committee set out on pages 91 to 93.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 89, 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Society and management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESLEYAN ASSURANCE SOCIETY CONTINUED

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are 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 understood how the Group complies with those 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.
 - ▶ We assessed the susceptibility of the Group'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, deter 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.
 - ▶ Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. 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's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA.
 - ▶ The Group operates in the insurance industry which is a highly regulated environment. 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.
- 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.
- ▶ The period of total uninterrupted engagement is 7 years, covering the years ending 31 December 2017 to 31 December 2023.
- ▶ 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 company'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 company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

BEN MORPHET (SENIOR STATUTORY AUDITOR)

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

28 March 2024

