

# Q&A

WITH  
CHAIR, NATHAN MOSS



Nathan shares his thoughts on how Wesleyan made good progress in a challenging year and how its mutual values have made a difference.

## HOW DID THE EXTERNAL ENVIRONMENT IMPACT WESLEYAN IN 2022?

Few could have predicted the challenges that 2022 would bring both globally and nationally. While many were hoping for some return to calm after the pandemic, there was a sharp awakening in February with the invasion of Ukraine and the resulting global inflationary pressure. This has led to an increase in UK food and energy bills, compounding pressure on an already uncertain economy following the effects of Covid and Brexit.

With prices rising around 11% over the year, the cost of living really started to bite putting increased strain on incomes of all levels. Many people were not only saving less but having to dip into savings to cover additional costs. At times like this the value of good financial advice is key and our Specialist Financial Advisers worked 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.

In spite of the volatile trading conditions and the fall in consumer spending, Wesleyan progressed our strategy to become a more resilient and sustainable organisation for members today and in the future. As a mutual with no shareholders to serve, we don't let short-term events sway us. This approach has served us well over the past 180 years and we believe continues to deliver the right outcomes for the people who matter most – our members, customers and colleagues.

From a financial perspective, the difficult operating environment meant we ended the year behind where we wanted to be. However, there were clear signs of progress that give us good reason for optimism for the future. Operating profit grew and we

saw positive net inflows across the Group leading to record premium income. While Assets Under Management fell as a result of declining global equity and bond markets, many of our directly managed investment funds performed well against benchmark including our main With Profits Fund. Its return over the year was -4.7% but it's worth noting its longer term performance remained strong with a cumulative return of 110%<sup>1</sup> over ten years.

## HOW DID YOU PROGRESS YOUR STRATEGY OVER THE YEAR?

As reported in last year's Performance Report, we finalised the sale of Wesleyan Bank in February 2022 as we sought to optimise the resources available to us and manage our capital in the most effective way. The sale of the Bank is allowing us to invest further in building a strong business that will generate positive outcomes for members.

This includes progressing our ambitious transformation plans that we embarked upon in 2020. Despite the difficulties of operating through Covid and the current economic climate, we have made good progress and there is already strong evidence they are delivering results. Activity undertaken to date has enabled us to reduce our cost base and increase income. Not only has this helped us to defray some of the inflationary costs, it has also allowed us to realise substantial benefits ahead of target. This puts us in a stronger position to meet ongoing macroeconomic challenges.

In 2022, the Board agreed to a further investment in the business to support the next phase of the Society's strategy. This will focus on further improving the efficiency of the business and enhancing the experiences of our customers by streamlining and automating a number of client-facing processes, ultimately making Wesleyan more financially sustainable and

resilient. You can read more about this in the Group Chief Executive's Report on page 12.

## WERE THERE ANY CHANGES FOR MEMBERS IN 2022?

Our members are the lifeblood of our organisation and we continually seek to deliver greater value for them and reward their trust in and loyalty to Wesleyan. This year, in addition to the benefits outlined on page 4, we extended our Member Rewards programme following a successful pilot. Each year members will be invited to choose from a selection of rewards including cashback options as well as retail and lifestyle vouchers. Feedback from members so far has been excellent and we hope many more will utilise this benefit in 2023.

After careful consideration the Board has decided against offering a mutual bonus to policyholders in 2023. This discretionary bonus is paid in years when we have excess capital to distribute. While we remain capital strong, 2023 is set to be another year of economic uncertainty which would further impact our business. In addition Wesleyan, like others, has seen significantly higher than expected business costs as a result of soaring inflation, which reached its highest rate in 41 years last October. This makes it all the more imperative that we continue to invest in delivering our transformation strategy to ensure we remain resilient and competitive for years to come. Taking all of this into account we felt it prudent not to make payment this year.

I hope members have confidence in the work we are doing to protect and strengthen our business and in our ability to create brighter financial futures for them.

<sup>1</sup> Before charges and after smoothing.

## WHAT SUPPORT DID YOU OFFER THROUGH WESLEYAN FOUNDATION?

Sustainability remains high on the Board agenda as we proactively seek opportunities to be a positive force for change. As a mutual we believe we have a key role to play in society, from supporting our communities to managing our impact on the world through our approach to sustainability. You can read much throughout this Report on the work we are doing to progress our sustainability strategy and our performance over the year. With the charity sector under increasing pressure as a result of the worsening economic situation, we were pleased to donate more than £1m to over 100 good causes across the UK through our charitable Foundation in 2022. In addition to helping local grass roots organisations, we supported good causes reflecting our customers' professional interests from providing a research grant to the British Medical Association (BMA) to working with an educational charity to help children understand the importance of healthy financial habits. You can read more about the work of the Wesleyan Foundation on page 32.

## DID YOU MAKE PROGRESS FROM A CULTURAL PERSPECTIVE?

Enhancing our culture is a core part of our business strategy. We are committed to having a truly inclusive, high-performance culture that puts the needs of our customers at the heart of all that we do.

From an equality and diversity perspective, we made good progress in 2022, but the Board recognises that we still have room for improvement. We were pleased to surpass our target of 35% for the number of women on our senior leadership team, ending the year at 38%. We narrowly missed our target to have 15% of the team from Black, Asian, minority ethnic (BAME) communities reaching 14%. We will continue to ensure all senior leader vacancies have a diverse shortlist and will put sharp focus on talent management and succession planning to ensure we grow our own diverse talent pipeline.

As part of our work to make Wesleyan an inclusive and attractive place to work, so that we attract and retain the best talent to serve our members, we introduced a Culture Day in 2022 where colleagues have an additional day's leave to pursue something they are passionate about. We also enhanced our maternity and paternity benefits and you can read more about this on page 15.

## WHAT SUPPORT DID YOU GIVE COLLEAGUES OVER THE YEAR?

We were pleased to launch a new Employee Value Proposition over the year that better articulates our commitment to and support for our people. An example of this came as rising inflation started to translate into higher energy and food bills. We were aware that colleagues were having to make hard financial decisions each month. The Board, therefore agreed a one-off payment of £1,000 for all employees outside of the most senior roles. Approximately 97% of the workforce benefited from the payment in October helping to alleviate some of the strain. We also expanded our existing resources for colleagues with a financial wellbeing hub, discounts across a range of services and retailers, as well as ongoing support from a professional finance coaching company to help with financial planning, delivered through a partner organisation.

This is in addition to our existing resources, helping colleagues with their learning and development and both physical and mental health, an area of significant importance to all employers in the current climate.

## WERE THERE ANY CHANGES TO THE BOARD?

We were delighted to welcome Rita Bajaj to the Board. She brings a deep understanding of the governance and management of investments and the embedding of sustainability principles. She also has experience of working towards greater inclusion in the industry which is so important to us. You can read more about Rita on page 51.

## WHAT DO YOU THINK WILL BE THE KEY CHALLENGES IN THE YEAR AHEAD?

With no sign of an uptick in the economy we anticipate 2023 will be another difficult year for our customers. As household bills continue to rise and disposable income shrinks, this could impact demand for our services. Our ongoing focus on being a more efficient and effective business will help us to withstand further pressures on our profitability and ensure we continue to meet our customers' expectations in the months and years ahead.

2023 will see the introduction of Consumer Duty, one of the largest regulatory changes for a number of years. The Duty is aimed at increasing trust in the financial services sector and ensuring firms deliver good customer outcomes. This aligns with our ambitions and our transformation programme has been built with an enhanced customer experience in mind. However, we are not complacent; we have appointed Non Executive Director Rita Bajaj as our Consumer Duty Champion to ensure the Board has full oversight of the programme of work taking place across the Group in preparation for the new regulations that come into effect in July.

At the time of writing a private members Bill known as the Co-operatives, Mutuals and Friendly Societies Bill is going through the House of Lords. If passed it will grant HM Treasury the power to bring forward regulations to give mutuals further flexibility in determining the best strategies for their business, relating to their surplus capital. We are watching the Bill's progress with interest and believe it will support a more modern and supportive business environment that better protects members in our competitive markets.

Finally I'd like to say thank you to all of our members and customers who trust us with their financial futures and to my dedicated Wesleyan colleagues who work so hard to deliver the best outcomes for our loyal customers. I hope you can join us at the AGM on 25 May where you can have your say in some important business decisions and hear updates on progress so far in 2023.

“Members can have confidence in the future of Wesleyan and our ability to deliver greater value for them in the years ahead.”

**NATHAN MOSS**  
Chair

30 March 2023