



Q&A

WITH
CHAIR, NATHAN MOSS

NATHAN MOSS, WESLEYAN CHAIR, TELLS US ABOUT THE PROGRESS WESLEYAN MADE OVER THE YEAR AND HOW MUTUALITY MAKES A DIFFERENCE TO MEMBERS.

Q HOW DID EXTERNAL EVENTS IMPACT WESLEYAN IN 2023?

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While 2023 saw the start of a new era in British history with the coronation of King Charles III, it was more of the same for the UK economy impacted by another year of dramatic macroeconomic and geopolitical events around the world.

Inflation started to fall gradually over the year but interest rates remained high, peaking at 5.25% in August - a 15-year high - and staying there for the rest of the year. This was good news for cash savers who rushed to take advantage of higher interest savings accounts. However, mortgage holders came under increased pressure as rates soared to more than three times the record lows seen in 2021.

Consumer confidence remained low as the UK saw flatlining economic growth, ending the year in recession. Although disposable incomes are now above pre-pandemic levels, households are spending less than they did at that time suggesting high interest rates, inflation and global headwinds are impacting expenditure.

Against this backdrop of ongoing volatility, Wesleyan made steady progress. We continued to work closely with our professional customers to help them make the most of their hard-earned money, from maximising retirement income through to finding the right mortgage rate. We also progressed our strategy of building a stronger, more sustainable business for members today and in the future.

From a financial perspective, despite the difficult trading environment, we saw an 71% increase in operating profit mainly due to strong cost management and supported by our ongoing transformation activity. While income wasn't where we had hoped it to be, we were pleased to deliver another year of profitable growth.

Our Assets Under Management increased by £0.4bn in 2023 to £7.6bn, in what was a volatile year for equity and bond markets. Financial markets rallied in the final few months of the year providing better than expected absolute returns, with some of our funds beating their benchmarks and many of them performing well against their sector. Our flagship With Profits Fund produced a gross return of 9.9%, which was ahead of our expectations.

Q WHAT ROLE DID THE BOARD PLAY IN OVERSEEING THE IMPLEMENTATION OF CONSUMER DUTY?

/A

The Board closely monitored progress to ensure that Wesleyan was well placed to meet the requirements of the new Consumer Duty regulations that came into effect on 31 July. Non-Executive Director, Rita Bajaj, acted as consumer duty champion ensuring the Board had full oversight of work taking place across the Group.

The Duty aims to increase trust in the financial services sector and ensure good customer outcomes. This aligns with Wesleyan's ambitions and our transformation programme is built around delivering an enhanced customer service. Through training, communications and ongoing initiatives, we are building a culture where good customer outcomes sit at the core of our business and colleagues feel empowered to challenge if they feel this not happening.

We are not complacent and regularly review customer feedback through our Customer Committee to ensure we are delivering the right outcomes and take action if needed. We will continue to evolve key metrics to ensure we have clear sight of how well we are doing and remain in a strong position to take early remedial action if necessary.

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Q&A WITH THE CHAIR CONTINUED

Q WHAT STRATEGIC PROGRESS DID WESLEYAN MAKE?

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In recent years, we have been progressing an ambitious strategy to build a stronger, more sustainable business for members and customers. This work is delivering results and has enabled us to weather the ongoing period of economic uncertainty and deliver enhanced benefits for members. You can read more about our strategy on pages 14 to 15.

It also means we are well positioned to build on the opportunities for growth that will emerge as the economy starts to rebound over the coming years. We are proud to serve the medical, dental and education professions and it is essential that we stay relevant at a time of changing consumer expectations. The Board therefore agreed to invest further in developing our specialist business.

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While we have made good progress in transforming our business in recent years, there is more we need to do to ensure we deliver the first class service our customers deserve, as well as greater value for our members.

In March 2024, we announced a 10-year partnership with Diligenta, part of Tata Consultancy Services (TCS), an industry-leading provider of business services and IT solutions. Through this partnership, Diligenta will manage some of our operations processes and IT infrastructure helping us to make significant enhancements to the customer

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experience we can offer over the coming years, ensuring we are able to provide high standards of service in a fast-moving, competitive market. This is a major milestone in our journey to become a modern and sustainable mutual that can continue to create brighter financial futures for our specialist customers for many years to come and it builds on the work we have been delivering in recent years.

Q HOW ARE MEMBERS BENEFITTING FROM MUTUALITY?

/A

Our members are the beating heart of our business; every decision we make is through the lens of how we can deliver greater value for them. In addition to the benefits outlined on page 4, we are pleased to announce we are paying a mutual bonus in 2024.

This discretionary bonus is reviewed annually and is a way of sharing business profits among policyholders in the With Profits Open Fund. The Board has declared four mutual bonus payments over the last six years, adding around £110m to With Profits policy values.

The mutual bonus payment this year is £10m, equating to 0.25% of a policy value. Having revisited our approach to mutual bonus, with a view to distributing business profits sustainably, we set it at this level for the year in the expectation that it becomes a more enduring way of delivering value to members over time.

Q WHAT OTHER DEVELOPMENTS WERE THERE IN 2023?

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I'm pleased with the progress we're making against our sustainability principles. We met our target to be operationally net carbon neutral in 2023, with a 5% reduction in carbon footprint over the year. We also purchased 'carbon credits' to support several initiatives aligned with our strategy, helping us to achieve our goal. Our aim is to be totally carbon neutral by 2050 at the latest, including our investments portfolio, and we will be setting measurable milestones along the way. We will keep members updated on progress.

The Wesleyan Foundation continues to support causes that are important to our members and the professions and

communities we serve. It was pleasing to see so many members getting involved in our second 'Winter of Giving' campaign, with 50 charities each receiving £2,000 to help them with their vital work in communities nationwide. Members nominated over half of the charities we supported.

We are making progress with our Equality Diversity and Inclusion (EDI) agenda as we recognise diversity of thought leads to better decision-making and gives us a greater understanding of customer needs. We have been proactively building a more diverse leadership team and I'm pleased to report that women now comprise 41% of the team, exceeding our target of 35%.

We have further to go however in building an ethnically diverse team, with 10% of leaders coming from ethnic backgrounds against a target of 16%. We will continue to take positive action to improve ethnicity representation across the business and you can read about some of the initiatives in place on page 17.

We are committed to recruiting and retaining the most talented people in our industry to serve our customers and members. The Board regularly temperature checks how colleagues are feeling – this is particularly important as we go through a heightened transformation agenda. In addition to reviewing the results of our regular employee engagement surveys at board level, we hold frequent 'Meet the Board' sessions. These are accessible to all members of staff and provide an open and transparent forum for two way debate and discussion. The Partnership Council, which represents and promotes the interests of all employees, meets with Board members at least quarterly to share any concerns or general feedback.

Q WERE THERE ANY CHANGES TO THE BOARD?

/A

We were pleased to welcome Gary Dixon to the Board in August. Gary is an experienced non-executive director with over 30 years' experience in financial services and regulation. You can read his profile on page 61.

Gary replaces Andrew Neden as Chair of the Audit Committee, following Andrew's retirement after nine years as a Wesleyan Non-Executive Director. We offer our sincere thanks to him for his committed contribution to the Group.

Gillian Cass, Chief Financial Officer, leaves Wesleyan at the end of March following three and a half years with the business. Over this time Gillian has made a significant contribution to the strategic development and growth of the business, including the orchestration of the new partnership with Diligenta and the sale of Wesleyan Bank in 2022. She leaves with our heartfelt thanks for all she achieved.

From April, Nathan Beckett will move into the role of Chief Financial Officer from his position as Managing Director of Practice Plan Group. Nathan has spent 16 years at Wesleyan, gaining experience and understanding of the business through different senior roles.

Q WHAT ARE THE KEY CHALLENGES FOR THE YEAR AHEAD?

A 2024 looks set to be another year of global uncertainty with unresolved conflicts in the Middle East and Ukraine. It is also being dubbed the 'ultimate' election year by some with more than 64 countries, plus the European Union, expected to hold elections. This includes the Presidential election in the United States and, at the time of writing, it's widely anticipated that the UK will go to the polls by the end of the year. Political uncertainty is one of the key drivers of movement in financial markets so we will keep a close eye on how things progress.

With the Bank of England anticipating little or no economic growth in 2024 and interest rates predicted to stay higher at least until the middle of the year, there may be little respite initially for our customers.

We anticipate new proposals later this year from our regulators – the FCA and PRA – to implement a new Diversity and Inclusion framework in the financial services sector. We welcome the move and will ensure we are ready to comply with any stated requirements.

I'm proud of the work we've done to protect Wesleyan's long-term sustainability over the year and thank all of my colleagues for their hard work and commitment. As we move through the next stage of our transformation programme, we will continue to offer practical support and maintain open communications with our people to guide them through the process of change.

I hope members have confidence in what we have achieved and in our ability to create brighter financial futures for them. We will continue to work tirelessly to deliver the right outcomes for the people who matter most – our members, customers and colleagues.

I hope to see you at the AGM on 6 June where you can hear more about the progress we're making and have your say on some important business decisions.



NATHAN MOSS
Chair

28 March 2024

BUILDING SPECIALIST RELATIONSHIPS

To strengthen our understanding of our customers, we build strong relationships within their professions. In addition to our Members Advisory Board, we have strong affiliations with organisations such as the NASUWT, the teachers' union, and the Royal College of General Practitioners (RCGP), the professional membership body for GPs in the UK. Both have chosen Wesleyan Financial Services to be their exclusive financial advice provider in recent years, supporting the personal and business needs of their members.

In 2022, we established a new relationship with the Royal College of Obstetricians and Gynaecologists (RCOG) and last year partnered with The Faculty of Medical Leadership and Management (FMLM) to offer financial advice and services to its members. The FMLM exists to raise the standard of patient care by improving medical leadership.

“ We have been impressed with Wesleyan's commitment to supporting medical leadership and the shared values we hold. ”

ANGUS WAITE,
Head of Professional Services and Innovation, FMLM

