

Which?

Interim Review

From 1 July to 31 December 2016

Which?

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Section one

Introduction from the Chair



Our Interim Review reflects our commitment to keep our members in touch with developments at Which?.

These are turbulent times for consumers. The pace of change has made the relationship between consumers and the organisations they deal with almost unrecognisable from a generation ago. The online digital world increasingly dominates every aspect of our lives. Its disruptive uncertainty, along with the undoubted benefits, makes Which?'s mission all the more important.

In today's world, two words stand out: trust and complexity. We hear much comment about declining trust in experts and in evidence. Which? is an organisation founded on a belief in the value of expertise. Our role is to share evidence about products and services and empower consumers to make the best choices for themselves. The most stressful decisions today are as much about the services we use as the products we buy. People increasingly come to Which? because, when faced with decisions in areas such as insurance, energy, legal and financial services, they trust our impartial advice to guide them through the most complex decisions. We want to build on our close relationship with our members to champion the interests of all consumers and be their trusted advocate, engaging with government, regulators and company boardrooms on their behalf.

We are a charity; everything we do is designed to further our public purposes, but we are unusual in that we raise no money through fundraising and take none from government. All our funding comes from our own commercial businesses, making us completely independent. Our revenues in turn fund our campaigns and our free websites, which have been tremendously successful in reaching hundreds of thousands of younger people, going to university, starting their careers and family life.

However, for Which? to sustain its reputation, we must also demonstrate that we embody the values and standards of openness that we expect of others. In recent months, our Council has been reviewing the way we work and has brought our commercial activities closer to our charitable priorities. All our activity combines into a single enterprise - 'One Which?'. We are fortunate in having non-executive members on the Which Ltd Board and executives on our leadership team who have a breadth of experience in understanding the challenges of digital transformation. Our Council trustees in turn bring a wide range of perspectives from the public and private sector, embedding good governance, supporting our executives and holding them to account.

We also continue to make improvements to our governance. Our Nominations Committee has undertaken a major review of how it works to make us more transparent, and we have put in place a clearer process for appointing co-opted members of the Council and members of the Which? Ltd Board. We have also strengthened our Audit Committee, which is now chaired by a member of the Council, Sharon Darcy, and has an increased focus on the organisation's enhanced risk reporting.

In addition, we have been reviewing our remuneration policy. We are very conscious that this has been the cause of concern amongst some Which? members. The issues are quite complex. Which? must hold its own in one of the most uncompromisingly competitive sectors, digital media. If we are not to decline, as many other established publishers have done, we need to attract the most talented people to work with us. However, we are an organisation defined by our public purposes and this requires a broader sense of value than mere financial reward.

Although this review has not yet concluded, there are some early actions that we have committed to. We have decided to discontinue the previous Long Term Incentive Plan for senior executives and to revisit how we incentivise our senior team. While we remain of the view that we must pay competitively, and that we should, as a charity, incentivise success and sustainability over the long term, we want to ensure that our future arrangements take clear account of both commercial and mission-related objectives. Our executives deserve to be well rewarded for success, but we expect the previous maximum level of payments will be significantly lower in future.

Which? is in the midst of a very demanding period of renewal at a time of profound change. As Chair, I am committed to leading Which? to be an organisation that is shaped to meet the demands of our data-driven world. We need to think more imaginatively as how best to engage and appreciate our members, many of whom have been loyal with us for decades, but also how we can prove our worth to younger generations. The competitive challenges we face have never been greater; but what we contribute to society has never been more important.

Tim Gardam
Chair

Section two

Performance overview from 1 July to 31 December 2016

£49.5m

Income

£5.2m

Promoting consumer interests

£5.3m

Research and testing spend

1.5m

Members and supporters

1.44m

Subscriptions



2,553

Mortgages arranged by
Which? Mortgage Advisers



30.8m
visits to which.co.uk



2,280

Total product reviews



6,045

Wills made through
Which? Wills



1,729

Newly endorsed traders
on Which? Trusted Traders



Best Buy

Which?

513 awarded



Recommended Provider

Which?

39 awarded



£323

Average saving through
Which? Switch

Section three

Performance update

As we enter our 60th year, we are focused on strengthening our foundations to ensure Which?'s long-term success.

Which? is unique. We can deliver innovative products and services in ways that directly serve our charitable purposes, while also directly intervening in markets to drive change. Our mission is at the heart of everything we do and, to help us achieve maximum impact, since the start of this financial year we have made some important changes to how our organisation works and the goals we seek to achieve. We have changed our structure to more powerfully link our charitable and commercial activities, which will help us to achieve our overall mission to tackle consumer detriment and our vision to make consumers as powerful as the organisations they deal with in their daily lives.

Working as One Which?

Across the organisation, we are investing in our future, while maintaining our central focus on providing continued value to our members. In the first half of the year, we have maintained our research and testing spend, and increased investment in digital innovation.

We have published reviews for 2,280 products so far this year, compared to the 2,165 new product reviews in the same period for the previous year. In the last financial year we gave our customers a record 3,716 new product reviews and we aim to beat this target this year. We've also been improving our testing coverage in key categories, and as a result, our laptop reviews now cover every single model available at key high street retailers. Our coverage of insurance providers has also expanded, with our latest claims satisfaction survey including more than 20 brands for both car and home insurance, published in our unique online and print content. In October, we also released the Android version of our Reviews app, allowing even more Which? members to search for and shortlist Which? product reviews from their smartphone.

In what continues to be a challenging publishing market, we remain focused on developing and evolving our magazines, including our digital editions that add value for our members. *Which?* magazine remains the UK's bestselling monthly

magazine, while *Which? Money* and *Which? Computing* continue to maintain their positions as the clear bestsellers in their sectors. *Which? Travel* and *Which? Gardening* have also remained among the best-read titles in their categories.

To mark Black Friday in November, we published a 'Best Buy-Don't Buy' guide to help consumers get the most out of the sales by finding genuine reductions. We launched a dedicated Black Friday Hub on our website, packed with tips on how to bag a bargain and spot the genuine deals. Our research also revealed that a number of the most popular products were actually cheaper on days before or after Black Friday. As this meant that some retailers were in direct breach of pricing guidelines, we shared our results with the Competition and Markets Authority.

We have also provided advice to consumers following the decision to leave the European Union. As an independent, apolitical organisation, Which? did not take a position on the outcome of the referendum: our focus has been on providing the content people need to help them navigate some of the potential impacts of Brexit on consumer markets. We also meet regularly with the government and other key stakeholders on this issue to ensure that the UK consumer voice is being heard in the process.

Making consumers powerful

We've had tremendous impact through our campaigning work over the first six months of the year. We now have more than 720,000 supporters working with us to achieve change and have kept up the public profile of our work, with Which? mentioned on the front page of national newspapers 18 times during this period.

Product safety has featured highly on our agenda in the first half of this year, after our research into Whirlpool's handling of its fire risk tumble dryers revealed that the company was still failing many of its customers. As a result, we removed all Best Buy recommendations from any products made by the Whirlpool group, marked all affected models as a 'Don't Buy' and launched a judicial review against Peterborough Council for its handling of the Whirlpool issue. Our work on carbon monoxide detectors also had a direct impact, as Amazon and Ebay removed from sale 10 dangerous alarms from various manufacturers.

Section three

Performance update (continued)

Two of our campaigns – Calling Time on Nuisance Calls and Fair Energy Prices – passed the half-a-million-signatures mark on our online petitions. Our community website, Which? Conversation, has also dramatically increased engagement following its recent redevelopment, with 22,000 comments and 43,000 poll votes made by visitors to the site in the first six months of the year.

We have achieved a number of big wins, with the government agreeing to introduce director-level accountability for nuisance calls, and as a result of our campaign in Scotland, the Scottish government called a Nuisance Calls Commission. We also secured a commitment that all major mobile phone companies would unlock their phones for free at the end of people's contracts. On energy, we have been working to ensure that companies engage with customers stuck on poor value tariffs, as well as calling for more, genuine competition in this essential market.

In September, we issued a super-complaint on bank transfer scams to the Payment Systems Regulator, and in December we co-hosted a trains summit with the government, rail regulator and industry to push through a raft of commitments to improve the ticketing system for passengers. Our Rail Refunds social media campaign also received a prestigious Business Travel Journalism award for the Best Social Media Campaign.

The Which? Money Helpline also hit an important milestone in December, having now helped members win back more than £3 million in compensation for consumers since we first launched the service in June 2009. This includes our advisers recently helping a member get back more than £8,000 for a mis-sold pension.

Free information and advice

Our free websites have an important role in helping consumers to access information and bringing new – and younger – audiences to Which?. In December, the Which? Consumer Rights faulty goods complaint tool was

relaunched in time for the peak retail season. The updated tool – which was used more than 2,000 times in its first month – determines what you are entitled to claim, and generates a bespoke complaint letter to send to the retailer concerned.

In a first for Which?, we also launched a partnership with education charity The Transformation Trust to broaden participation by getting young people to think about their futures at an earlier stage. The Which? Junior University programme got underway in December, launched by Universities Minister, Jo Johnson MP. Over the next academic year, we plan to reach a total of 3,000 Year 10 students, who will work on a joint academic project with undergraduates to get a real-life view of what degree-level learning is like, supported by advice and materials from Which? University.

Our Which? University website now also includes a brand-new resources section for teachers, helping them to support pupils making higher education decisions. To further extend our digital outreach to a younger audience, the Which? University team launched a new Snapchat channel offering guidance to students on A-Level results day. We continue to increase the impact of the website, with traffic up 47% year-on-year in September, making it the site's best month ever for traffic.

It's been a positive start to the year for Which? Birth Choice, as we were given a Special Award for Decision Making at the British Medical Association Patient Information Awards, and announced funding for a PhD student at City University to explore women's decisions on where to give birth. The website is reaching more expectant parents than ever before, with a 34% increase in visits year-on-year. Similarly, Which? Elderly Care has had a 42% increase in visits, following the launch of our improved directory, enabling people to better locate care providers in their local area. In November, we launched nine new guides to help older people live safely and independently at home and attended the Occupational Therapists Show to showcase the website to healthcare professionals.

Section four

Longer-term business development

Over the past decade, we have taken significant steps to grow, innovate and adapt the way we work in order to give our organisation the support it needs to continue to be relevant in the future.

Total group income is slightly down on this time last year, reflecting the continuing challenge of the publishing market and increased pressure on our core subscription revenue. Alongside this, we have seen the initial impact of the card-payment collection issues that were highlighted as an emerging risk within our financial accounts. We continue to focus efforts on evolving and strengthening our subscription business in order to defy a slowing overall publishing market, as we enhance and strengthen our digital capabilities to serve current and future consumers and members.

We also remain committed to diversifying our funding sources and have started to see very encouraging progress in this area. Indeed, our overall business valuation now stands at £202.6 million, up from £178.8 million last year, despite the challenging climate for our core offer. At 31 December, we had been able to spend £5.2 million on promoting consumer interests, taking our charitable spend over the past 18 months to a total of £18 million.

Our new services – Which? Legal, Which? Mortgage Advisers and Which? Trusted Traders – are at the heart of this strategy and we continue to see an increasing proportion of our group revenue coming from these areas. Our increasingly broad range of products and services are tackling consumer detriment, bringing new audiences to Which? and giving our organisation the potential to reach every consumer in the UK.

We have continued to extend the scope of Which? Legal, which now also offers advice on motoring issues, such as fines and MOTs. Following a successful launch of our online live chat, we are now testing the benefits of a dedicated team of advisers to offer the services across a selection of topic pages. Similarly, Which? Wills continues to expand, with more than 6,000 wills made through our service so far this year – a 25% increase from the first half of last year. We have also focused on promoting our Power of Attorney advice, which has proved immensely popular, helping more than 6,000 people within the first month of promotional activity.

	6 months ended 31 December 2016 (Unaudited)	6 months ended 31 December 2015 (Unaudited)	Full year ended 30 June 2016 (Audited)
	£m	£m	£m
Total group income	49.5	50.9	101.2
How we spent our income			
Trading activities	(40.7)	(36.6)	(77.8)
Consumer research	(5.3)	(5.3)	(11.5)
Promoting consumer interests	(5.2)	(4.5)	(12.8)
Total expenditure	(51.2)	(46.4)	(102.1)
Net investment gains	4.0	0.5	2.6
Net group surplus	2.3	5.0	1.7

Having arranged over 2,500 mortgages so far this year (a 23% increase on the same period last year) Which? Mortgage Advisers continues to go from strength to strength. We saw a 25% increase in traffic to the Which? Mortgage Advisers website in 2015/16, with more than a million people looking for information and guidance on mortgages and buying a home. Our focus is now on recruiting and retaining the high-performing advisers we need to ensure the service continues to grow. Through our recently launched Which? Mortgage Adviser Apprenticeship programme we have already recruited nine apprentices, who have now passed their first-stage qualifications.

Which? Trusted Traders has also had a strong start to the year, with more than 1,700 newly endorsed traders joining the scheme already this year. Our endorsements of services provided by local traders and well-known retail brands has continued to thrive, and development of our website now makes it even easier for people to find traders in their area. We also continue to make improvements to our endorsement and annual reassessment processes to ensure we have a business that is built for future growth and to equip Which? Trusted Traders so it can help more people from across the country to find a reputable trader.

Section five

Remuneration

Our Remuneration Committee is responsible for recommending a group-wide approach to remuneration to the Council. At our AGM in November 2016, we announced that the Committee would be leading a review of our remuneration policies. Remuneration is an important but complex issue for Which?. As a charity that does not fundraise or accept government funding or grants, our income can only be generated through the successful performance of our trading activities. However, we are also an organisation defined by its public purposes.

Since November, our Remuneration Committee has worked with specialist remuneration consultants, Mercer, which has extensive experience in the charity, not-for profit and private sectors, to reassess our remuneration arrangements. This will help the Committee to prepare formal recommendations that will be made to our Council later in the year. Underpinning this work is our commitment to ensuring that the way we remunerate our staff is fair, reasonable and helps us to deliver our strategic goals. We recognise that our synthesis of charitable and commercial activities requires us to compete with organisations more typically found in the private sector and among other social enterprises, but also that we must balance competitive realities and charitable purpose in our approach.

Although this review has not yet concluded, there are some early actions that we have committed to take. Back in 2012, we established a Long Term Incentive Plan (LTIP) to drive transformational commercial growth, which exceeded its objectives. However, some members expressed concern about our approach. We have listened and reflected on this and have now taken the decision to discontinue the previous LTIP scheme for our senior executives and to review how we undertake long-term incentivisation for our senior team in the future. We remain of the view that we must pay competitively and that there is a role for short, medium and long-term incentives, but will now agree new benchmarks, taking account of both commercial and mission-related objectives. We expect the previous maximum level of payments will be significantly lower in future.

Our chief executive has informed the Council that while he will continue to work to the objectives set, he does not want to be eligible for financial rewards under future long-term plans. The summary of his current and anticipated remuneration in the table highlights the likely impact of this decision.

CHIEF EXECUTIVE REMUNERATION SUMMARY

Description	2014/15	2015/16	2016/17 (Estimated)
	£'000	£'000	£'000
Basic salary	235	235	241
Allowances	34	35	37
Bonus	79	54	51
Pension	26	26	26
Benefit-in-kind	12	15	15
LTIP accrued	312	125	–
Remuneration (before one-off charges)	698	490	370
LTIP termination*	–	–	83
Total remuneration	698	490	453

* 'LTIP termination' relates to an anticipated one-off limited compensation amount due from the closure of the 2015-18 and 2016-19 Long Term Incentive Plan schemes. This amount will only be payable during 2018 and 2019.

Section six

In-year developments

Over the last six months, we have focused on preparing for the future of our organisation. This includes redeveloping our workspaces, launching a broad-reaching review of our governance processes and reinforcing our ‘One Which?’ approach to fulfilling our mission through reshaping our teams for the digital world.

In 2016, we set out our commitment to invest in our head office building, to create a modern space which will enable our teams to expand, and continue to work collaboratively. The building work has progressed significantly and our focus is now turning to ensuring a smooth transition for our teams as they move back to our permanent office at the beginning of the next financial year. As a result of the renovations, the value of the property will also increase in line with the cost, as well as providing the facilities and space we need to continue to extend our impact.

We also announced plans to sell the site that houses our Member Service Centre and Which? Legal service in Hertford. The site currently sits on a floodplain, with the most recent flood forcing us to temporarily halt operations. Alongside this risk, our business needs have also changed significantly since we first bought the site over 30 years ago. As such, we believe that the time is right to change the accommodation we use for this important part of our activities. We are free to stay on the site until autumn 2018, and so will now begin an extensive search to find the best long-term accommodation for our strategic needs.

In late 2016, we held elections for three Council vacancies, which were filled in January 2017 by Roger Pittock, Brian Yates and Jennifer Oscroft, the last of whom was re-elected. We have also been recruiting to fill a co-optee vacancy. We have appointed a replacement for Mike Clasper, who is stepping down as the Chair of the Which? Limited Board after nine years. Our new chair, Judy Gibbons, will assume her position on 1 June 2017. We have expanded the scope of the Nominations Committee to oversee all Council and Board non-executive director appointments. The Group Audit Committee has also been reformatted to include an additional Council member, so that there are now two Council members as part of the committee – Shirley Bailey-Wood and Sharon Darcy, who is the new chair.

In November, we hosted the 59th Annual General Meeting of the Consumers’ Association at 30 Euston Square in London. We were joined by 79 of our Ordinary Members, for the first AGM under our new Chair, Tim Gardam. At the event, Tim announced that we will be conducting an evidence-based review of our governance procedures. This is now underway and has started by considering the impact on governance of the rapid pace of change in a modern, digital world and the challenges ahead of us as we seek to be relevant to a broader customer base. We have convened a steering group to oversee this process and will update further over the course of the year.



April 2017

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Which? is the trading name of Consumers' Association - a registered charity No 296072

We have taken reasonable steps to check the information in this Interim Review, but it has not been audited or prepared on the same basis as our annual report and financial statements. Certain statements in this review are forward looking and relate to current expectations and future outcomes. However, they involve risk and uncertainties and actual results may be materially different.