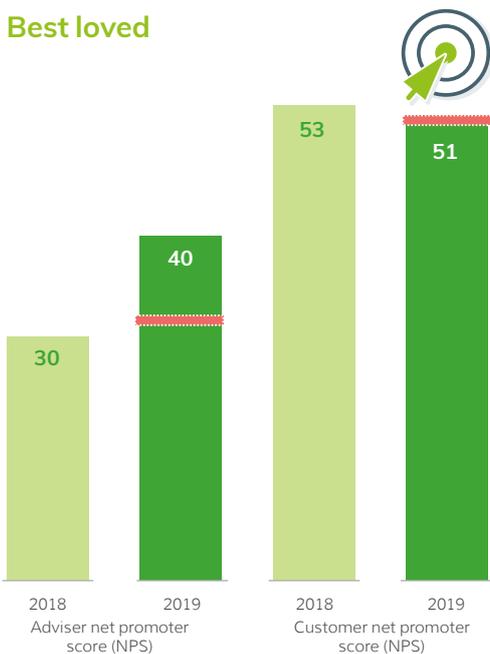


Key Performance Indicators

Our Key Performance Indicators (KPIs) are those that the directors judge to be most effective in measuring the group's performance in the year and assessing progress against our strategic objectives.

Best loved



Aim

We aim to deliver excellent customer service levels, while consistently treating our customers fairly. We set challenging targets across a range of relevant opinion surveys to measure our 'Best loved' performance.

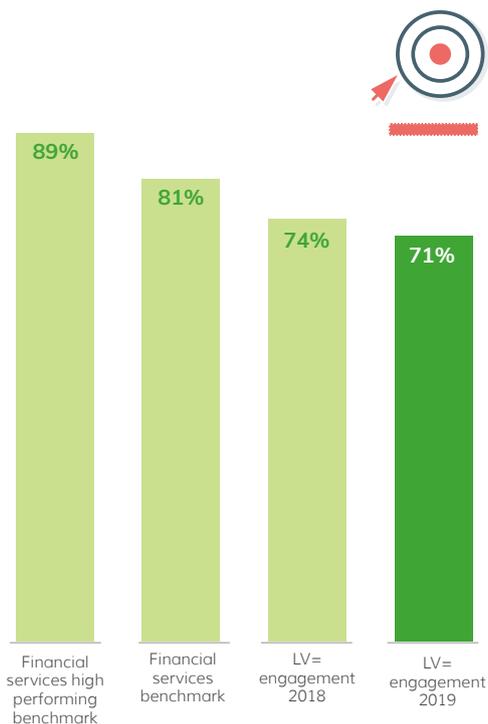
Performance

We have delivered on our targets for customer service and adviser advocacy. Our Adviser net promoter score put us in first place compared with our competitors and saw us reach our target to be in the top quartile in our sector. As a mutual, customers are at the heart of what we do, and we are pleased that we have delivered consistently on our Customer net promoter score target of 51 in each quarter throughout 2019. At the Moneywise customer service awards we were recognised for our excellent customer service, winning the Most trusted life insurance provider for the seventh year in a row.

Link to directors' remuneration

Customer and Adviser net promoter scores contribute towards the member and adviser advocacy metric for the annual bonus. The weighting of this measure increased from 10% to 20% to recognise the importance of acting in our members' best interests.

Employee engagement



Aim

In line with our strategic goal for employees we aim to have high employee engagement. We aspire to high performing financial services organisations (HPO) levels.

Performance

The business has gone through a significant period of change and restructuring over the past few years and in 2019 we completed the sale of the general insurance business. It's understandable that our people are feeling the change and this is reflected in the slight fall in our overall engagement levels. We committed to listening to the views of our people regularly to really understand on-going sentiment throughout the period of unprecedented change. This is where we have focused our efforts and actions, in response to the feedback themes, and we have built momentum seeing genuine improvements in these areas.

As we continue to transform into a standalone life, pensions and investments business there is still a long way to go before we achieve our employee engagement aspirations. The engagement survey data shows us that there is still great optimism across the organisation and that the new leadership team is well positioned to increase levels of engagement.

Link to directors' remuneration

Employee engagement contributed to the leadership and diversity component of annual bonus vesting, see page 80.

Key



Achieved target



Missed target

LV=

Target

Life operating capital generation £m



Aim

We aim to generate positive capital from our life trading business above or in-line with our financial plan. Plan target life operating capital generation was £120m. Our metric for capital generation has changed to life operating capital generation to focus on the performance of our trading businesses, see page 16.

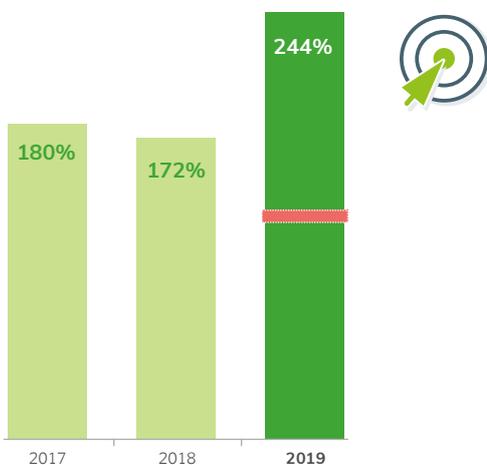
Performance

Life operating capital generation includes capital generated from trading by our Savings and Retirement, Protection and Heritage businesses, of £93m (2018: £96m). Our focus on margins over volumes and tight control of operating expenses has mitigated some of the adverse impacts of the tough trading conditions experienced in 2019. Modelling and other reserving changes of £8m (2018: £86m) also impacted the result, which was below plan due to adverse experience variances, see page 16.

Link to directors' remuneration

Operating capital generation contributes towards annual bonus vesting. This includes life operating capital generation, strategic investment, group and other items as explained on page 80.

Capital Coverage Ratio (CCR)%



Aim

We aim to ensure the long-term sustainability of the group by maintaining a robust Solvency II Capital Coverage Ratio (CCR). We target CCR% above risk appetite of 140%.

Performance

Our CCR is well above risk appetite. This increase includes positive impacts from the life trading businesses described above, and also the one-off gain generated from the completion of the sale of the general insurance business, which added a further 91% to our CCR.

Link to directors' remuneration

CCR% is the ratio of group eligible own funds to the solvency capital requirement. Growth in eligible own funds contributes to Long-Term Incentive Plan (LTIP) vesting for in-flight schemes.

With-profits return %



Aim

We aim to deliver strong investment returns for our members, and target with-profits fund returns at or above benchmark. In 2019 benchmark performance was 13.9%.

Performance

In 2019 the with-profits fund generated returns of 14.5% and outperformed the benchmark by 60 basis points. During the year we successfully revised the strategic asset allocation with the aim of improving returns to policyholders. Our members benefited during 2019 from an increased investment return due to strong performing overseas equity markets.

Link to directors' remuneration

The relative performance against benchmark of the with-profits fund contributes to the 2017-2019 LTIP scheme vesting, see page 81.