The Oddfellows
SINCE 1810
making friends, helping people

Reports & **Financial Statements 2021**

For the Year Ended
31 December 2021

Purpose

"We help people to forge lasting friendships, creating communities of members bonded by friendship, care and charitable support. We do this because good friends make the good times better and hard times easier."

"Our purpose is to help members forge lasting friendships and offer support in times of need through social events, care and charitable support."

"To deliver financial peace of mind and security to our members in our chosen product range."

Directors and Advisors

INDEPENDENT ORDER OF ODD FELLOWS
MANCHESTER UNITY FRIENDLY SOCIETY LIMITED

Registered under the Friendly Societies Act 1992

Register No. 223F

REGISTERED OFFICE:	Oddfellows House 184-186 Deansgate Manchester M3 3WB
DIRECTORS:	
CHAIRMAN:	D Webster, External Non-Executive Director
	D R Ogden, Grand Master
	B F Needham, Deputy Grand Master
	D A Randall, Immediate Past Grand Master
	A P Luckett, PGM
	J L Mann, PPGM
	W S Connolly, External Non-Executive Director
	C Nugent, External Non-Executive Director
	J R Gough, External Non-Executive Director
	R C Edwards, External Non-Executive Director
	D Grant, External Non-Executive Director
	P Darragh, External Non-Executive Director
CHIEF EXECUTIVE AND SECRETARY OF THE ORDER:	C J Nelson, FCCA, FCMA, DiploD
INSURANCE DIRECTOR:	S J Code, MBA
CHIEF ACTUARY:	S A Robinson FIA, Chief Actuary Function, (Zenith Actuarial Limited)
WITH PROFITS ACTUARY:	G A Pennington, FIA, (Zenith Actuarial Limited)
SOLICITOR:	Hill Dickinson LLP
EXTERNAL AUDITOR:	Deloitte LLP
TAX:	PricewaterhouseCoopers LLP
BANKER:	Lloyds Banking Group PLC

Contents

Chairman's Report

I am delighted to present this Report as Chairman of the Oddfellows Board, and to highlight the superb achievements of the Society during a turbulent year with profound disruptions to our way of life and to our business environment due to the ongoing impacts of the Covid-19 pandemic.

During the past 12 months the economic backdrop for UK business has continued to be dominated by the unpredictability and potency of the pandemic, and efforts to regain a sense of normality have been consistently thwarted by fresh outbreaks and even a new variant of the virus. A strong recovery in the Spring of 2021 led to a rebound in Gross Domestic Product (GDP) but this slowed through the Summer and, by December 2021, GDP remained 0.5% lower than before the pandemic. Clearly the emergence of the Omicron variant has shaped both the economic outlook and the partial return of some of the restrictions with which we are now all too familiar, but in fact significant other factors have also accentuated the economic turbulence, notably the steep rise in inflation to 5.1%, caused largely by disruptions to global supply chains and a severe surge in energy prices. Sustained high inflation would squeeze household budgets and curb business growth but as yet it is unclear if the rise in inflation is structural or temporary. What can be said with more confidence is that even when the immediate economic shock, caused by the pandemic, has abated there will be longer term scarring to our economy. The most recent estimate from the Office of National Statistics is that GDP will be a full 2% lower than it would have been without the pandemic. Moreover the UK's public finances have been decimated by the economic ramifications of Covid-19, as the Government's package of support now totals an eye-watering £315 billion, and Government debt has risen to 95% of our GDP.

Of course, financial scarring is not our only worry. As a society, the levels of anxiety, uncertainty and feelings of isolation have become aspects of social scarring. This year the prolonged effects of Covid-19 on our citizens have begun to be identified and addressed, not just amongst workers in health care settings but across many dimensions and many businesses, large and small. Employee well-being is now captured as a tangible organisational risk, and pandemic-fatigue is no longer a vague concept. New protocols and practices have emerged, most notably blended work patterns which will have major consequences for many organisations for some time to come.

Against such a fierce backdrop, the business performance of the Oddfellows this year has been truly remarkable. Our highlights include significant rises in levels of premium income, consistent growth in new membership and organisational expansion, all of which feature in the Chief Executives' Operational Report. I will spotlight just one major success story; the acquisition of Kingston Unity Friendly Society (KU) which completed on 1 February 2021 following extensive due diligence, approval by our Regulators and by the KU Board at a Special General Meeting and, of course, by our Oddfellows Board. Despite all the challenges of coping with the pandemic, the integration of KU into the Oddfellows has been for me the distinctive feature of 2021. The benefits of the amalgamation are already apparent, in terms of enhanced scale and diversity of our business and the undoubted strengthening of our reputation as a contemporary mutual business that is really progressing. To achieve such a transaction in the midst of the pandemic says a great deal about the capital strength of the Oddfellows and also about the calibre of executive leadership at the Society.

Our mutual ethos and values-led approach is unquestionably integral to the long term success of the Society, and as Board Chairman I shoulder responsibility for leading the development of our mutual culture, but in truth this is not an onerous task as I see plenty of evidence of how the Oddfellows exemplifies the behaviours of a modern mutual by simply making mutuality meaningful to our members. During 2021 I have been privileged to witness numerous examples of how the Oddfellows makes a positive difference in peoples' lives, even in the toughest of times. In reality the pandemic has reminded us all of the importance of community and friendship, both of which are essential ingredients of the Oddfellows, at a local level, through our network of vibrant Branches, and nationally too through our spectrum of member services and products. Membership of the Oddfellows can have many different roots but all can resonate strongly with what matters most to people in our community.

To summarise, I am proud and privileged to be Chairman of the Board of Oddfellows, never more so than during 2021, when so much of what we are all about shone vividly. My role is to steer the Society's strategic plans for our Long Term Business and our Fraternal Business by offering leadership which is focused on the very highest standards of governance, compliance, risk management and business development. Fortunately I am surrounded by many talented, committed and loyal colleagues at the Oddfellows providing cohesion and justifying fully the trust of our members, which will be our springboard to future stability and success.

Chairman’s Report

I would like to express my sincere thanks to my fellow Board Directors, for their unwavering support throughout an extremely difficult year and to all the staff in the Society for their compassionate professionalism and for being outstanding ambassadors for Oddfellowship.

D Webster
Chairman
7 April 2022

Chief Executive's Operational Report

Overview

Following on from 2020, 2021 continued to be yet another challenging year for everyone with the ongoing impact of the Covid-19 pandemic. The country, at the start of 2021 was in lockdown and restrictions to some degree continued throughout the year. The offices in Manchester and Liverpool opened in early May to allow staff to work a couple of days in the office, in a safe environment, with the rest of the week working from home. August 2021 saw the office reopen fully and then October saw some staff, who chose to have some flexible working arrangement, working a minimum of three days in the office each week. To say 2021 was a year of having to be flexible to adjust to the ever-changing situations is an understatement. However, as a Society, we should be so proud of what we achieved throughout the ups and downs of the last two years. As for all our staff, in Manchester, Liverpool and, of course, all the Branch Secretaries, Social Organisers, Welfare Visitors, Care Co-Ordinators and volunteers, they all did an amazing job throughout 2021 and really did show that Oddfellows and Unity Mutual – the two brands of the Society - are there for our members and policyholders through thick and thin.

Throughout 2021, Zoom meetings and Branch events continued and I think at times we all felt a little "*Zoomed out*" but it gave us the ability to do what we needed to do in order to continue the important work and services we offer as a Society. At its peak, there were 500 online events being held every month which was an extraordinary achievement by all concerned. Summer 2021 saw more restrictions start to be lifted and a number of our Branches were then able to start back with face-to-face events which the members loved. It is fair to say that not everyone was ready to get back to face-to-face, some members were delighted to be back straight away, whilst others needed more time. It is a testament to who we are as a Society that members had the choice, and will continue to have the choice of face-to-face or online events. The inclusion of online social events for members means that many now have a wider circle of Oddfellows friends as, of course, there are no geographical boundaries - they can meet anyone from anywhere in the country. In fact some Branches even had Oddfellows from overseas join in their online events.

The idea, initiated back in 2020, where new members and potential members who enquired about membership continued to receive a handwritten card, puzzle book and pencil continued throughout 2021 and was well received and appreciated by the recipients. Our Branches, throughout 2021, continued their amazing work of keeping in touch with their members and supporting them locally or referring them to the Care Helpline in Manchester or the Citizens Advice line for more complex assistance. Following their enforced closure in 2020, it was great to see the Convalescent Homes that the Society uses, reopen in 2021. It was very sad for all of us to see the Home in Dawlish close permanently – it had been valued by so many of our members over so many years. However, the Salfordian, Merton House and the home in Bridlington all reopened with the Society providing much needed financial support to each of them in 2020 and early 2021 to help ease their financial burdens. A total of £7,500 was given to each of them which was much appreciated. In addition, 2021 saw the reopening of The Rustington Convalescent Home, following a major refurbishment, which had started back in 2019. Rustington is a home used by the Society for those members with higher levels of need.

In terms of recruitment for 2021, the results were amazing and really showed the fantastic work done by the Branches with the support of Unity Office. In 2018 the number of new members recruited was 1,100 and then 2019 increased by another 27% to 1,398, the highest number for some considerable time. To say that 2021 was still a year heavily affected by the pandemic, to recruit 1,379 new members in the year, just 19 short of the total for 2019, was truly an outstanding achievement by all concerned. There were three Branches in 2021 who each recruited over 40 new members and one Branch that recruited 71 - all Branches are to be congratulated for their efforts.

The number of people enquiring about membership in 2020 was 2,093, but in 2021 that increased to 3,090 (an increase of 47.6%). The conversion rate also increased and the annual conversion rate for 2021 was 16.88% (2020 15.1%). One of the highlights in the Oddfellows calendar is Friendship Month in September. Friendship Month has been going since 2010 and continues to see lots of interest in the Society by members and non-members alike. Branches in 2021 were able to hold a number of Friendship Month events face-to-face and it was so positive to see how welcoming that was. In terms of the number of enquiries generated in Friendship Month in 2021, there were 1,066 compared to 701 in 2020. The number of new members recruited that were associated with Friendship Month in 2021 was 488 compared to 199 in 2020. That shows an increase of over 145%. For all our campaigns, including Friendship Month we have used case studies in our advertising telling real stories from our members – this seems to have resonated well with our target market and really demonstrates that we, as a Society, are delivering valued and attractive services to both our existing and prospective members.

As can be read elsewhere in this report, whilst 2020 and 2021 saw Covid restrictions in place that prevented face-to-face training, that didn't restrict us. In fact, as can be seen on Page 23 of the Reports and Financial Statements, we still delivered a huge amount of online training to our Branches and Members. It was good to see the return of the Weekend Seminar at the end of September 2021 which could be held in person and which was a rerun of the last one held before the national lockdown back in March 2020. In September 2021, 60 members attended the Seminar and, as well as learning new skills, it was an excellent source of networking and sharing ideas to take back and share with their own Branches. By the end of January 2022, there had already been 50 members registering to attend the March 2022 training weekend which demonstrates the appetite to learn.

There are still some Branches that have continued to struggle through the pandemic and my Fraternal Board colleagues and I will continue to work with those Branches in 2022 to help secure their future in whatever form that needs to take to be able to grow and thrive.

The online Open Days introduced in 2020 continued in 2021 and those attending found them really useful sources of information about the Society. 269 non-members attended Open Days during 2021 and 116 joined, resulting in a healthy 44% conversion rate. Towards the end of 2021, we also introduced New Member online events on which we wish to build in 2022 learning lessons to ensure they provide new members with that useful introduction into what the Society is about and what we offer. Our PR and marketing in 2022 will, as well as using our Friendship Month to promote the Society, include focussed campaigns on three key themes – moving house, retirement and bereavement. All three campaigns are based on research to find the lifestyle triggers that would more likely make prospective members join the Society.

Last year I mentioned how using online services such as Zoom to expand how we deliver some of our membership benefits had been a game changer for the Society. It is really important that the online social offering continues for those members that want it as it will allow us to provide quality social events, that support recruitment campaigns and give members alternative options across the country. Just because the restrictions from Covid have eased does not mean that everyone is ready to return to normality. For some members, ill health, nervousness about going out on dark nights, or where there are limited transport options it will mean they can still access events online and enjoy some level of social interaction.

The social side of being part of the Oddfellows is an important part of our offering, but equally so is the Care and Welfare service that is offered to our members and is frequently referred to as the jewel in our crown. The way in which this service has continued throughout 2021 is a testament to all concerned and has again demonstrated that Oddfellows do whatever is needed to provide excellent service to their members, irrespective of what external factors are affecting us.

In terms of some key achievements in 2021, the Society's Care and Welfare Helpline and Citizens Advice Line maintained a consistent service throughout the year which is synonymous with Oddfellows. The Care Line at Unity Office, during 2021, recorded 5,413 contacts dealing with and responding to the diverse and sometimes complex needs of members throughout 2021. Our Care and Welfare offering is not just delivered by Unity Office but also via our network of Branches. During 2021, the number of contacts Branches made to members was over 35,000 which, whilst less than the astounding achievement of over 50,000 in 2020, is still more than double the level of 2019 and is something to be very proud of.

In addition, Branches and Welfare Visitors continued to be supported throughout 2021 with timely and reliable information – with six Branch Care and Welfare newsletters being issued providing useful information on various aspects of supporting members such as how to find reliable Covid-19 vaccine information, understanding Attendance Allowance and being scam aware.

Following the adoption of an Adult Safeguarding Policy in 2020, work continued to raise awareness and prepare the way for the rollout of an adult safeguarding training programme for Branches in 2022. In addition, I have been working on developing a Child Safeguarding Policy which hopefully will be finalised and rolled out to Branches in 2022.

Chief Executive's Operational Report

An important element of the Society is our Annual Movable Conference, or as we call it, the AMC which is effectively the Society's AGM and usually includes around 250 Deputies democratically debating and voting on key issues over three business days. In 2021 we held that event electronically over three days with 231 registered Deputies joining in the event. Plans are already well in hand for the AMC being held in Scarborough in May 2022 which will be the first face-to-face one held since 2019 and whilst we will rejoice at seeing friends again, we will also pay tribute to those we have lost.

In terms of our Long Term Business (LTB), branded under Unity Mutual, 2021 saw a year of really positive growth with 3,887 new policies sold compared to 1,157 in 2020 and new premium income generated of £14.9m compared to £7.8m in 2020. The new business sales continued to be made through multi-distribution channels which included, direct through the website, over the telephone and via introducers and intermediaries.

On 1 February 2021, the transfer of the Kingston Unity Friendly Society into Oddfellows was completed and we welcome their members into the Oddfellows family.

The Unity Mutual brand achieved good press coverage during 2021 specifically as a result of PR driven campaigns focussing on young adults to promote the Lifetime ISA and to talk about Child Trust Funds.

The products which we are currently actively promoting for new business are:

- Lifetime ISA;
- Junior ISA;
- Flexible ISA;
- Guaranteed Investment Bond; and
- Tax Exempt Savings Plan.

The Guaranteed Investment Bond and the Lifetime ISA both continued to be popular throughout 2021 due to their competitiveness and transparency and we will continue to look to launch new competitive products, either developed by ourselves or through white labelling of third party products. The launch of a new product to our offering is expected to be taken to market in Q2 2022 and we look forward to its success.

The ongoing challenges of managing a book of insurance business remain the same and action continues to be taken wherever appropriate. Achieving a balance between policyholders' reasonable expectations, expense management and maintaining the required solvency capital requirements is a key part of how we operate our insurance business.

Summary

As we see 2022 start to return to what we all hope will be normality, then the challenges that we will face will, no doubt, continue. Ever increasing regulations, requirements in respect of businesses having to do more in respect of reporting around Climate Change, ESG (Environmental, Social and Governance) and Diversity and Inclusion will all come into life more as we go into 2022, but we will meet the challenges head on and ensure that we continue to provide a Society where our members and policyholders are at our heart and that our straplines of "Making friends and helping people", and "Family friendly finance" - is exactly what we do.

I would like to pay tribute to Richard Gough who will retire as an NED at this year's AMC. Richard joined us following the transfer of the Nottingham Friendly Society on 30 December 2009. He has been an excellent Director for us and has brought a wealth of knowledge with him from many years in the Friendly Society movement. Thank you Richard for all you have done for us and I wish you and Eleanor a long, happy and healthy retirement.

The efforts that are put in every year, but even more so in the last challenging two years, by everyone involved in the Society, whether at Branches, the staff in both of the Offices in Manchester and Liverpool and my colleague Directors has been truly amazing. I thank you all for all that you have done and continue to do and you should all be very proud of what we, as a Society, have achieved.

I remain excited about our future as I truly believe that we are best placed to really make a difference in people's lives and I see the future of the Society as being very positive. I, along with my colleague Directors, will continue to work with our Branches to ensure that there is growth and continuity which in turn will strengthen the Society. Now is our time and we must take every opportunity that we can.

Finally, I would like to offer my sincere and heartfelt thanks to the Branch Secretaries, Branch Committees of Management, all our volunteers, the Staff at our Offices in Manchester and Liverpool and all my colleague Directors for their continued hard work, passion, support and enthusiasm during the year.

C J Nelson
Chief Executive Office
7 April 2022

Business objectives and activities

The Society's aim is to improve the quality of life of its members by meeting their social and welfare needs through a mutual national Branch network and provide a fair return to its policyholders.

In order to achieve this aim, the Society's main objectives are:

- to ensure that the Branch delivery of our core product is of a high standard throughout the UK;
- to create a dynamic Branch network and to strengthen and grow that network to reflect the Society's core values and meet the expectations of existing and prospective members;
- to proactively seek incoming Transfers of Engagements from other Friendly Societies thus giving those policyholders access to the range of supportive benefits we offer;
- to ensure the Society remains fully compliant with all regulatory requirements;
- to focus recruitment of new members via local promotion of Branches and the services and facilities they offer;
- to ensure that the necessary schemes are in place to assist Branches to retain their membership;
- to increase the number of active members within the Society via Social events and then encouragement to involve them in more local participation;
- to ensure that benefits and services remain attractive to both existing and prospective members, the Society will monitor other schemes and benefits with affinity partners;
- to offer a range of financial products, through the Unity Mutual brand, which are aimed at helping policyholders and their families get the most out of their savings and investments;
- to ensure the Society has in place effective Compliance, Risk Management, and Governance arrangements; and
- to ensure that payments are made to policyholders at the appropriate time and that free assets in the LTB funds are distributed in a manner that is fair across policy types and policyholders reasonable expectations.

Throughout 2021, the Society's Directors continued to demonstrate that they have in place the appropriate systems and controls to comply with the needs and requirements of the Financial Conduct Authority's (FCA), the Prudential Regulatory Authority (PRA), and the Treating Customers Fairly (TCF) regime. This continues to be evidenced by:

- The TCF and Conduct Risk Champion actively promotes and raises the profile of TCF throughout the Society's regulated business operations and ensures that the implications for TCF are considered by the Society at all stages during times of reorganisations or strategic changes such as:
  - entry into new markets, mergers, acquisitions or disposals;
  - cost cutting, outsourcing or centralisation; and
  - major new systems.

- The Management Information (MI) indicates that the Society consistently continues to treat customers fairly and maintains delivery of the required consumer outcomes. Processes are in place which monitor the MI, this enables the right people to take appropriate action as part of "business as usual."

- The timely submission of regulatory returns.

In addition, the Society also supports the provision of convalescent homes and housing associations and the less advantaged members of society by charitable donations to projects perceived to benefit society as a whole.

The Society uses a variety of measures to monitor its objectives and activities. In the main, a Balanced Scorecard approach is used to review progress in the key areas and, in addition, management monitor progress of the operational areas of the Strategic Plan on a quarterly basis.

Principal risks and uncertainties

An overview of the principal risks identified by the Society, which reflect the internal and external risks in the operation of its business and strategy are detailed in the report are listed below in order of potential impact on the Society:

Risk	Risk movement over 2021	Management and mitigation
Solvency Risk ***This is the risk that the Society fails to meet its Solvency Capital Requirement***	↓	The overarching aim of the Society is to maintain sufficient capital to demonstrate that the Long Term Business (LTB) is able to meet its Capital Requirements on a standalone basis. In managing this risk, the solvency position is: • monitored by the Insurance Director, the Insurance Operations Manager and Chief Actuary and reported to the Society's Commercial Board on a quarterly basis. The Commercial Board will agree any actions as required; • assessed by the Commercial Board through the annual Strategic Planning and Own Risk Solvency Assessment (ORSA) three years in advance; and • assessed by the Society's Chief Actuary and With Profits Actuary through the annual Solvency Valuation and Own Risk Solvency Assessment (ORSA) Report on an annual basis. In addition, if required, there is the potential to draw on Fraternal assets to support the solvency of the LTB Funds. Following the initial impact of Covid-19, which saw a reduction in the solvency of the LTB funds at the start of 2020, the solvency position of the funds steadily improved throughout 2021. The solvency of the LTB funds will continue to be closely monitored by the Board and Commercial Board and appropriate action taken.

Risk	Risk movement over 2021	Management and mitigation
Fraternal Strategy ***This is the risk that the Society fails to achieve its Fraternal Strategic Plan***	↓	The Fraternal Board holds oversight responsibility for the application and achievement of the Fraternal Strategy. The Fraternal Strategy is managed through various processes, procedures and controls, including: • The Fraternal Strategic Plan is approved by the Society's Board; • Quarterly Fraternal Strategic Reports detailing progress against the plan are reviewed by the Board; • Progress against key performance measurements is reported to the Fraternal Board on a quarterly basis. The Fraternal Board will agree actions as required; and • The Branch Internal Audit Function undertakes audits of Branch financial administration and compliance. The findings are reported to the Fraternal Board. It is the responsibility of the Fraternal Board to oversee the implementation of any recommendations.
Long Term Business (LTB) Strategy ***This is the risk that the Society fails to achieve its Long Term Business (LTB) Business Plan objectives***	←→	The Commercial Board holds oversight responsibility for the LTB strategy. The LTB strategy includes the following elements: • existing business; • transfers of engagement; • new business; and • regulatory compliance. The Commercial Board has documented processes, procedures and controls in place to monitor the achievement of the LTB strategy and a range of management actions it can take to mitigate this risk, including: • The Annual LTB Business Plan approved by the Society's Board and the Commercial Board; • Monthly LTB Balanced Scorecard reports are produced and submitted to the Commercial Board detailing the progress against the LTB Business Plan and KPI's; and • The Internal Audit Function undertake risk based audits of the Society's LTB operations and provide reports to the Commercial Board and the Audit, Risk and Compliance Committee. It is the responsibility of the Insurance Director to oversee the implementation of any recommendations.

Risk	Risk movement over 2021	Management and mitigation
Reputational risk ***This is the risk that the Society's reputation is adversely affected***	↔	Oversight responsibility for the reputation of the Society is held by the Board. The Society has no tolerance for risks which may lead to its reputation or brand being tarnished unnecessarily or anything that is inconsistent with its values, standards and ethics. To manage this risk, the Society maintains: • Documented policies, procedures and controls are in place which are regularly reviewed by the Compliance and Risk Function and reported to the Board and audited by the Internal Audit Function; • An effective risk management framework including a risk register, risk appetite statements and risk policies across the Society which are regularly reviewed to monitor and manage risk; • The Audit, Risk and Compliance Committee (ARCC) and Commercial Board receive and review quarterly Compliance & Risk and Insurance reports covering compliance and risk activities / developments, policyholder surveys, complaints and breaches; and • Robust initial and ongoing due diligence arrangements are in place to ensure that all outsourced arrangements and third party benefit providers are regularly reviewed and performance monitored.
Association of Financial Mutuals (AFM) Corporate Governance Code ***This is the risk of the Society failing to comply with the AFM Corporate Governance Code***	↔	The Society is committed to meeting its obligations for effective corporate governance and applies the six principles and provisions of the AFM Corporate Governance Code (AFM CGC). The Governance Committee holds oversight responsibility for ensuring that the Society's corporate governance framework is consistent with the AFM CGC. The Society's Annual Reports and Financial Statements explains how the Society complies with each of the six principles: • Purpose & Leadership; • Board Composition; • Director Responsibilities; • Opportunity & Risk; • Remuneration; and • Stakeholder Relationships & Engagement, and how they have been applied by the Society throughout the year.

Risk	Risk movement over 2021	Management and mitigation
Non-compliance with legal and regulatory requirements ***This is the risk of regulatory scrutiny, censure and/or financial penalty***	←→	The Society has in place documented policies, procedures and controls which are regularly reviewed and audited to ensure its compliance with relevant legal and regulatory requirements, including: • The annual Compliance & Risk Report and Plan is approved by the Society's Audit, Risk and Compliance Committee (ARCC) and Board; • The quarterly Compliance & Risk Reports detailing progress against the Compliance & Risk Plan are reported to the ARCC, Commercial Board and Board; and • The Internal Audit Function undertakes risk based audits of the Society's compliance and risk systems and controls and provides reports to the ARCC. It is the responsibility of the Compliance & Risk Officer to oversee the implementation of any recommendations.
Investment Strategy ***This is the risk that the Society fails to achieve its investment strategy***	←→	In relation to the investment strategy of the Society, the Commercial Board holds oversight responsibility for the LTB investment strategy, and the overall investment strategy of the Fraternal Funds. The following processes, procedures and controls are in place to manage the respective investment strategies, including: • The LTB investment strategy is approved by the Board, Commercial Board, Chief Actuary and With Profits Actuary; • Qualified external Investment Managers (IM) manage the agreed strategic asset allocation and achievement of investment targets; • IM performance assessed on a quarterly basis by the Commercial Board; and • The Commercial Board regularly receives reports on the asset allocation of funds on a monthly basis and performance of funds against the agreed benchmark on a quarterly basis. Given the volatility in markets in 2021, as a result of the pandemic and other worldwide issues, the Society's investment strategy has been able to be maintained and the Society has not had to be a forced seller of equities. The impact of the assets on the Society's solvency has been regularly monitored throughout 2021 and will continue to be monitored throughout 2022. The impact of the expected increase in UK interest rates will continue to be reviewed.

Risk	Risk movement over 2021	Management and mitigation
Climate change financial risk ***This is the risk that the Society fails to manage the risks arising from climate change***	**New Risk added 2021**	The management of climate change financial risk should be informed by its assessment, which was formalised during 2021. We have measured the carbon footprint of the Society's own emissions and of the Society's investment portfolios. We also assessed the energy efficiency of our investment properties. This is summarised in the Strategic Report section of this Report. We have begun to formalise risk mitigation and have identified specific steps, such as: • enhancing risk governance and risk management; • enhancing the quality of the carbon footprint measurements; • reducing the emissions from our offices; and • planning upgrades to properties needed to meet enhanced energy efficiency expectations. These will take place during 2022 and beyond. Progress will be reported in future Strategic Reports.

Back in 2020, the Society identified the Covid-19 Pandemic as an emerging and fast increasing risk. At that time, the Society implemented a number of mitigating measures to manage the financial and operational impacts of Covid-19 to ensure that the business continued to operate fully with staff working from home – this it did successfully. The Board has continued to closely monitor the situation throughout 2021 including the impact of the ongoing restrictions in place. As with any emerging risk of this type, the Board will continue to monitor the ever changing situation in terms of Solvency, Liquidity, Governance, Operations and Regulatory Requirements.

Underpinning the primary risks are a number of secondary risks. Both the primary and secondary risks are covered by the Society's suite of Risk Policies within the overall Risk Management Framework.

Whilst these are the principal risks, the Directors and Management have in place a number of key internal controls to mitigate the impact of these risks which are measured and reported to the Board, Sub Boards and Committees.

Each primary and secondary risk is allocated an individual Risk Owner, who has designated day to day oversight responsibility to manage a particular risk(s) and who is accountable for:

- ensuring that risk(s) remain within acceptable risk levels, and that gaps are identified and that risk responses and control activities are adequate and appropriate; and

- ensuring the timely implementation of risk mitigation recommendations and/or action plans.

The Society operates a priority based risk monitoring and reporting procedure:

- 'High' rated risks will require immediate management attention and will be monitored and reported on a monthly basis or more frequently if required.

- Medium and Low rated risks will be monitored on a quarterly basis or more frequently if required.

- all identified risks will be monitored at least annually or more frequently if required.

Climate Change Risk Strategy

The Society continues to acknowledge climate change as a matter of scientific fact. Climate change presents risks to the Society from both an environmental and financial perspective, which may result in damage to some of its short, medium and long term objectives.

During 2021 the Society has been considering how best to address the material risks we face from climate change. Since the Society is not directly involved in extraction, processing or manufacturing, it might be tempting to believe that we face no such risks. However, we exist to serve our members and we channel investments in order to ensure that we have the financial strength to do so. That mission statement means that we do in fact have exposure to climate change risk – both direct and indirect:

- Our direct exposure results from our own activities and the fuel and energy we consume in order to carry out those activities; and
- Our indirect exposure arises from our portfolio of real estate and from our investments in the stocks and bonds of companies whose activities are regarded as polluting (so-called “financed emissions”).

The subject of Climate Change turns out to be very broad, and is filled with new concepts and terminology. The Directors, therefore, thought it would be most useful to our members, to produce a separate report on our activities related to climate change. That report can be found on the Society’s website, and it discusses more fully:

- What steps the Society has taken to identify and quantify emissions arising from our activities;
- How we plan to reduce our own emissions over the coming years;
- Our ambitions to future-proof our real estate portfolio;
- Our assessment of financed emissions in our investment portfolio; and
- Our aspirations to reduce the carbon footprint of our investment portfolio.

All of these steps need to be considered against the background of our continuing commitment to being financially strong enough to serve our members. Maintaining financial strength is all about discipline, so the report also provides further detail on:

- Our strategy, and how it may evolve to address the opportunities and challenges of climate change;
- Our governance, which is being enhanced to consider climate change more specifically;
- Our risk management tools, which are being progressed as far as possible to ensure that the financial risks from climate change are managed appropriately; and
- The metrics and targets we apply to identify where we are, what we can achieve, and how we can get there.

As industry practices mature and the framework develops, we and our partners intend to develop new metrics and refine existing ones to assess material financial risks and opportunities related to climate change.

Environmental, Social and Governance (ESG)

Environmental, Social and Governance (ESG) is, broadly speaking, a set of sustainability and ethical standards that considers the impact of an organisation's decisions on people and the planet. The Society is increasingly aware of the importance of ESG issues and the role it has in ensuring that its actions have a positive impact on its staff, members, customers and the wider community.

Throughout 2021, the Society continued to work closely with its three active Investment Managers, Investec Wealth & Investment Limited (Investec), LGT Vestra LLP (LGT Vestra) and Close Brothers Assets Management (Close Brothers) to understand how they each promote ESG issues in relation to the management of the Society’s investment portfolios and how they monitor resulting impact and performance.

Each Investment Manager applies an ESG metric to the portfolios they manage, to measure the Environmental, Social and Governance performance of each Fund and provide an overall ESG rating. The ESG rating then enables the Society to monitor how each Fund is performing in relation to ESG factors, which will help the Society to evolve its ESG investment strategy during 2022 and beyond.

The diagrams below show the ESG performance of some of the Society’s investment portfolios throughout 2021. Each Investment Manager utilises a different metric to measure and monitor ESG performance of the funds they manage and, therefore, results are shown slightly differently.

Investec

As part of its sustainability and stewardship drive, Investec are signatories to several UK and worldwide ESG initiatives, including the United Nations Sustainable Development Goals (UN SDGs):

Investec's two core SDG priorities include:

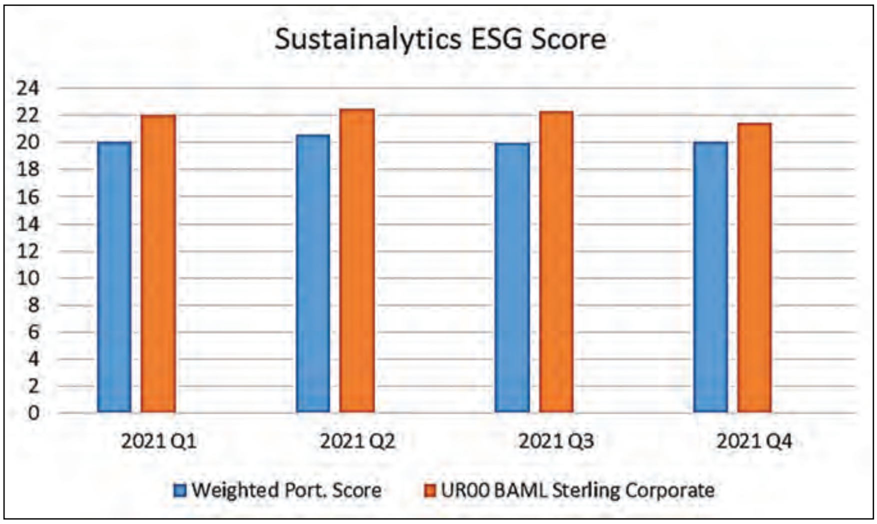
Source: Investec Wealth & Investment Limited

The UN SDGs are a collection of 17 interlinked global goals designed to be a blueprint to achieve a better and more sustainable future for all and allows companies to prioritise the specific goals that are important to them. The SDGs fundamental to Investec include 'reducing inequalities' (SDG 10) and 'climate action' (SDG 13).

Investec use several different ESG metrics to monitor the portfolios exposure to ESG factors. One of the metrics used is known as a Sustainalytics ESG Score. Sustainalytics measures exposure to ESG risks and how well these risks are being managed by the firms in which the Society invests and categorises ESG risk severity (the resulting score) under the following five categories:

Negligible	Low	Medium	High	Severe
0 - 10	10 - 20	20 - 30	30 - 40	40+

Source: Sustainalytics



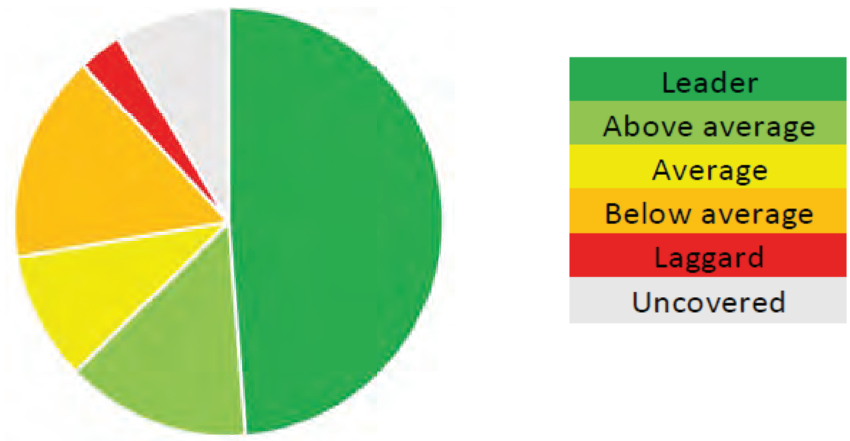
As shown in the chart, the Ex Ideal fund (blue bar) has consistently achieved a low sustainalytics rating in comparison to the index tracker BAML Sterling Corporate (orange bar) which achieved a medium rating during the same period. The lower the score the better.

LGT Vestra

LGT Vestra has developed its own in-house ESG metric. It comprises of an ESG rating and impact score which is then applied to each of the Funds they manage. The rating considers the exposure of the Funds to risks relating to ESG factors. The rating is ranked between 1 to 10 with 1 being *'Laggard'* and 10 being 'Leader'.

The chart below shows the ESG rating of the Kingston Unity Fund where 63% of the portfolio is in *'Leader'* or '*Above average'* category.

- Leader - 48.74%
- Above average - 13.90%
- Average - 9.73%
- Below average - 15.71%
- Laggard - 3.27%
- Uncovered - 8.64%

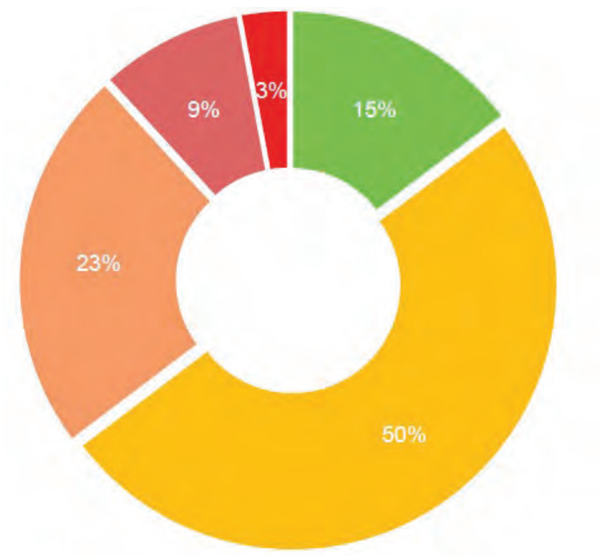


Source: LGT Vestra LLP

Close Brothers

The rating Close Brothers utilise to measure the ESG performance of the Society's Fraternal Funds is the MSCI rating. It is designed to measure resilience to long term ESG risks and looks at exposure to ESG risks and how well these risks are being managed.

The following chart shows the MSCI ESG rating of the Higher Equity Fund where 88% of the Fund is rating as leader (AAA and AA) and average (A).



- AAA
- AA
- A
- BBB
- B

The Portfolio has:

- 15% in AAA
- 50% in AA
- 23% in A
- 9% BBB
- 3% in B

Source: Close Brothers Asset Management

The 'S' in ESG:

It is extremely important to the Society to continue to improve the quality of people's lives through friendship, care and charitable support. In 2021 alone, the Society, via its Branch network raised over £150k for a variety of local and national charities. The Society's staff often raise funds for a range of charities through taking part in fun runs and marathons. For several years, staff have donated Christmas presents for children living in poverty through to the Manchester Charity, Wood Street Mission. Throughout 2020 and 2021, financial support was also given to the three convalescent homes used by the Society, namely Merton House, the Salfordian and the Yorkshire Foresters Convalescent Home. The Society is extremely proud of the fact that since 1971, the Society has donated nearly £1m to the H A Andrews Memorial Fund to fund vital medical research in the UK. Further information on the focus of the Fund can be found on Page 19.

As a Mutual, the Society's ethos is to support its members, customers and communities, doing the right and responsible thing, however, the Society will look to develop its ESG strategy and objectives under each of the E, S and G elements during 2022 and beyond.

Diversity and Inclusion

The Society recognises the importance of diversity in creating an inclusive culture for staff, members and customers. The Society is aware of the role it has in ensuring that its actions have a positive impact on staff, members and customers and aims to create and maintain an inclusive culture that welcomes the inclusion of a range of experiences, perspectives, ideas and talents. To support this, a Diversity Working Group (DWG) was established in 2021 to implement various initiatives to support inclusivity throughout the Society.

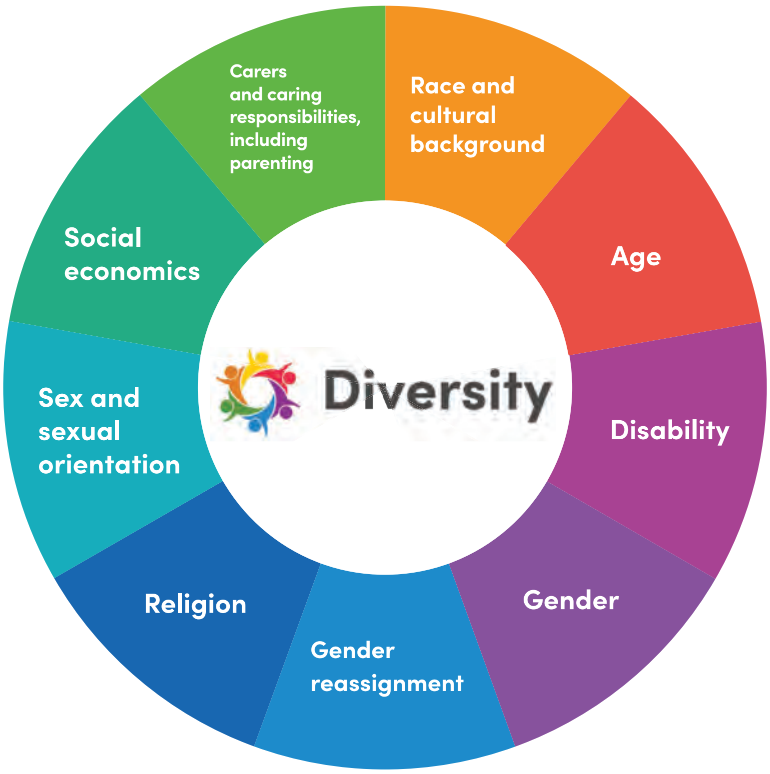
The Society strongly believes that embracing diversity of thought improves performance and innovation and our aim is for the Society to be truly representative of all sections of society. Supporting staff to reach their full potential and utilise their unique talents will maximise the efficiency of the Society and promote a culture of meeting the expectations of the Society's stakeholders.

The Society pledges to:

- listen to, understand and represent the views of the Society stakeholders, including members, customers, staff, volunteers and Board members;
- treat all views, opinions and feedback with respect regardless of background, including socio-economic and cultural, age, race, gender, sex, religion, sexual orientation or role within the Society;
- act in good faith at all times;
- treat one another with courtesy and respect;
- ensure meetings are professional and that all voices can be, and are, heard; and
- create a working environment that promotes dignity and respect for all and one that is free of bullying, harassment and unlawful discrimination.

The Diversity Working Group (DWG)

The Diversity Working Group, set up in 2021 comprises of representatives from the various Departments. All staff are, however, invited to attend any of the sessions, to either contribute or just observe and find out more. The DWG meets regularly to develop the Society's diversity strategy and implement various initiatives to support inclusivity throughout the Society, to positively impact members, customers, staff and volunteers, including issues relating to the following characteristics:



The overarching aim of the DWG is to maintain, introduce and improve areas of the Society with a view to ensuring that the Society is an inclusive place to work. The Society still has much more to do during 2022 and beyond, however to date, the Society has:

Actions we've taken to date:

- Created the Diversity Working Group, a group of staff who come together monthly to discuss the Society's approach to Diversity.
- Introduced Equality and Diversity in the Workplace and Unconscious bias Computer Based Training (CBT) modules, as well as specialised CBTs for managers.
- Made large print formats available for both Fraternal and Long Term Business documents. Surveyed the Society's staff to establish thought and opinion on the organisation's current Diversity and Inclusion practices.
- Displayed the Pride flag outside Unity Office during the Manchester Pride August bank holiday weekend.
- Introduced name-anonymised recruitment for recent Long Term Business and Fraternal appointments.
- Regularly updated Unity Office staff's locked screen displays with information relating to topical cultural and religious events.
- Created a Diversity section on the Society's intranet, Oddspace. This will house news and updates, as well as provide a place for anonymous feedback to the DWG.
- Updated the Society's membership database with non-gendered title options and, where possible, the Society's application forms.

Long-term value creation for all stakeholders

Introduction

The Society was established in 1810 and continues to provide discretionary care, social and welfare benefits to its fraternal members and a range of regulated savings and investment products to its long term insurance business members. It has two operational offices based in Manchester and Liverpool and, as at 31 December 2021 has a network of some 115 Branches, throughout the United Kingdom. Despite the challenges faced by society as a whole in 2021, our Society remained committed to looking after our members and policyholders and maintained our excellent customer service throughout whether that was answering queries, supporting members, or prompt payment of claims. In addition throughout the first half year of 2021 we continued to provide a high number of on line events for members to take part in and these will continue, albeit at a lower level in terms of number of events, throughout 2021 and beyond. The Society's Branches started to reintroduce face to face events in safe environments from July 2021 onwards.

Promoting the Society

The Society's Directors, led by the Chairman and the Chief Executive Officer/Secretary of the Order, promote the culture, ethos and values of the Society and its mutuality for the benefit of its 395,617 members. The Society welcomed the members from the Kingston Unity Friendly Society (KU) in the early part of 2021 when the KU transferred into the Oddfellows.

The Directors have, over the years engaged with the members in a variety of ways, including regional group conferences, weekend seminars and specific information imparting briefings (such as to prepare for the Society's incorporation in 2013 and prior to the Annual Movable Conference's consideration of the Society's corporate governance arrangements and the revised structure of its Board in 2018). Most importantly, member engagement is actively encouraged through the medium of the Society's Annual Movable Conference (AMC). This is a three day event that also includes the statutory business ordinarily to be dealt with at an Annual General Meeting. With the ongoing effect of the Covid-19 pandemic in 2021, the physical meetings traditionally held were not possible and so electronic meetings took place wherever possible. The Society's AMC took place via Zoom Webinar in May 2021 with four business sessions being held over three days. From 24 – 26 May 2021, 231 registered voting Deputies took part in the AMC's proceedings. This allowed the Society to hold the AMC allowing Deputies, who are deputed by their Branches, to debate and vote upon the various business matters. The plan for 2022 is to return to a face to face three day AMC to discuss and debate items on the agenda.

In addition to the electronic AMC held and the many online events held for members to take part in, the Society also regularly held electronic workshops and meetings to support the members in the Branches throughout the ups and downs in 2021. We usually hold two training weekend seminars a year for our Branches and members and of course the last one, held pre pandemic, was March 2020. It was really positive to hold such a seminar at the end of September 2021 with 60 members present, the highest number of attendees seen for a few years.

One of the Society's Directors is appointed as its Treating Customers Fairly (TCF) and Conduct Risk Champion and this role involves close liaison with the Society's management and staff to ensure that the principles of TCF and Conduct Risk are adhered to as a matter of form throughout the Society's regulated business operations. There is also a Senior Independent Director appointed annually to whom anyone within the Society can raise matters about which they may have concerns. The Senior Independent Director for 2021 was David Randall.

Employee Engagement

The Society had 59 staff at the end of 2021 (including contract staff) based in its two operational offices in Manchester and Liverpool. Regular meetings are held between staff and their line managers, and the Society's management team meet with the Society's two Executive Directors on a regular basis. Again, throughout 2021, these meetings continued to be held via electronic means initially, and then more latterly in 2021 on a face to face basis. The CEO instituted a Staff Newsletter in October 2021 which is issued quarterly and which staff are encouraged to contribute to. Formal performance appraisals are conducted annually for all of the Society's employees and whilst these were held electronically in December 2020 and January 2021, these returned to being face to face meetings in December 2021 and January 2022. Quarterly staff surveys using an external Company "Engagement Multiplier" continued throughout 2021 which included questions focussed on the support and welfare of staff. Any matters that are flagged up in this process are reviewed and followed up as appropriate.

The Engagement Score in the December 2021 survey reduced slightly to 71.7, with 60% of staff completing the survey (September 72.6, with 85.5% of staff taking part). All comments or suggestions made in the survey are anonymous but the CEO responds to each and every comment.

Community Engagement

The Society supports many local and national charities and makes significant donations via its Branch network. In 2021, the amount of donations to charitable causes across the UK totalled over £150,000 (2020: £147,000). It also sponsors various organisations through its operational office in Manchester. The H A Andrews Memorial Fund (HAA) was set up in 1971 to honour a remarkable Society Secretary, Herbert Arthur Andrews. The Fund's focus is on providing financial support over a two or three year period to a UK project or organisation involved in, or conducting, medical research. The research must focus on improving society's understanding, diagnosis or cures for diseases, mental and physical disorders, or any other conditions which adversely affect the quality of human life. To the end of 2021 £934,470 had been donated to various causes supporting medical research into illness such as Parkinson's, Prostate Cancer, Macular Degeneration etc. 2021 saw the conclusion of the Society's three year support totalling £85,000 for Lupus.

Suppliers

The Society will only deal with suppliers who demonstrably match our commitment to treating its customers fairly. Due diligence is rigorously undertaken to ensure that this is the case prior to any contracts being signed and ongoing monitoring is routinely carried out to ensure that it continues throughout the duration of the engagement.

Current activities

Long Term Business (LTB)

The LTB strategic activities throughout 2021 focused on managing the books of business, achieving growth organically and through transfers of engagements, and ensuring that the Society met all of its regulatory requirements.

Despite the challenges of 2021 the Society's LTB has continued to deliver growth through new members and premium income levels. As at 31 December 2021 the Society's LTB had assets under management of approximately £390m (2020: £253m) which sit separately from the Fraternal business of the Society and consisted of approximately 351,000 policies, of which over 319,000 were Child Trust Fund (CTF) accounts. The LTB is administered from the Manchester and Liverpool offices by a dedicated Insurance team.

The Society acquired the transfer of engagements of the Kingston Unity Friendly Society (KU) on 1 February 2021 and extend a warm welcome to the KU policyholders.

All policies are managed under the Unity Mutual brand which was launched by the Society during 2018.

Like many other firms we have had to continually adapt and make changes to our operations and these have included:

- a transition of the Society's customer service operations and infrastructure to ensure our Staff continued to work flexibility and effectively from both home and in the Office, ensuring our customers continued to receive a seamless service;
- reviewing the claims process to ensure we treat our customers fairly given the inevitable hardships that the pandemic created. For example, we reviewed the type of medical evidence we ask for particularly for those claiming due to Covid-19;
- the successful integration of the KU funds of £111m and 99,000 policies into the Society's LTB operations by the year end; and
- automation of the claims and reinvestment processes for the CTF maturities to ensure a more streamlined process for the account holders.

Our strategy of offering competitive products proved to be highly effective and popular as we strived to meet our existing customers' needs and attract new ones. Overall, new business policy and premium income sales achieved during 2021 were the highest to date, with £14.9m of new premium income (2020: £7.9m) and 3,887 new policies (2020: 1,157).

The Directors are pleased to advise that the Society continues to manage its operations in a fully compliant manner.

Looking forward, and despite the difficult challenges we currently face, the Board is of the view that the Society is well placed to continue to grow and meet the long terms needs of our customers.

Branch Development

A year of transition

Despite some external insecurities and ongoing challenges, it was another busy year of activity for Branch Development. Many of our Branches made great strides in 2021, moving from social events online only to a mix of both in person and online events. This meant we were able to deliver more targeted recruitment campaigns, increase open days to help conversion, launch online new member events and reintroduce services such as holidays with Oddfellows Travel.

Rebuilding and expanding our social offering

Branches have been supported to look at new activities and ideas to bring in new people and activate dormant members. They have also made links with other local organisations to promote their activities and start social groups in new areas of their Branches involving their volunteers to help run new events.

Collaboration between Branches and Social Organisers (SOs) has also strengthened with many working together to organise joint events and support each other.

By the end of 2021, every Branch was either organising or had access to local face-to-face and online events. Although some members were still cautious about socialising in person, many shared how good it was to get back to normal events as well as being able to socialise online – which for some, still meant the difference between feeling isolated or not.

Oddfellows Travel

The priorities for Oddfellows Travel in 2021 were to run the two planned group holidays - the Oddfellows Summer holiday in July and the Peak District Discovery Tour in September, as well as promoting the 2022 holidays.

After the many uncertainties in 2020 and early 2021 it was encouraging to have 40 members and guests enjoying the Summer holiday and 16 members on the Peak District Discovery tour.

Holidays for 2022 were finalised during the year, with the introduction of a new London Weekend Theatre Break in June, the Oddfellows Summer holiday and an Autumn Discovery Tour at Church Stretton in Shropshire.

Maintaining networks and support channels

Social Organisers drop-in sessions have continued on a monthly basis as an opportunity for SOs to discuss things affecting them, share ideas, problem solve and upskill through training sessions. Many SOs and Secretaries say they have benefited from these sessions throughout 2021. Highlights from each drop in, along with other helpful information, is also sent to all SOs and Secretaries in a monthly ‘What’s New’ emailer.

The two ***Whatsapp groups*** (one for Secretaries and the other for Social Organisers) are still live with both groups continuing to use them to stay connected and pass on useful information.

Refreshing Branch development planning

As we progressed out of numerous Government restrictions, it was a good opportunity to get development planning back on track. A review of the key elements important to developing Branches was undertaken along with a refresh of the development planning process – both of these were shared with all Branches at the end of 2021. Currently 77% of Branches have a Development Plan that they are working through.

Managing and building digital channels

- **Social media – Facebook and Twitter**

  Facebook is still a social media platform heavily used by our demographic so it’s an important tool for Branches to use at a local level to engage existing and prospective members. There are currently 62 active Branch Facebook pages that the Communications team regularly support. ‘Facebook Friday’ training sessions continued online every month during the first half of 2021 and are available for members to ‘watch again’ on-demand via Oddspace. Ongoing, sessions will be quarterly, or ahead of key events, such as Friendship Month.

  The annual audit of Branch Facebook pages showed the overall standard to be satisfactory, with 15 Branches achieving ‘Excellent’, and 23 Branches achieving ‘Good’. However, there was an increased number of poorly managed pages (13 in 2021, compared to 2 in 2020), most of these were mainly due to inactivity. This is understandable considering other priorities during the pandemic and support will be provided to help struggling Branches in 2022.

  The engagement rate of Twitter (mainly used as a business channel) continued to improve during 2021 at 1.16% vs 0.67% in 2020.

- **E-marketing - monthly member emails**

  Members continued to receive regular monthly updates via email about Society news and latest member offers.

  In 2021 the number of active emails that could be used for marketing was 16.3%, an increase of 3.7% from 2020. Although this increase is positive, it remains an ongoing challenge for the Society to gather more details of member emails. The high email open rate of 47.84% demonstrates that the emails continue to hold member value.

  Non-member subscribers have increased by 64.48% to 8,655, mainly acquired through the website and Friendship Month competitions. Last year this data list was used to promote Friendship Month events and offers.

- **Website**
  Other than word of mouth, the website is our most valuable marketing asset regularly accessed by existing and prospective members, like-minded organisations, general public and other interested parties. Website activity is gradually returning to pre pandemic levels and although last year was a mixed picture there were positive uplifts in:

  Audience size and engagement
  2020 – 107,473 (of which 85.2% were new users)
  2021 – 128,837 (of which 85.9 % were new users)

  Online renewals
  2020 – 43
  2021 – 51

  Online member area subscribers
  Dec 2020 – 3,856
  Dec 2021 – 4,127

  Adult membership sign-ups 15.4% of 2021's Adult members joined up online.
  2020 – 173
  2021 – 213

  Other website developments included 'Young Oddfellows' membership being reinstated in March 2021 which had been taken offline in 2017. (29 Young Oddfellows in 2021.)

Public relations activity - media coverage
Media coverage is gradually improving (253 press cuttings in 2021 vs 176 in 2020) but there is still some way to go to return to pre pandemic figures.

Branch use of PR templates achieved 116 cuttings in 2021 as follows:

Template 1: Promoting online social offering – 26 cuttings recorded
Template 2: Post-lockdown offer of social support – 36 cuttings recorded
Template 3: Moving areas – 11 cuttings recorded
Template 4: Friendship Month promotion – 27 cuttings recorded
Template 5: Friendship Month letter to the editor – 7 cuttings recorded
Template 6: Volunteering – 6 cuttings recorded to date
Re-use of 2020 Losing a partner template – 3 cuttings recorded.

Recruitment
Due to the pandemic, recruitment continued to be affected until lockdown restrictions were eased, and from May onwards, once Branches started to move into offering face-to-face events again, this showed a significant uplift. The number of new members recruited in 2021 was 1,379.

National print and digital advertising ran throughout 2021 with a mixed media approach that included publication inserts. In additional to Friendship Month, three campaigns ran during the year – Moving Areas, Oddly Enough (following bereavement) and Retirement.

Digital advertising ran across Facebook and through Google PPC (pay per click) and ads on two podcasts were tested - Simon Mayo's Books of the Year and The People's Friend's 'Reading Between the Lines'.

Corporate
Following the transfer of engagements with Kingston Unity Friendly Society, a mailing was distributed to 4,200 Kingston Unity members with an introductory membership offer. This generated 20 new fraternal members.

Refer a friend
Recruitment through the Refer a Friend Scheme accounted for 32% of new members made for the Society (the same figure was achieved in 2020). Encouraging more members to recommend the Society to people they know continues to be a challenge, although there was an uplift following the reintroduction of face-to-face events.

Conversion
Enquiries increased significantly from 2,093 in 2020 to 3,090 in 2021, indicating the Oddfellows' proposition is attractive. Following the success of the 2020 online open days, 26 events were organised to support the different 2021 campaigns. In total, 269 non-members attended and 116 joined, resulting in a 44% conversion rate. Overall, the enquiry conversion rate increased to 16.9% from 15.5% in 2020 and 13.6% in 2019.

Partnerships
After a two year hiatus, the Oddfellows resumed their partnership with Yours Live at their Festive Break in late November. The event was not as successful as previous ones in terms of engagement and recruitment but the country was in the early stages of dealing with the new wave of the Omicron variant which definitely had an impact on the audience.

Member retention
The member lapsing rate increased slightly from 8.4% in 2020 to 8.8%. New members continued to receive a puzzle book and card from the Chief Executive Officer as part of the retention strategy. One member commented:

“Thank you so much for the mindfulness puzzle book. What a lovely gesture! I was feeling quite fed up and now I can distract myself and I'm motivated to look again at activities. Your gesture was both kind and immensely helpful."

"What a lovely surprise I received this morning from Jane Nelson CEO. A totally unexpected gift; a puzzle book. Such a lovely thought. Thank you. I am looking forward to joining the Oddfellows and attending the meetings and events.”

Ongoing, the value of membership will be reinforced through refresh messaging and staff training.

The membership satisfaction survey was distributed to 10,573 members and resulted in an overall response rate of 9.3%. For the first time since 2008 this included postal surveys to 4,200 members, selected at random across every Branch and all adult membership types and the feedback from the survey provides useful information on areas which can be improved on.

Developing skills and growing confidence
- ***Webinars:*** Training was delivered throughout the year and recorded webinars via Zoom were made available on-demand for Branch personnel via Oddspace. Topics included:

  - Developing your telephone skills;
  - Turning enquiries into members;
  - How to run a new member event;
  - Marketing planning made easy;
  - Committee of Management/Chairman/Trustee training; and
  - Getting your story in the press – media masterclass (delivered by ex-BBC journalist and media trainer).

- ***Weekend Seminar workshops:*** The 2020 lockdown restrictions meant the Brand presentation by the CEO and the SO Forum scheduled for September 2020 was adapted and delivered to the 2021 Autumn Weekend Seminar. The focus of the Brand presentation was on understanding life stages of our members and personalising our response/services to them.

Activities outside scope of powers
The Board considers neither the Society nor its Branches have carried out activities during the year outside the scope of their powers.

Financial review of the year
The financial outcome for the year is detailed in the Group Consolidated Income and Expenditure Accounts shown on Pages 69 and 70, with the Group Consolidated Statement of Other Comprehensive Income being shown on Page 72, and the Assets and Liabilities as at 31 December 2021 shown in the Group Consolidated Balance Sheet on Pages 65 and 66. The Technical Account for Long Term Business on Page 69 shows a transfer to the Fund for Future Appropriations of £1.13m compared to a transfer from the Fund for Future Appropriations of £2.88m in 2020. The Non Technical Account shows the income and expenditure arising from the Society’s business objectives as outlined on Page 71 and produces a surplus of income over expenditure of £1.47m (2020: deficit of £1.06m). In 2021 the Investment income increased and unrealised gains on investments increased from 2020 which led to the total investment return to investing branches increasing from 2020. This led to an overall surplus of income over expenditure in 2021.

The total investment return (including realised and unrealised gains and losses) for the Non Technical Account amounted to £18.18m (2020: £4.94m) of which £15.66m (2020: £5m) was attributed to Branches in the various internally operated unitised funds (See Note 19).

The Non Technical Account shows a movement in unrealised gains of £9.58m (2020: gain of £0.21m) and the Technical Account shows a movement in unrealised gains of £23.25m (2020: losses of £18.32m)

The transfer of engagements as well as the movement in gains on investments in 2021 has resulted in a Consolidated Balance Sheet gross asset value which has increased to £587.27m from £439.27m in 2020 and is an overall increase of £148m (33.7%).

The Bank of England base rate reduced from 0.25% to 0.10% on 19 March 2020. This low level continued throughout 2021 until November when the base rate increased back to 0.25%. In February 2022 the rate was increased yet again to 0.50%.

Inflation rose from 2% in July to 3.2% in August which was the biggest increase since records began in 1997 and exceeded the Bank of England's 2% target. In November inflation increased further to a decade high of 5.1% and could peak at 6% in April 2022. This was driven by energy costs, fuel prices and shortages of goods.

In September there were fuel shortages due to panic buying at the petrol station forecourts and warnings of food shortages in the run up to Christmas. In February 2022 it was announced that the UK's energy price cap will rise by over 50% which together with inflation and the planned National Insurance rise in April 2022 is leading to a cost of living crisis in the UK.

The Covid restrictions continued into 2021 due to the infection rate, but the vaccine rollout extended to all people aged 12 and over during the year. Most restriction were lifted by July and in September the first booster vaccine vaccines were given to NHS staff to extend protection over winter.

In November the first Omicron variant cases were identified leading to a rapid increase in the booster vaccine rollout due to the increase in potential to evade vaccine. In December the Covid plan B was introduced to increase restrictions again which continued until January 2022 when restrictions started to be lifted again.

As the war broke out in Ukraine in late February, the Society's Investment Managers confirmed that there were no direct holdings in Russian stock. The reaction of the markets, both in the UK and Overseas, however does affect the Society's investments and this will continue to be monitored in 2022 as events unfold.

Covid-19

As reported in the Society's Reports and Financial Statements 2020, the impact of the pandemic continued throughout 2021. Whilst restrictions started to ease in the middle of the year, late November saw the emergence of the Omicron variant and, as such, additional measures including compulsory mask wearing and shortening of times before booster jabs was introduced.

As in 2020, the Society, throughout 2021, continued to operate business as usual. Staff continued to work from home until early May 2021 when the Office partially reopened before opening fully in August 2021. Some staff chose to have some flexible working and, as such, there is a mixture of working arrangements in place for staff.

Markets continued to be volatile in 2021 as expected. Throughout 2021, the Society continued to operate effectively, and, any impact on the Society's Solvency Capital Ratio (SCR) which, as at 31 December 2021, stood at 328%, continues to be monitored on an ongoing basis.

Liquidity strategy

The current economic climate remains volatile with interest rates at an all-time low. Some economies have showed signs of improving more than others, but it will still be a long haul to more stable times. It is important, therefore, that we continue to monitor our investments including cash, and maintain our balanced portfolio approach to all our areas of business ensuring that no area is left overly exposed to changes in any market movements in any one asset class. This approach includes reviewing the spread of such assets, to maximise long term investment returns whilst meeting forecast liquidity needs in the short term. The maturing profile of our assets are matched with our liabilities, and in conjunction with the advice from the Society's Actuary we adapt our investment model according to the needs of our insurance book. For our non-insurance activities we are diversified into a number of funds which enable us to spread risk.

Supervision of Branches

The Directors have overall responsibility for the supervision of all Branches in addition to the direct responsibilities of the Branch Committees of Management themselves. The central and local systems of reporting continue to identify areas that require improvements to systems and the Fraternal Board then work with those Branches to ensure the necessary improvements are made.

The above Strategic Report was approved by the Board and signed on its behalf by:

C J Nelson
Chief Executive Officer
7 April 2022

Directors' Report

The Directors present their Annual Report together with the Financial Statements for the year ended 31 December 2021. In producing this Report, the Directors have considered the AFM Corporate Governance Code which now operates on an 'Apply and Explain' basis (see Pages 30-35).

Member relations

The Board's communication strategy for the whole Society aims to fulfil the following objectives:

1. To ensure that relevant information is given to all our *key stakeholders in a timely and appropriate manner. This means our communications:

   a) are clear, fair and not misleading;
   b) use plain English;
   c) aim to keep members informed;
   d) provide sufficient information at the right time for key stakeholders to make informed decisions; and
   e) fully utilise all available communication channels (eg email, letter, telephone, website, member magazines, social media).

2. To support open communication between the Society and its key stakeholders, a range of publications and information will be made available on a regular basis – these will include annual statements, circulars, newsletters and other documents on the Society's intranet and websites.

3. To continuously monitor our communications to ensure best practice and to undertake an annual review to get feedback from members and policyholders. This will include distribution and analysis of customer surveys.

4. To review skills and experience on an annual basis to ensure adequate training is provided. This will mean the Society can continue to achieve its communications objectives.

Underpinning the Society's ongoing communication strategy (as outlined above) are the FCA/PRA's current rules and guidance (Principles **6, 7 and 8) also ***Principle 6 of the AFM Corporate Governance Code – see notes below.

*Key stakeholders include Branch Officers, Members, Policyholders, Directors, Sub Boards and Committees Members, Staff and the FCA, PRA and other relevant regulatory bodies.

**Principles 6, 7 & 8:

- 'A firm must pay due regard to the interests of its customers and treat them fairly'.
- 'A firm must pay due regard to the information needs of its customers, and communicate information to them in a way which is clear, fair and not misleading'.
- 'A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client'.

*** Principle 6: Directors should foster effective stakeholder relationships aligned to the Society's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

Complaints by Members

The Society aims to deliver the highest standard of service to its Members. However, we recognise that there may be occasions where our Members believe that our service has fallen below their expectations. In this event, they have recourse to our complaints procedure.

The Society's philosophy is that the effective management of complaints is a key part of treating members fairly and ensuring good member outcomes.

The following values have long been embedded in the Society's culture and procedures:

- The provision of excellent standards of service to our Members;
- Treating our Members fairly and ensuring that all complaints receive fair, consistent and prompt investigation and resolution; and

Valuing member feedback with a commitment to review our working practices and procedures to deliver good member outcomes.

The Compliance & Risk Function, the Audit, Risk & Compliance Committee, the Commercial Board and the Society's TCF and Conduct Risk Champion regularly review the number and type of complaints received. The objective is to:

- ensure that complaints are properly dealt with and that appropriate corrective action has been taken to prevent complaints of the same or similar nature occurring again; and
- ensure that the Society's members are treated fairly.

In the unlikely event that a complaint cannot be resolved to the member's satisfaction, the member is made aware of the option to appeal to the Financial Ombudsman Service (FOS).

Over the last three years, the Society has received 25 regulated business complaints. Following appropriate investigation, 17 were upheld, seven refuted and one withdrawn. Of the seven refuted complaints, three members decided to appeal to the Financial Ombudsman Service, none of which were upheld in favour of the member.

Number of Members

The Society had 395,617 members as at 31 December 2021 (305,917 in 2020), of which 322,782 were Junior Members (321,972 being Child Trust Fund Members and 810 Junior ISAs).

Statement of Directors' responsibilities

The Friendly Societies Act 1992 ("the Act") requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Society at the end of the year and of its income and expenditure for that year. In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to assume that the Society will continue in business.

The Directors are responsible for keeping proper accounting records which must show and explain the transactions of the Society and disclose the financial position of the Society with reasonable accuracy at any time, and enable them to ensure that the Financial Statements comply with the Act and the regulations under it. They are also responsible for the systems of internal control, for safeguarding the assets of the Society and hence taking reasonable steps for the prevention and the detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern and Viability Statement

The Board discussed the issue of the Society being a going concern of at least 12 months after the date of signing the Accounts, and of its longer term viability, at the December 2021 Main Board meeting. The Board conducted this review using a detailed budget for the forthcoming year (ie 2022), the Fraternal Strategic Plan which covers the three year period of 2022 to 2024, the Unity Mutual Business Plan including a Sales and Marketing Plan for 2021 - 2022, the Society's Own Risk and Solvency Assessment (ORSA) and the Medium Term Capital Management Plan which have been prepared in accordance with the requirements of the Solvency II directive. The ORSA document considers the Society's projected and stressed Balance Sheet (ie assuming that certain risks the Society faces may happen) and capital requirements. The future liquidity and cash flow requirements were also considered as well as actions that are available to management. The ORSA itself is prepared and approved on an annual basis, and more frequently should any material changes in the Society's risk exposures and/or business strategy occur. The 2022 budget and Strategic Plans are also reviewed and approved by the Board.

The Board have determined that the two year period to December 2023 is an appropriate period over which to provide its viability statement. In making its assessment, this period was selected for the following reasons:

- The projected capital under the forward looking assessment of own risks, as prepared within the ORSA, is performed using a look forward period to December 2023:
- The strategy and associated principal risks underpinning the Society are monitored over a forward looking two year period; and
- The level of confidence within the judgments made as part of the forward looking two year assessment is in line with the Society's risk tolerance and business objectives.

The Board also considered the Principal Risks and Uncertainties as described on the Reports and Financial Statements. Based on the results of this analysis, the Board considers that the Society has adequate resources to continue in business and meet its liabilities as they fall due over the assessment period recognising that future assessments are subject to a level of uncertainty that increases with time and therefore outcomes cannot be guaranteed or predicted with certainty.

The Board, in determining the Going Concern principle also continues to evaluate and consider the potential implications in respect of Brexit, paying particular attention to market impacts including the impact on policyholders. To this end the Society had contacted the Regulators in 27 EU member states so that we can assess the impact on the small number of policyholders that the Society has that reside in the EU. As responses from the EU Regulators are received then the Society will contact the affected members to update them. Given that the Society trades within the UK it is envisaged that any resulting effect on the investment market will continue to be the main impact the Society faces as a result of the UK leaving the EU.

Effect of Covid-19

Both 2020 and 2021 have been, what must be classed as, two of the most challenging years in recent history due to the initial lockdowns imposed as a result of the pandemic and the ongoing impact through the early part of 2021 with further lockdowns and the ongoing caution that many people have as we end 2021. There have been over the last 2 years, disruptions to business, and the impact overall, including economic activity is expected to last for some time to come. As a Society, we operated effectively and efficiently throughout the whole of 2020 and 2021. The Society continues to monitor the situation and consider any impact to ensure that we are able to continue to operate effectively. Throughout the year the Society has monitored it's Solvency Capital Ratio (SCR) which, as at 31 December 2021, stood at 328%, a movement from the position as at the end of 2020 (357%).

As can be seen in other areas of this report, in 2021 the Society achieved 1,379 new fraternal members, only 19 short of the number recruited in 2019 which was the highest since 2010 and in terms of new LTB policies and new premium income then 2021 saw the Society achieve 3,887 policy sales and £14.9m of new premium income.

As noted in the 2020 Reports and Financial Statements, the Society has and continues to have in place a number of measures that ensure that the Society's business, both fraternal and LTB have operated fully whilst staff worked from home in the early part of the year and that there was a phased approach to being fully back in the office. All staff have had the opportunity to avail themselves of some flexible working and we continue to ensure that the office environment remains as safe and secure as it can

Throughout 2021 the Society has continued to closely monitor the situation that we have all found ourselves in, particularly in respect of:

Solvency

The movement in financial markets has resulted in a reduction in the asset values in our business, including our Long Term Business (LTB). However, due to the Society's overall solvency position, we have been able to maintain our long term investment strategy. This has meant that we have not been a forced seller of investments, particularly equity investments. We have actively considered our Solvency Cover Ratio (SCR) position to ensure we take appropriate actions if this is needed.

The movements during the year being:

31 December 2020	357%
31 March 2021	327%
30 June 2021	325%
30 September 2021	326%
31 December 2021	328%

The SCR position during 2021 reflects the transfer of Kingston Unity Friendly Society on 1 February 2021.

During 2021 the Society has not experienced any material change to claims activity, other than what was expected as a result of policy terms. Similarly there has been no unusual experience on surrenders, withdrawals, sickness claims or deaths and this too continues to be monitored. The level of solvency remains within the Society's risk appetite.

The level of claims in terms of numbers and values are consistent with the projected run-off and cash flows from the Solvency II model, and which include the CTF maturities which commenced on 1 September 2020 and also the maturity of the 5 year Guaranteed Investment Bonds, the first of which matured in October 2021.

Liquidity

In relation to our regulated business within LTB, the LTB investments are held in liquid and marketable assets where they could be accessed at very short notice. This includes cash held at major banks, gilts, investment grade corporate bonds, equities listed in UK (and constituents of major stock indices), and for unit-linked business a large holding in a UK tracker fund with Fidelity where prices (and liquidity) are available daily.

The exception to this are two property portfolios, one being a residential portfolio inherited as part of the Society's acquisition of the Druids Society in 2015, and one being a portfolio of a mix of retail, industrial and residential property inherited as part of the Society's acquisition of the Kingston Unity Society in February 2021. As at the end of December 2021, the total of these portfolios amount to £25.98m (out of overall LTB assets of £390m). The Society has continued to actively manage the diversification of the portfolio by allowing other LTB funds to take partial investment in the fund. At YE21, of the total property assets, £89k was held by the Druids Fund, £2.64m by the KU Fund and the remainder of £23.25m by the Non-Profit Fund, compared to year end 2020 where the Druids Fund held £4.51m and the Non-Profit Fund held £8.04m.

Given the other investments in each of the LTB Funds, and the investments of the LTB overall, the illiquidity of this portfolio does not create any material concern.

Governance and operations

As reported in 2020, following the Government lockdown announcement on 23 March 2020, all of the Society's staff were successfully transitioned to be able to work from home by close of business on the 24 March. This transition continued throughout 2021, with a part time return to the office in May 2021 and then in August 2021 all staff returned to the office on a full time basis. Following this staff were able to apply for some flexible working so that they partly worked from home and partly in the office, and that continues into 2022.

Acquisition of Kingston Unity Friendly Society (KU)

Following detailed due diligence undertaken and confirmation by the Society's Board, KU's Board, KU's members at a Special General Meeting, and the approval of the Regulators, the transfer of business was concluded on 1 February 2021. Based on the due diligence undertaken and the terms of the transfer, the Directors are satisfied that the acquisition of KU does not impact upon the viability and going concern statements.

Taking into account the Society's scale and complexity we are comfortable that we have taken appropriate and proportionate actions throughout the year to mitigate the risks posed by the coronavirus pandemic, and will continue to do so going forward to ensure the Society is able to meet is customer and regulatory obligations.

Taking all these matters into account, the Society has continued to adopt the going concern basis in preparing the Financial Statements.

Corporate Governance

The Board is accountable to the Society's Members for the operation of the Society and good governance is fundamental to this responsibility. The principal role of the Board is to focus on the Society's strategy. As the business develops and changes, and as the challenges the Society faces change, the Board has to ensure that there are the necessary resources in place with the relevant knowledge, skills and experience. It is also essential that financial and Risk Management procedures and controls are robust and effective. In particular, the Board's role is to provide general direction to the Society and to safeguard the interests of its Members.

The Board's approach to Corporate Governance is influenced by the following matters:

- That the Board is accountable to the Society's Members for the conduct and performance of the business;
- That the interests of Members are at the heart of the Board's decision making;
- That the interests of other parties, such as employees and the communities in which the Society operates, are also taken into account;
- That the Society should be managed in a prudent and efficient manner with effective decision making and robust management of risks that the Society may face; and
- That the effectiveness of the Board is vital to the financial strength and future success of the Society.

The Board is committed to complying with best practice in Corporate Governance and for the year ended 31 December 2021 the Society complied with the principles required under the provisions of the Association of Financial Mutuals (AFM) Corporate Governance Code which is based upon six fundamental principles. The Board considers that throughout the period under review, it has applied all the principles and provisions of the AFM Corporate Governance Code.

We have set out below how the Principles have been applied over the past year.

Principle 1 – Purpose and leadership

Purpose

The Oddfellows was founded in 1810 to look after its member's welfare at a time where there was no national provision. The fundamental principles and ethos of the Society in 1810 remain today where the Society aims to improve the quality of life of its members by meeting their social and welfare needs through a mutual, national Branch network as well as providing a fair return to its policyholders on their savings and investments. The two elements of the Society, its Long Term Business undertaken by the brand Unity Mutual – "Family Friendly Finance" together with the Oddfellows strapline of "Making Friends, Helping People" really demonstrate the guiding framework to which we operate.

Values and Culture

The objectives and activities (as listed on Page 7) demonstrate how as a Society we ensure we deliver what we aim to deliver, always having the needs of our members at the forefront of our minds.

Strategy

Unlike most other Societies, the Oddfellows has two distinct elements to its business, with the Fraternal Business as well as the Long Term Insurance Business, and it is the strategy for both these elements that make the Society what it is today.

In terms of the Oddfellows brand, the Society aims to be the lifestyle membership of choice for the over 50's by helping its members get more out of life with a compelling range of social, care and financial support, delivered through a thriving national Branch network.

For the Unity Mutual brand, the Society aims to be the mutual insurer of choice, offering a range of financial products helping families get the most out of their savings and investments now and for generations to come. With this in mind, the Society is looking to launch a new financial product aimed specifically at the over 50's market during 2022.

Principle 2 – Board Composition

A biography for each Director can be found on Pages 35 to 40 of this report and also on the website www.oddfellows.co.uk

Chair

The Society has a separate Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Society are effectively maintained. The Chairman plays a pivotal role in creating the conditions for overall Board and individual Director effectiveness.

Size and Structure

Given the ongoing impact of Covid-19, the Society held an electronic AMC on 24 to 26 May 2021 where 14 Directors were elected. Of these, eight serve on the Board, which is comprised of the Chairman, Chief Executive, Insurance Director, three Member Nominated Non-Executive Directors and two independent Non-Executive Directors. The Society's governance structure includes two Sub Boards – the Commercial Board and the Fraternal Board, each of which deal with all the aspects relating to the Long Term Business and the Fraternal Business respectively. Each of the 14 Directors elected in 2021 serve on at least one of these Sub Boards and the list of who serves on which can be found on Page 40. The Independent Non-Executive Directors are wholly independent in that they have no material business or relationships with the Society that might influence their independence or judgement.

The size and composition of the Board and the Sub Boards is felt to be appropriate and proportionate to the scale and complexity of the Society's business.

The Directors have equal voting rights when making decisions, except the Chairman, who has a casting vote. All Directors have access to the advice and services of the Secretary of the Order and the Company Secretary and may, if they wish, take professional advice at the Society's expense.

The Society currently has two Directors who have served as a member of the Society's Board, Sub-Boards and Committees for over 9 years, who are subject to re-election on an annual basis.

To ensure the continuity of operations throughout the Society, Directors and Senior Management Succession Plans are in place to address the loss of key individuals.

Balance and Diversity

The duties of the Directors are executed partially through the two Sub Boards and Committees. In addition, in 2020, the Audit, Risk & Compliance Committee (ARCC) co-opted a Skilled Person, who remains as part of their composition who brings specific skills and knowledge to the ARCC. The composition and remit of each of the Sub Boards and Committees are noted on Pages 43 to 54. All Non-Executive Directors are expected to challenge the Executive and influence the decision making process.

The Society has in place a Diversity Policy which demonstrates that the Society is committed to:

- promoting equality in the workplace, which the Society believes is good management practice and makes sound business sense;
- creating a working environment that promotes dignity and respect for all and one that is free of bullying, harassment and unlawful discrimination; and
- regularly reviewing all our employment practices and procedures to ensure that we meet the expectations of our Regulatory bodies in respect of diversity at all levels of the business.

The Society informs all staff of their obligation to comply with the Diversity Policy and their responsibility to promote fairness in the workplace.

Effectiveness

There is an induction programme for all new Directors which is tailored to their specific experience and knowledge and which provides access to all parts of the business. In addition, the Society undertakes regular individual and collective skills and knowledge gap analysis to ensure that we have the requisite individual and collective competencies taking into account the Society's strategy and objectives. All Directors are required to update their skills and knowledge through meetings with the Executive, Senior Management and relevant external courses, all of which is fully documented in the Training and Development Plan, which also includes the requirement for Directors to undertake Computer Based Training (CBT) modules each year, the details of which are included in Page 43.

During 2021 each Director was evaluated which included a self-assessment across the following areas:

- Business Strategy and Model;
- Compliance and Risk Management and Internal Controls;
- Effectiveness;
- Experience of the Society;
- External/Internal Audit and Investment Management;
- Financial and Actuarial Analysis and Controls;
- Governance, Oversight and Controls;
- Leadership – the Board and its Sub Boards and Committees;
- Market Knowledge;
- Regulatory Framework and requirements; and
- TCF and Culture.

The Society has not, in 2021, undertaken an externally facilitated evaluation of the Directors and Skilled Persons, however, this is a matter that is kept under regular review.

Principle 3 – Director Responsibilities Accountability

Accountability

Good governance supports open and fair business, ensures that the Society has the right safeguards in place and makes certain that every decision it takes is underpinned by the right considerations. Whilst Board oversight is always maintained, key decisions are made by the individuals, Sub Boards and Committees with the most appropriate and relevant knowledge and industry experience. Each Director has a clear understanding of their accountability and responsibilities. The Board has a programme of three principal meetings every year, with the Commercial and Fraternal Boards usually having eight and five meetings every year respectively. The Directors' attendance at meetings of the Board, Sub Boards and Committees is shown on Page 41. The key strategic areas of focus in 2021 are included in the Strategic Report on Pages 7 to 25.

Directors disclose any conflicts of interest as and when appropriate which are then recorded in the minutes of the respective meeting and managed appropriately.

Committees

Sub Boards and Committees are appointed where necessary with specific delegated responsibilities including, in the case of Sub Boards, the ability to pass resolutions of a non-policy nature. The Chief Executive is a member of the Board and both of the Sub Boards, the Governance Committee and is ex-officio on all other Committees. The Grand Master is a member of the Board, the Fraternal Board and the Governance Committee and is ex-officio on all other Committees. Each Committee and Sub Board has its own Terms of Reference and the responsibilities of each of those Committees and the two Sub Boards are set out on Pages 43 to 54.

The Board delegates authority for day-to-day management of the Society to the Executive (Chief Executive Officer and the Insurance Director).

Integrity of information

The Board, Sub Boards and Committees receive regular and timely information on all key aspects of the business under their remit including strategy, key operational matters, financial performance, risk management, and health and safety, all supported by Key Performance Indicators (KPIs) wherever possible.

Financial information is externally audited by Deloitte LLP on an annual basis. The Internal Audit function of reviewing the financial and systems controls is undertaken by the external company MHA Moore and Smalley, who reported on a quarterly basis to the Audit Risk and Compliance Committee. During 2021, the Society undertook a tender process for Internal Audit services and RSM UK Risk Assurance Services LLP have been appointed as the Society's new Internal Audit provider with effect from January 2022. At the end of 2021, the Society also commenced a tender process for its External Audit Provider.

Principle 4 – Opportunities and Risk

The Board seeks out opportunities whilst mitigating risk:

Opportunities

The Society's long term strategic objectives and activities are included on Page 7. The Board seeks out opportunities whilst managing the risks associated with those opportunities and even throughout 2021 where ongoing Covid-19 restrictions had been in place and all staff had been working from home for the first seven months, business as usual was maintained. It has also seen an increase in the levels of new premium income compared to 2020 and progress with a Transfer of Engagements from another Society which completed on 1 February 2021. A high level of enquiries in respect of membership of the Society has been seen, and even with Covid-19 new fraternal members were recruited to the Society, offering the Care and Welfare support together with online events and the re-introduction of face to face events allowing members to realise that the Society is always there for them. Where opportunities are considered, the Sub Boards initially review the business cases which, once approved, are then submitted to the Board for final approval and sign off.

Risk

The Audit, Risk & Compliance Committee's role is to protect the interests of the Members as regards the appropriate management of risk, the integrity of the published Financial Information and the effectiveness of the various audits. The Society's Risk Management Framework (RMF) operates around the proven industry standard "three lines of defence model" for overseeing its internal control frameworks. This is designed to create, protect and enhance value of the Society's viability.

Each of the Society's primary and secondary risks are monitored and reviewed on a regular basis, each risk having a Risk Owner attached to it who is either an Executive Director or Senior Manager. Each risk also has a position of Governing Responsibility which rests with the Board, Sub Board or a Committee with the ARCC having overall responsibility for all risks within the business.

Regular reviews of the risk register are undertaken by the Board, Sub Board or Committee with governing responsibility, with the ARCC and the relevant appropriate body also undertaking a more detailed review of each primary and secondary risk.

The Society's systems and controls are designed to manage, rather than to entirely eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not an absolute assurance against a risk materialising (see ARCC report on Pages 43 to 47).

Responsibilities

The Society has developed a Business Operating Model (BoM) which encapsulates its operating rules, processes, best practice standards and delegated authorities. It is the fundamental platform to the internal control framework.

In managing the risks facing the Society, the Board, Sub Boards and Committees are able to protect the integrity and long-term sustainability of all its business, to meet its strategic objectives and to create value for its members.

Principle 5 – Remuneration

The Remuneration Committee's primary objective is to set remuneration at a level that will enhance the Society's resources by securing and retaining quality Executives who can deliver the Society's strategic objectives in a manner consistent with both its purpose and the interests of its members.

The Remuneration Committee has a clearly defined terms of reference and is responsible for making recommendations to the Board concerning the remuneration strategy for the Executive and Non-Executive Directors. The Committee did not use the services of an external consultancy during 2021, largely because the data provided by the consultant previously engaged by the Society is capable of being collated internally as it is in the public domain. In setting and benchmarking remuneration for the Executive and Non-Executive Directors, comparisons are made to the remuneration packages applicable in other Friendly Societies which are considered to be the closest competitors to the Society.

The Society is an equal opportunities employer and promotes an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices (including remuneration) are objective, free from bias and based solely upon work criteria and individual merit.

Principle 6 – Stakeholders

The Board believes that good corporate governance and effective communication are essential on a day-to-day basis to deliver our purpose and to protect the Society's brands, reputation and relationships with all its stakeholders including members, policyholders, employees, suppliers and the local communities in which we work.

The Board continues to seek to align the Society's strategic direction with its purpose and to the long-term aspirations for sustainability and growth of members and policyholders.

Employees

The CEO ensures that the Society's values, strategy and culture align and are communicated consistently to the workforce - for example through regular meetings with the Management Team, one to one meetings with Managers and Heads of Departments and regular Staff meetings. All of which, continued throughout 2021 via Zoom and later, face to face to ensure that staff continued to be supported through what has been a challenging environment for all. Together with the work undertaken on culture, which includes an annual staff culture survey and quarterly staff surveys that everyone has the opportunity to complete, this ensures that all staff and management have good access in terms of information and providing feedback.

In 2021, the Society established a Diversity Working Group to further develop its diversity and inclusivity strategy. The Group is made up of volunteers from the Manchester Office, however all staff members are welcome to get involved in our diversity discussions by attending meetings or sharing their ideas and thoughts, including submitting them electronically, if they wish to.

The community and the environment

The Board is committed to Environmental, Social and Governance (ESG) in terms of how it operates and is mindful of the effect of Climate change. To evaluate the exposure of the Society's investment portfolios to environmental, social and governance risks, the Society's Investment Managers were engaged to implement a weighted ESG score. The Society has kept the relevant ESG ratings under review during 2021 and will further develop its ESG strategy throughout 2022 (for further information on ESG reporting see Pages 14 to 16). Furthermore, the Society has engaged the services of Crescendo, a Risk Management Consultancy to work alongside the Society to evolve its climate change strategy and disclosures (see Page 13 for more details).

During 2021, for the first time, the Society achieved Carbon Neutral status, by calculating and offsetting its carbon footprint for its Manchester and Liverpool offices and associated transport activities. Emissions reported for the period 1 April 2020 and 31 March 2021 totalled 82.93 tonnes of CO_2 and this total was offset by funding climate change solutions, which included planting 83 trees in the UK and a further 83 trees in the Amazon rainforest. The Society aims to conduct annual assessments and is looking to identify further energy reductions opportunities.

Improving the quality of people's lives through friendship, care and charitable support means a lot to the Society. In 2021 alone, Branches raised over £150,000 for a variety of local and national charities. Throughout 2020 and 2021, financial support was also given to the three convalescent homes used by the Society, Merton House, the Salfordian and the Yorkshire Foresters Home based in Bridlington. The Society is extremely proud of the fact that since 1971, the Society has donated nearly £1,000,000 to the H A Andrews Memorial Fund to fund vital medical research in the UK.

Owners

The Society is proud of its mutual status. Promoting the benefits of membership of the Society ensuring that all stakeholders are kept abreast of developments and being accountable to our members are fundamental to parts of our governance arrangements. Due to the ongoing Covid-19 impact, the Society held its planned Annual Movable Conference (AMC) in May 2021 electronically where there were 231 registered voting Deputies representing the Society's 115 Branches. This ensured that the Society was able to fulfil its regulatory and statutory obligations to deal with certain matters such as the adoption of the Reports and Financial Statements, the reappointment of the Society's Auditors and the election of the Society's Officers and Directors.

The AMC, albeit electronic, served as an excellent way of ensuring the Society's members remained informed about developments in the Society but also had the opportunity to debate and discuss and vote on matters. In addition the Society has, for a number of years now, run two weekend training events for members, unfortunately only the September seminar could be held in 2021 where 60 members attended to learn more about the developments within the Society. Generally, during any one year, there are a number of other opportunities where members can receive further training and information about the Society and some examples of these are given on Page 23. The Society is returning to two face to face seminars with effect from 2022.

Customers
Treating Customers Fairly (TCF) has always been part of the history and ethos of the Society and the TCF and Conduct Risk Champion monitors and reports annually to the Board on this matter. The Society welcomes feedback from its members and policyholders. The Society has also appointed a Senior Independent Director (SID), appointed annually, who also acts as the Whistleblowing Champion, and is someone to whom staff and members alike can raise concerns.

Suppliers and business partners
The Society's websites (www.oddfellows.co.uk and www.unitymutual.co.uk), intranet and social media channels provide extensive and up-to-date news on ongoing developments. The Society values it relationships with third parties and has appropriate policies and procedures in place to ensure that these relations remain effective.

Directors
David R Ogden
Grand Master (Age 72)

David was enrolled into his District's Juvenile Lodge at birth and subsequently initiated into the Loyal Fleetwood Lodge No 1992 on 30 November 1965. He passed through the Chairs of the Lodge and then the District, serving as Provincial Grand Master in 1978. He has served on the District Committee of Management for 24 years, 15 of them as a Trustee.

He holds the CAMU qualification, and served on the LADGC Executive for 11 years, seven of them as Secretary, and subsequently 14 years as Honorary Auditor. He served six years on the Investigation Committee, four of them as Chairman. Prior to his election as a Member Nominated Non-Executive Director in 2017, he was a Unity Special Arbitrator. He was elected Deputy Grand Master at the 2019 AMC in his home town of Southport, and was elected Grand Master at the electronic 2021 AMC.

Outside of Oddfellows he was a Divisional Superintendent in the St John Ambulance, and a Regional Group Chairman of the British Junior Chamber.

David worked in domestic banking for 26 years prior to taking voluntary redundancy. He then worked for his local authority in European projects prior to moving to the role of Business Support Manager in the Youth Offending Team on its inception in 2000. David is now retired and enjoys spending time with his wife, two children and seven grandchildren.

Barbara Needham
Deputy Grand Master (Age 69)

Barbara joined the Society in 1973 when she married Peter, a third generation Oddfellow. She was then a member of the Good Samaritan Lodge in Goole. Her father-in-law was Secretary at that time and Barbara took this job over in 1996, a position she held until the formation of the Vale of York District Lodge in 1998. She had previously been the Secretary of four different Lodges in the District from 1981, and saw them successfully amalgamate into the Good Samaritan Lodge.

She is now the Assistant Secretary of the Vale of York District Lodge, and as well as being the administrator of grants etc., assists in the preparation of the Accounts for the Auditor, and runs a variety of clubs and activities for the District Lodge.

She took her Purple Degree in 1980 and was Prov GM of the former York and Scarborough District in 1983, 1984 and again of the District Lodge in 2015. She has served on the District Committee of Management for 39 years.

Barbara has served on the Group Conference Executive for 10 years, five of them as Secretary, a position she still holds. She has also been the AMC Secretary twice at Scarborough.

Outside of Oddfellows, Barbara is a retired Head Teacher of an Infant School having been in teaching all her working life. She has a variety of qualifications in education (including National Professional Qualification for Headship) and was responsible for running the school including budgets, policies, allocating resources and staff effectively for the benefit of 130 pupils. She enjoys photography, the outdoors, and socialising with her family and friends.

David Alan Randall
Immediate Past Grand Master (Aged 70)

David attended social functions for a number of years before joining, and he was then enrolled into the Society by his father-in-law in 1992 where he attended the Castle Branch in Colchester. Due to work commitments he didn't become active until the early 2000's holding the Office of Noble Grand in 2007. He joined the District Committee of Management as a Trustee in 2008, a position he still holds and was Provincial Grand Master in 2011. David became Financial Branch Secretary of Gipping Branch Stowmarket in 2008, a post he holds today.

He was a member of East Anglian Group Conference Executive Committee for seven years becoming its President in 2015 - 2016. He retired from work in 2015 and was elected to the Board in 2016 and served as Grand Master for two years (2019 - 2021).

David become the Secretary of the East Anglian Group Conference in June 2021.

He is a time served apprentice carpenter and joiner working in the construction industry for 47 years, holding a number of senior project management positions and ran his own Building Management and Safety company for 10 years. He is a past member of the Federation of Small Businesses, and an Associate to the Institution of Occupational Safety and Health (IOSH).

David was in the Scouts for 18 years and was awarded the Queens Scout Award in 1969. He held the position of Assistant Air Scout Leader for four years and then Venture Scout leader for five years. He was Secretary and Treasurer of a local Sunday league football team for 18 years.

Jane Nelson, FCCA FCMA, Dip IoD
Chief Executive Officer/Secretary of the Order/Executive Director (Age 56)

Jane joined the Society in 1995 as Financial Controller and joined the Board of Directors in May 2000 after being appointed as Secretary of the Order. In October 2007 she became the Society's Finance Director. She was appointed as Chief Executive Officer in July 2012 after being appointed as Acting CEO in March 2012.

Qualifying as an Accountant in 1991, she is a Fellow of both the Association of Chartered Certified Accountants as well as the Chartered Institute of Management Accountants. Prior to joining the Society, Jane worked in a variety of Finance roles in the industrial sector thus gaining a wide range of experiences. She has been a member of the Institute of Directors (IoD) for ten years and during 2011, studied for and took the exams for the Certificate level and Diploma level of the Chartered Director examinations, both of which she passed with distinction.

In 2011, she was also awarded the IoD's Institute prize for outstanding performance in the diploma examinations after achieving the highest examination score in the UK.

She was appointed to the Association of Financial Mutuals (AFM) Board in July 2013, the AFM being the trade body that represents Friendly Societies and Mutual Insurers and she was heavily involved in 2015 in the reforming of the new AFM which is aimed on focussing on the needs, aims and challenges of the small and medium sized Mutuals. She served as its Vice Chair from January 2016, and at the AFM Conference and AGM held in October 2019, she was elected as Chair of the AFM Board, a position she still holds today.

In December 2020, she was appointed as a member of the Finance and Investment Committee of The Natasha Allergy Research Foundation, a UK charity looking to help and cure people with allergies. Its main purpose being to fund and support pioneering allergy research bringing the greatest scientific minds together, working for treatments and better medicine.

She has been involved with the Manchester Unity Housing Association and the MU Pension Scheme since 1995 and has served as Company Secretary to both these organisations since 1998. She served on the Board and as Treasurer of the Manchester Unity Credit Union from 2000-2008 relinquishing the post of Treasurer in September 2012. Within the Society, Jane is an active member of the Combermere District Lodge serving as Provincial Grand Master (Prov GM) in 2003 and again in 2010, and has served on the Committee of Management for over 20 years and as a Trustee since November 2003. Jane is a keen reader and traveller (now she can, post Covid) and enjoys spending time with her family including her four grandchildren.

Tony Luckett
MNED (Age 61)

Tony joined the Society in 1994, after a recommendation from an active Lodge friend. He took an active part from the beginning, joining his wife and two children during the next five months. Nieces and nephews, along with his grandson have also been made members of the Society. Tony became interested in all aspects of his local Branch, and has served in all Lodge positions. He took the purple Degree in 1999 and has been Provincial Grand Master three times. He has been a District Trustee since 1997 and was awarded the District Merit Jewel in 2008.

He served on the Midland Group Conference Executive for five years, including serving as Vice President in 2009, President in 2010 and Past President in 2011. During this time, he was elected to serve as a Unity Special Arbitrator (2007) and the following year, in 2008, he was elected to the Benevolence Committee, on which he served four years, two of those years being Vice Chairman. Tony was elected to the Board in May 2012, and was elected Grand Master of the Order at the 2017 AMC. He was appointed Chairman of the Remuneration Committee in 2018 and Senior Independent Director (SID) incorporating Whistleblowing Champion for the period June 2019 to June 2021 inclusive.

Tony is self-employed and has been for over 38 years, and runs his own small building company, employing three people. Tony's Company is a Member of the Federation of Master Builders (FMB), as was his father's and grandfather's companies before him and is registered with Trust Mark and Build Assured (Warranty Builder). He sits as the local Branch Chairman of the FMB for the third time, served from 2010 to 2014 as the Chairman of the Midlands Regional Council for the FMB, and served as the Midlands Regional Vice President 2010- 2014. In April 2014, the Midland Regional Council along with other restructuring changed its name to Central Area Board and Tony was unanimously elected as its first President in April 2014 and was subsequently re-elected in June 2015 and April 2016 for a third term of office, and is now serving his third term as Past President.

He also served as a Director from 2004-2016 of the Manchester Unity Credit Union Ltd, serving as its President for six years. During 2018, he was elected a Director of Oddfellows Support Services Ltd and as a Trustee of the M U Pension Scheme, becoming Chairman in 2019.

John Mann
MNED (Age 70)

John was enrolled as a Junior Member of the Pride of Bermondsey Lodge at birth, and was subsequently initiated into the main Lodge in 1967 at age 16.

He passed through the chairs of the Lodge and District, being Prov GM three times, a Trustee of the South London District for four years, and a member of the South London Committee of Management for 12 years. In this time, John also attended the AMC as a Deputy representing the South London District 12 times.

John has also served as a Lodge Secretary for both the Pride of Bermondsey Lodge in the South London District, and the Combermere Lodge in Stockport, where he served on the Lodge and District Committees of Management, represented Stockport once at AMC, was Prov GM and attended various LADGC meetings.

John also served three years on the Benevolence Committee, and holds the CAMU qualification. Outside of the Oddfellows John worked for 27 years as a Pollution Control Officer with the local Water Authority, as well as various jobs ranging from working for Stockport County F.C. and Sale Sharks R.F.C., to being a taxi Driver.

At the onset of the pandemic, John was furloughed from his job as a taxi driver, and eventually accepted redundancy. John is now retired and enjoys spending time with his three daughters and seven grandchildren.

Stephen Code, MBA
Insurance Director/Executive Director (Age 61)

Steve joined the Board of Directors of the Society in March 2011 as Insurance Director having previously been Chief Executive and Secretary of another friendly society. He has worked in the financial services industry and the Friendly Societies Movement for over 44 years, half of which have been spent in various senior management positions.

He has worked both in the UK and Ireland and his management experience stretches across general management, strategic change, operations, programme management, sales and marketing. Steve achieved a Masters in Business Administration in 1998.

Steve was Provincial Grand Master of the Mersey District Lodge in 2017-2018 and he is a Trustee of his Branch.

Bill Connolly, ACII
External Non-Executive Director (Age 66)

Bill joined the Board in May 2007 as an External Non-Executive Director. As part of the revised governance arrangements that were agreed at the 2018 AMC, he was appointed as Chairman of the Board, a position which, in agreement with the Society’s Regulators came to an end in June 2020. He also serves on the Commercial Board, the Governance Committee and the Remuneration Committee, having chaired the latter two Committees prior to the changes brought about at the 2018 AMC.

Bill spent all of his working life at Royal Liver Assurance. He was appointed Assistant Secretary in 1999 and was invited to join the Society’s Executive Team at that time. In 2003 he was appointed as Group Secretary and he also occupied the post of Secretary to all of Royal Liver’s Subsidiary Companies and the Pension Trustee Companies. Bill became Royal Liver’s Chief Executive in January 2010 until he retired on 30 September 2011 following Royal Liver’s transfer of engagements to Royal London.

Whilst working for Royal Liver, Bill was involved at a senior level in the Association of Friendly Societies, the Association of Mutual Insurers and the Association of Financial Mutuals. He is also a former President of the Insurance Institute of Liverpool.

Richard Gough
External Non-Executive Director (Age 70)

Richard joined the Insurance Committee, which at the time was the overseeing body for the Society’s Long Term Business Fund, in January 2010 as an External Skilled Person / Specialist Adviser following the transfer of engagements from the Nottingham Friendly Society in December 2009. He was appointed as an External Non-Executive Director and Chairman of the Commercial Board upon the restructuring of the Society’s Governance arrangements in May 2018. He also served as the Society’s Treating Customers Fairly (TCF) and Conduct Risk Champion from January 2018 through to the end of 2021. He will be retiring as a Director at the conclusion of the 2022 AMC.

Prior to joining the Society, Richard held various roles within the friendly society movement, including both Executive and Non-Executive Director, Company Secretary and Compliance positions. He was a Chartered Secretary by profession and also held professional qualifications in the computer industry. For 20 years he was a Magistrate on the Leicester Bench.

Colin Nugent, ACII
External Non-Executive Director (Age 67)

Colin joined the Board in May 2018 as an External Non-Executive Director. He is the current Chairman of the Audit, Risk and Compliance Committee. He had previously served on the former Insurance Committee of the Society from 2011 through to 2018.

Most of his professional life was with Royal Liver Assurance over a 34 year period. Commencing in the Secretariat, Colin's later roles included Group Secretary, Customer Services Director and Director of Retail Operations (UK). He also operated as an independent Financial Services Consultant for three years. His final role at Royal Liver was in an interim position as Deputy Chief Executive for the year prior to the transfer of Royal Liver's business to Royal London.

Colin has served on a number of Insurance Industry forums, both in the UK and the ROI.

David Webster
External Non-Executive Director (Age 62)

David became a Director of the Society in May 2019 and was elected Chairman of the Board in June 2020. Having spent 27 years in the mutual building society, latterly as CEO of Hanley Economic Building Society. David chose a career switch in 2016 to become CEO of Douglas MacMillan Hospice in Stoke on Trent. His current role is to oversee the strategic development of one of the UKs largest independent hospices, founded in 1973 and now responsible for the palliative care of around 3,000 patients each year.

David is a former Treasurer at Keele University, a former Chairman of the Building Societies Association, and in 2011 he was awarded an Honorary Doctorate by Staffordshire University.

Robert Edwards
External Non-Executive Director (Age 66)

After graduating from Leeds University with a BSc Honours degree in mathematics in 1977, Rob worked exclusively in Financial Services for over 40 years, principally with Friendly Societies.

Up until September 2013, he was permanently employed by Family Investments (FI), for 25 years. He held positions as a Company Director for over 15 years, including over 12 years as Chief Operating Officer (COO), with responsibility for all key operational functions, including Marketing, Finance, IT and Customer Services, and 350 employees. During this time he also chaired the Association of Financial Mutuals (AFM) COO network.

Having retired from full-time employment, Rob worked as a Non-Executive Director on the Kingston Unity (KU) Main Board from June 2014, and then became Chairman of the Society in July 2015 until the merger with The Oddfellows. As well as chairing the Main Board, he has, over the six years, chaired the Nominations and Investment Sub-Committees, and Working Parties to review the Society's merger, distribution and IT strategies.

Prior to working at FI, Rob worked for a mutual life office followed by a traditional friendly society, then the Tunbridge Wells Equitable Friendly Society, and this coupled with over six years at KU, has provided sound experience and knowledge of the operation of branch–based Societies with delegate systems.

David Grant
External Non-Executive Director (Age 62)

Dave joined as a Society Director on 1 February 2021, as a result of the transfer of engagements of Kingston Unity, and currently sits on the Society's Commercial Board. He served as an NED of KU from 2019 through to the transfer date.

He currently works as a business consultant across a number of different industries, both in the UK and overseas. He also holds two other NED roles. He serves on the Board of a regional Building Society, where he also Chairs their Risk Committee, and also at a Mortgage and Protection Network business.

He previously held a wide variety of senior positions in Banks, Building Societies, Insurance and Pensions organisations, up to and including Board level.

He is a strong believer and advocate of the Mutual business model, and believes that the combination of a strong depth and breadth of experience, together with contemporary financial services market knowledge enable him to make a strong contribution to the Board.

Peter Darragh, Solicitor, BA, MA, PGDL
External Non-Executive Director (Age 42)

Peter joined Oddfellows Audit, Risk and Compliance Committee in 2021, having been co-opted to this role as a result of the transfer of engagements of the Kingston Unity Friendly Society (KU) and was duly elected as a Director of the Oddfellows at the 2021 AMC. Peter previously spent 11 years as a Non-Executive Director at KU, holding various positions during his tenure there, including Chairman for 4 years.

Most of Peter's career has been spent as a lawyer working at senior levels in both private practice with a regional and a 'magic circle' law firm (respectively) and in-house for a financial technology and an insurance/investment company. His main current role is as principal consultant for a legal and technology risk consulting firm, working with clients across a broad range of industries and jurisdictions. He also provides investment consultancy to a family office and has roles with various charities in Belfast which focus on community regeneration and address issues relating to deprivation.

Peter has a young family and enjoys sports, and currently serves as Vice-Commodore of County Antrim Yacht Club.

Directors

During the year to 31 December 2021, three Board meetings were held. As at 31 December there were 14 Directors; two Executive Directors, five Member Elected Non-Directors (MNED) and seven External Non-Executive Directors. The size and composition of the Board is kept under review to ensure that there are sufficient skills and experience represented on the Board for the direction of the Society's activities. Following the changes in the Society's governance in 2018, the AMC elect the Directors who are then allocated to the Commercial Board or Fraternal Board based on their skills, knowledge and experience, with each of these Sub Boards dealing with the two distinct areas of the business. In accordance with the Society's Rules, each of the Sub Boards appoints up to five of its number to sit on the Board. The list below identifies which Directors sit on which Board, Sub Board or Committee.

The Board is of the opinion that its composition is appropriate to the business. The Directors during the financial year and to the date of this report were:

Non-Executive (MNED)
David Ogden >*♦~
Barbara Needham >+*●♦
David Randall *●
Tony Luckett >+*●~
John Mann *♦

Executive
Jane Nelson >+*♦
Steve Code >+

External Non-Executive
Bill Connolly >+♦~
Colin Nugent >+●
Richard Gough +
David Webster (Chairman of the Board) >+~
Rob Edwards +
Dave Grant +
Peter Darragh ●

>Board
+Commercial Board
*Fraternal Board
●Audit, Risk and Compliance
♦Governance Committee
~Remuneration Committee

Board Attendance

Attendance at 2021 Board and Committee Meetings:

	Board		Commercial Board		Fraternal Board		Audit, Risk and Compliance Committee		Governance Committee		Remuneration Committee	
	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended	Meetings Held	Meetings Attended
David Ogden	3	3	8	4 ¤	5	5			4	4	2	2
Barbara Needham	3	2*	8	5 *	5	5	4	4	4	4		
David Randall	3	1 ¤			5	5	4	4				
Jane Nelson	3	3	8	8	5	5	4	4 +	4	4		
Tony Luckett	3	3	8	8	5	5	4	4	4	1 ¤	2	2
John Mann					5	3 *			4	3 *		
Steve Code	3	3	8	8								
Bill Connolly	3	3	8	8					4	4	2	2
Richard Gough			8	8								
Colin Nugent	3	2 ♦	8	7 >			4	4				
David Webster	3	2 ♦	8	7 ~							2	1 ~
Rob Edwards			8	7 *								
Dave Grant			8	7 *								
Peter Darragh							4	3 *				
Bill Henchliff							4	2 c				

♦ Personal ~ Holiday > Sickness

*** Newly appointed Director to the Board and/or Committee**
¤ Retired from Board or Committee May 2021
+ The Grand Master and Chief Executive Officer are ex-officio on all Committees and meetings attended have been included in the numbers

The Board has a number of Sub Boards/Committees that are formed to deal with specialist areas in more detail than would be possible at a Board meeting. Each Sub Board/Committee operates with defined Standing Orders and Terms of Reference. All Terms of Reference are reviewed annually by those Sub Boards/Committees and then submitted to the Board for approval.

All members of the Board are encouraged to attend meetings of other Sub Boards/Committees to which they are not a member.

Given the on going effects of the COVID- 19 pandemic in 2021, the first part of the year saw the continuation of holding meetings via Zoom with the mid part of the year returning to face to face meetings wherever possible. A summary of which meetings were held physically in the Office and which were held electronically is shown below:

Board		Commercial Board		Fraternal Board		ARCC		Governance Committee		Remuneration Committee	
Zoom	March	Zoom	Jan, Feb, Mar, April	Zoom	Feb, April	Zoom	Jan, Mar	Zoom	Feb	Zoom	Feb
Office	July, Dec	Office	June, Aug, Oct, Dec	Office	June, Sept, Nov	Office	July, Nov	Office	June, Sept, Nov	Office	Dec

Independence

The Society defines that a Non-Executive Director is independent provided that the individual:

- has not been a Director for more than nine years; and/or
- is not a member of the Society's Occupational Pension Scheme.

As at 31 December 2021, ten Directors were classed as independent.

One MNED and one External NED have served longer than nine years and remain as Directors because of the skills, knowledge and experience they have to offer to the Society. The Board considers that the two individuals are independent in experience, character and judgement.

MNED David Randall served as the Senior Independent Director from June 2021, taking over the role from MNED Tony Luckett. Both David and Tony were available to members for unresolved concerns during their respective tenures.

Determining whether or not there are relationships or circumstances that are likely to affect a Director's judgement or independence is delegated to the Secretary of the Order and Company Secretary, who review the contents of the Related Party Transactions declarations as required by the FRS 102 Section 33, and Annual Fit & Proper Monitoring Form completed by each Director. In addition, Directors are required to declare any interests they may have when discussions take place.

Induction Training and Evaluation of Directors

The Regulators are taking a more stringent approach to the assessment of applicants under the PRA/FCA Senior Managers & Certification Regime (SM&CR), particularly relating to the applicant's core competencies and capabilities in the following areas:

- Business Strategy and Model;
- Governance, Oversight and Controls;
- Market Knowledge;
- Regulatory Framework and Requirements; and
- Risk Management and Controls.

A skills and knowledge gap analysis for new Board, Sub Boards and Committee members is covered as part of their induction, in accordance with the Society's Training and Development Scheme.

In accordance with that Scheme, each member of the Board, Sub Boards and Committees undertook self-assessment before the end of 2021, a process which highlights areas of strengths and areas for development, which can be appropriately addressed. During 2021, each member of the Board, Sub Boards and Committees undertook continuing professional development appropriate for themselves. Full records are kept of the progress of the individual's training which is updated as appropriate. This, therefore, enables the Society to ensure that the Directors continually update their skills and knowledge required for them to fulfil their roles on the Board, Sub Boards and Committees.

Election as a Director is followed by a formalised tailored induction process on the Society's business and regulatory environment. All Directors are required to update their skills and knowledge through meetings with the Executive of the Society, its Senior Management and relevant external courses, all of which is fully documented in the Training and Development plan. Any individual training requirements resulting from the evaluation process are documented and the necessary arrangements made.

The evaluations of the members of the Board, Sub Boards and Committees included team evaluations. The team evaluation process included the Board, Commercial Board, Fraternal Board, Governance Committee and the Audit, Risk and Compliance Committee, whilst the individual self-assessments were designed to ensure that each member was evaluated across all their duties and responsibilities as a Director or Skilled Person of the Society. The results of the evaluations are taken into account when assessing the overall balance, effectiveness, appropriateness and competence of the Board, Sub Boards and Committees.

The Chairman meets each Director and Skilled Person after each evaluation to discuss the development needs of each individual. The evaluation of the Chairman is carried out by the Senior Independent Director. There were no occasions during 2021 where the Directors met without the presence of the Chairman.

The Training and Development Scheme ensures that the training, development and knowledge standards are appropriate not only to demonstrate a level equal to the regulatory requirements and obligations, but also appropriate and suitable to meet the needs of Directors and the Society. A key element of the Training and Development Scheme is the requirement for all Directors and Skilled Persons to undertake the following e-learning modules on at least a biennial basis. Newly appointed Directors also undertake "Introduction to UK Financial Regulations".

- Anti Bribery
- Anti Money Laundering & Counter Terrorism Financing
- Conduct Risk
- Data Protection (GDPR)
- Information Security
- Senior Manager &Certification Regime (SM&CR)
- Working Safely
- Whistleblowing

Sub Boards and Committees

Sub Boards and Committees are appointed where necessary with specific delegated responsibilities including, in the case of Sub Boards, the ability to pass resolutions of a non policy nature. The Chief Executive is a member of the Board, both Sub Boards, the Governance Committee and by virtue of her office is ex-officio on all other Committees. The Grand Master is a member of the Board and Fraternal Board and by virtue of his office is ex-officio on all other Committees.

Those Sub Boards and Committees in existence in 2021 were:

Audit, Risk and Compliance Committee:	Colin Nugent	(Chairman) (External Non-Executive Director)
	Barbara Needham	
	David Randall	
	Tony Luckett	
	Peter Darragh	(External Non-Executive Director)
	Charles Haygarth	(External Skilled Person)

Composition of the ARCC

The members of the Audit, Risk and Compliance Committee (ARCC) as at 31 December 2021 are as stated above. Charles Haygarth (External Skilled Person) was appointed Vice Chairman of the ARCC on 21 January 2021.

The ARCC is appointed annually by the Board and consists of at least five persons who are either Non- Executive Directors who are members of the Society, or persons with relevant Regulatory, Risk, Financial and Audit experience.

No person may serve on the ARCC for more than nine years and only members of the Committee have the right to attend meetings. However, other individuals (e.g. Directors, Chief Executive, Compliance & Risk Officer, Departmental Managers, and Financial Controller) are invited to attend all or part of any meeting as and when appropriate.

Representatives of the External Auditor and Internal Auditor are also invited to attend meetings on a regular basis.

Meetings

The ARCC meets not less frequently than four times a year.

The ARCC receives written and/or verbal reports from the following:

- CEO;
- Compliance & Risk Officer;
- Head of IT;
- Other Senior Management;
- Society's Internal and External Auditors; and
- Society's Actuaries.

Four meetings of the ARCC were held during 2021. Representations from the Internal Auditors were made at each meeting and representatives of the External Auditor attended, as required, at two of those meetings.

Responsibilities of the ARCC

The ARCC has responsibilities in the following areas:

- Compliance & Prevention of Financial Crime;
- External Audit;
- Financial Reporting;
- Internal Audit;
- Risk Management and internal Controls and Procedures, including oversight and approval of the Society's processes with regards to the production of the Own Risk Solvency Assessment (ORSA) and Solvency Financial Condition Report (SFCR); and
- Whistle blowing.

The overall role of the ARCC is to protect the interests of the Members as regards the appropriate management of risk, the integrity of the published Financial Information and the effectiveness of the various audits.

In 2021, the Society did not receive any whistleblowing reports.

Risk Management Framework (RMF) and internal control

The Society's RMF is designed to create, protect, and enhance stakeholder value and the Society's viability by managing the principal uncertainties that could prejudice it achieving its objectives.

In having a RMF the Society strives to achieve the following objectives:

- ***Oversight:***
  All critical risks have been identified and are being managed and monitored under a holistic approach consistent with the Board's approved Risk Appetite Statements.

- ***Ownership and Responsibility:***
  The ownership of risk is assigned to Risk Owners who are responsible for identifying, evaluating and reporting risk exposures.

- ***Assurance:***
  The Board, Directors and Members have reasonable assurance that risk is being appropriately managed within the defined levels of risk appetite to bring value to the Society.

The RMF includes the strategies, Risk Appetite statements, policies, tools, processes and reporting procedures necessary to identify, measure, manage, monitor and report on the risks to which the Society is, or could be, exposed. The RMF operates around the proven 'three lines of defence model' for overseeing its internal control frameworks:

First line of defence: this encompasses the controls the Society has in place to deal with the day-to-day business. The controls are embedded within the Society's business departments' systems and processes to highlight control breakdown, inadequacy of process and unexpected events, and appropriately mitigate risk.

Second line of defence: this encompasses the Society's Sub Boards, Committees and key functions that are in place to provide an oversight of the effective operation of the internal control framework. The Society's Sub Boards and Committees review the management of risk in relation to the particular risk appetite of the business, as determined by the Board.

Third line of defence: this encompasses the independent assurance and challenge provided by the Society's ARCC and Internal Audit function, which undertake a programme of risk based audits covering all aspects of both first and second lines of defence.

This model is widely accepted as best practice and has support from the Regulators.

The External Auditors provide independent challenge of the internal control framework in respect of financial reporting. The Society's Compliance & Risk Officer has the day to day responsibility for the Society's RMF.

The Compliance & Risk Officer provides the ARCC with assurance reports to confirm the adequacy and effectiveness of the Society's Compliance and Risk Management systems and controls, and that they are appropriate and proportionate to the Society's scale, complexity and business model.

The Society's Head of IT provides the ARCC with assurance reports with regards the adequacy and effectiveness of the Society's cyber security systems and controls, and that they are appropriate and proportionate to the Society's scale, complexity and business model.

The Chairman of ARCC holds the role of the Society's Risk Champion with oversight responsibility for promoting and building a risk awareness culture within the Society.

Financial risk management objectives and policies

The Society's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The source of risk and further details around the management of risks which are faced by the Society are disclosed and discussed in greater detail within Note 26 in these Financial Statements.

The use of financial derivatives is governed by the Society's policies approved by the Board, which provide written principles on the use of financial derivatives to manage these risks. The Society does not use derivative financial instruments for speculative purposes. It should be noted however, that throughout 2021, financial derivatives have not been utilised.

Assessment of internal controls

The Society has in place an internal control environment to protect the Society from the material risks which have been identified, as documented in the RMF and Internal Control section of this report on Pages 44 and 45. Improvements continue to be made to internal controls as raised by the Internal or External Auditors. Management is responsible for establishing and maintaining adequate internal controls over financial reporting and the ARCC provides oversight for ensuring the effectiveness of these controls.

The ARCC has reviewed the process by which the Society evaluated its control environment. Its work here was driven primarily by the Society's Internal Audit reports on the effectiveness of internal controls and any other operational issues reported.

The ARCC continues to review the effectiveness of the Society's systems of risk, governance and internal control and updates the internal procedures to maintain a low-risk environment.

External Audit

The Unity Office External Audit service is provided by Deloitte LLP (Deloitte). However, given that the Audit Partner is leaving the firm in Summer 2022 then the Society determined that the External Audit would be put out to tender for the year ended 31 December 2022 and this process commenced before the end of 2021.

Due to the global pandemic Covid-19 and the national lockdowns that followed, audit planning and year end 2021 audit work was performed remotely via zoom meetings. As undertaken for a number of years audit information and data has been shared via a secure data portal, which has enabled the external audit work to be performed as planned.

As well as reviewing and monitoring the External Auditor's independence, objectivity and the effectiveness of the audit process, the ARCC undertakes a review of the External Auditor effectiveness in line with the requirements of the UK Corporate Governance Code. This was not undertaken in 2021 given that the Society will have new External Auditors for the year ended 31 December 2022.

Independence of External Auditor

The Audit, Risk and Compliance Committee is responsible for monitoring the relationship between the Society and the External Auditor, and as part of this process the Committee considers the External Auditor's effectiveness on an annual basis. There are no contractual obligations restricting the Society's choice of External Auditor. In order to ensure that the Auditor's objectivity and independence are safeguarded the following procedures are in place.

- ***Audit Partner rotation:*** Following the reappointment of Deloitte in 2020 the Audit Partner was changed to Peter Birch. The Partner can perform the role for a period of five years.

- ***Audit related services:*** This is work that the External Auditor performs in its capacity as Auditor, where the nature of the work is closely allied to that of the audit of the Reports and Financial Statements. Accordingly, this work is undertaken by the External Auditor unless unusual circumstances apply.

Tax advice

The Society is a Public Interest Entity and as such certain tax advice and compliance services are prohibited under this definition as the tax advice is deemed to have a direct or material impact on the Financial Statements.

Regulations require the Society to obtain tax advice and compliance services from a firm separate from the auditing firm. PwC LLP were first appointed in 2017 as the Society's Tax Advisors and remain in position as at the end of 2021.

Significant Issues related to the Reports & Financial Statements

The Committee's role in monitoring financial reporting issues is fundamental to ensuring that all the Society's stakeholders maintain their trust in its activities and reporting. The External Auditor, Deloitte LLP, is used to help ensure that suitable accounting policies have been implemented and appropriate judgements have been made by management. The key significant risks which we considered during 2021 were as follows:

Code Provision	Explanation
Technical provisions assumptions	The ARCC received copies of the Commercial Board minutes regarding the Valuation Assumptions presentations and reports to the Commercial Board by the Society's Actuarial Technician, Chief and With Profits Actuaries. The ARCC were satisfied that the assumptions adopted were appropriate to the Society. Refer to Note 14.
Integrity of the data used in the reserving process	The information provided to the Chief and With Profits Actuaries for inclusion in the reserving process is extracted directly from the Society's own financial information and a Data Report is presented to the Commercial Board detailing the data quality results and movement analysis. The information above sets out the governance processes and responsibilities of the ARCC including the oversight that the ARCC has over the Society's risk of inaccurate financial reporting.
Valuation of investment property, in particular, commercial properties (specifically retail and leisure)	Inaccurate valuation of investment property would generate a significant change in the reported results and position of the Society. As noted above, the ARCC monitors Financial Reporting. This includes reviewing the reported results prior to approval and discussion with the Board around significant fluctuations. The ARCC also considers the results of Internal Audit work and External Audit reports in coming to their conclusion.
Kingston Unity Friendly Society (KUFS) acquisition accounting	The ARCC received copies of the report of the CEO showing the opening balances transferred from KUFS on 1 February 2021. The ARCC were satisfied that the report and evidence of the balance sheet represented fair value, was correct and justified.

The ARCC reviewed the Reports & Financial Statements and appropriately challenged management as to whether they had sufficiently addressed the Financial Reporting Council (FRC) areas of focus. In particular the disclosures of Critical Judgements, Estimates and Pensions. As well as the impact of Covid-19 over the previous two years and the Society's journey regarding assessing the impact of climate related financial risks as reported on Page 13.

Internal Audit of Unity Office
The Internal Audit service for Unity Offices (both in Manchester and Liverpool) has been provided by MHA Moore and Smalley. This service is responsible for reviewing the Society's internal systems and controls and reports the outcome to each meeting of the ARCC, who continually monitor the planning and progress of this work.

The Internal Audit Plan was agreed by the ARCC following an assessment of the results of the audit work already undertaken.

The audit needs analysis was taken into account when developing the Internal Audit strategy, Strategic Plan and annual plan of work. All work follows a risk based systems audit approach.

During the year ended 31 December 2021 audit work was conducted across departments within the Offices in Manchester and Liverpool.

Internal audit work is performed quarterly to fall in line with ARCC meetings. Due to the impact of Covid-19 work was performed remotely. Meetings with Unity staff were held via zoom, rather than face to face. The use of screen sharing and secure transfer of documents via cloud services has enabled the internal audit work to be performed as planned.

Each department, where recommendations to changes in their procedure had previously been made, were revisited as and when those recommendations became due. Of the Internal Audit recommendations made in previous years, there were two recommendations made which were still in the process of being actioned at the end of 2021. The ARCC continue to review these on a regular basis to ensure that appropriate action is taken. The ARCC are satisfied that there were no material risks to internal controls as a result of the recommendations still outstanding at the end of 2021.

The Society's Internal Audit function has confirmed in their Annual Report to the Committee that they are satisfied that sufficient internal audit work has been undertaken to allow them to draw a reasonable conclusion as to the adequacy and effectiveness of the Society's risk management, and control processes. In their opinion the Society's management and control processes are adequate to manage its achievement of the Society's objectives.

During the second half of 2021, a Sub-Committee of the ARCC, including the Chief Executive Officer and Compliance & Risk Officer undertook a competitive tender process for the Society's outsourced Internal Audit provider. As a result, with effect from 1 January 2022 the firm of RSM UK Risk Assurance Services LLP will be undertaking the role of Internal Auditor.

Summary
The ARCC is empowered to take action at any time if it believes that it is necessary, including reporting to the Board and the Annual Movable Conference. There were no exceptions that the Committee consider should have been reported during 2021.

Commercial Board:	Richard Gough	(Chairman) (Ext Non-Executive Director)
	Jane Nelson	
	Steve Code	
	Barbara Needham	
	Tony Luckett	
	Bill Connolly	(External Non-Executive Director)
	Colin Nugent	(External Non-Executive Director)
	David Webster	(External Non-Executive Director)
	Robert Edwards	(External Non-Executive Director)
	David Grant	(External Non-Executive Director)

The members of the Commercial Board as at 31 December 2021 are as stated above.

Directors are elected at the AMC and are allocated to one of the two Sub Boards. Those appointed to the Commercial Board are confirmed by resolution of the Board.

The Commercial Board consists of at least seven members including the Chairman of the Commercial Board, the Chief Executive Officer, the Insurance Director, the Chairman of the Board, one External NED and two Member Elected NED's. The Commercial Board appoints its own Chairman at the first meeting after the AMC.

The Commercial Board has access to the Actuary, Internal and External Auditors, Solicitors and any other advisors approved by the Board as required.

The Commercial Board is responsible for the tactical application of strategy and implementation of policy with regards to:

- Strategy and Management of the Society's Long Term Business (LTB) including:
  - Actuarial Valuation under Solvency II;
  - Annual expenditure budget for the LTB;
  - Bonus Recommendations;
  - Business Planning and new developments;
  - Own Risk and Solvency Assessment (ORSA);
  - Regulatory Supervisory Report (RSR);
  - Reserves and Allocation of Free Assets; and
  - Solvency and Financial Condition Report (SFCR).

- Operational Management of the LTB including:
  - Investment Performance;
  - Treating Customers Fairly (TCF) and Conduct Risk;
  - Reviewing the effectiveness of the Society's policies, including oversight of the following Risk Management Framework (RMF) policies:
    - Asset & Liability Management;
    - Concentration Risk;
    - Data;
    - Investment Risk;
    - Liquidity Risk;
    - Market Risk;
    - ORSA/SFCR;
    - Reinsurance Risk;
    - Reserving; and
    - Underwriting Risk.

- Risk Management including overseeing risk in relation to the particular risk appetite statements to the business of the Commercial Board which includes Financial, Investments, LTB and Unity Office risks relating to the Society;

- Compliance and prevention of financial crime including review of the systems and processes by which compliance issues are identified and managed in addition to receiving reports on prevention, detection and investigation of fraudulent activity, financial crime or misconduct within or against the Society in relation to the Society's business; and
- Finance including determining the asset strategy of both Unity Funds and LTB, the latter of which is determined in consultation with the Society's Chief Actuary.

The Commercial Board also acts as the Society's With-Profits Advisory Arrangement and is accountable to the Board for monitoring, controlling and directing the business affairs of the Society in relation to the Society's LTB, subject to matters reserved for the Board. In carrying out the role of the Society's With-Profits Advisory Arrangement, it shall:

- assess whether the LTB with profits funds are managed in accordance with the Principles & Practices of Financial Management ("PPFM") as detailed in the PPFM;
- assess whether the Society is complying with the principles and practices set out in the PPFM;
- assess whether the Society is addressing the rights and interests of its With Profits policyholders compared with other stakeholders in a way that is consistent with treating customers fairly;
- assess the fair outcomes for policyholders taking into account any relevant historical provisions detailed in any relevant instrument of transfer;
- assess any future new product developments and, if supported by the With Profits assets, the impacts on the surplus of the funds;
- assess the impact of any planned management actions;
- assess management information, including any policyholder complaints;
- assess the performance of the With Profits Actuary at least annually;
- assess and consider the appropriateness of the costs and expenses incurred in running the funds;

- consider how bonus rates, smoothing and, if relevant, market value reductions have been calculated and applied;
- consider the relative interests of policyholders with and without guarantees;
- consider With Profits customer communications, such as annual reports, bonus statements, product literature and reports to With Profits policyholders;
- identify surplus and excess surplus and the merits of distribution/retention;
- provide advice and guidance on any other issues that With Profits policyholders might reasonably expect the Advisory Arrangement to be involved in; and
- review and update the Society's LTB Run-Off Plan.

Throughout the year the Commercial Board has received written and/or verbal reports from the Society's Executive Directors, Senior Management and the Society's Actuaries.

Regulatory Bodies
The Commercial Board continues to keep a watching brief on the regulatory frameworks. This includes the Solvency II environment, and the regulatory feedback and consultation papers issued by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

Solvency
The Commercial Board continues to monitor the solvency position of the LTB funds on a quarterly basis and takes action to strengthen the solvency, through specific management actions, where appropriate.

Transfer of Engagements
The Commercial Board is committed to pursuing further transfers providing they prove to be in the interests of the Society's members and policyholders. The transfer of engagements of the Kingston Unity Friendly Society was completed on 1 February 2021.

Strategic Development
The Society's membership base is a valuable asset and the Commercial Board believes that there exists an opportunity to increase product penetration through cross-selling new products. Going forward, under the Unity Mutual brand, it aims to consider new products that are seen to be appropriate for the Society.

Fraternal Board:	David Ogden	(Chairman)
	Jane Nelson	
	Barbara Needham	
	David Randall	
	Tony Luckett	
	John Mann	

The members of the Fraternal Board as at 31 December 2021 are as stated above.

Directors are elected at the AMC and are allocated to one of the two sub Boards. Those appointed to the Fraternal Board are confirmed by resolution of the Board.

The Fraternal Board consists of at least six members including the Grand Master, the Deputy Grand Master, the Chief Executive Officer/Secretary of the Order, the Immediate Past Grand Master and two Member Elected Non-Executive Directors. The Grand Master of the Order is the Chairman and is appointed at the first Fraternal Board meeting following the AMC.

The Fraternal Board has access to the Actuary, Internal and External Auditors, Solicitors and any other advisors approved by the Board as required.

Directors' Report

The Fraternal Board is responsible for the tactical application of strategy and implementation of policy with respect to matters listed below:

- Appointment of Deputations;
    - Administration and supervision of Branches including:
    - Amalgamations of Branches and transfers of engagements;
    - Branch Financial Statements;
    - Branch Internal Audits;
    - Branch Investments;
    - Branch Special Rules;
    - Oddfellows Halls;
    - Transfers of funds; and
    - Variations of Lodge Benefits.
- Benevolence including:
    - Convalescent and Care benefit;
    - Emergency Benevolence Grants;
    - Educational and Apprenticeship Awards;
    - H A Andrews Memorial Fund;
    - Legal Aid Scheme; and.
    - Orphan Gift Fund
- Branch delivery of social and care;
- Branch training including Weekend Seminars;
- Group Conferences;
- Management of relationships with third parties;
- Making a Difference Awards;
- Oddfellows Brass;
- Public Relations;
- Recruitment and retention;
- Risk Management;
- Rules and Procedures;
- Society's Publications; and
- Traditions of the Society.

A Branch Internal Auditor is employed at Unity Office to undertake the internal audit work at Branches. The outcome of these audits for financial administration and compliance is reported at all meetings of the Fraternal Board. Since 2018 Branch Internal Audits have been carried out on a rolling basis, with the aim being to ensure all Branches are internally audited every two years. A schedule of Branches due for visit is prepared and rationalised so that work in adjacent areas can be conducted where possible to minimise the Branch Auditor spending unnecessary time in travel. The process now followed also includes some pre work being requested from Branch Secretaries to ensure a more efficient and effective programme of internal audit visits.

Given the effects of the pandemic experienced in 2020 and 2021, it was not possible to audit as many Branches as intended. Fifteen Branch internal audits were carried out in 2020 but 33 visits were completed from July to December 2021, all of which were reported to the Fraternal Board meetings during 2020 and 2021. As we move into 2022, it is envisaged that all Branches will be audited every two years.

In the majority of cases any recommendations as a result of the Internal Audit visits were accepted and actioned by the relevant Branch Committee of Management. In 2021 there were no cases where re-visits were considered necessary, but some chasing up of actions and/or recommendations was required in a number of instances. There were no occasions in 2021 where a Deputation had to be appointed as a result of an Internal Audit visit. In general, the Branch administration in the majority of our Branches is deemed to be consistent and satisfactory.

All Branch audit reports and the responses of the Committee of Management to the recommendations of the Branch Internal Auditor are critically reviewed by the Fraternal Board, so that they can be satisfied that both the Branch function and the approach of their Committees, in general, is appropriate and 'fit for purpose'.

Where there is any doubt expressed that the Branch administration is in need of further scrutiny then the Fraternal Board are empowered to appoint a Deputation to ensure that all assistance necessary can be afforded to the Branches.

Directors' Report

Unity Office have been the Regulators of all Branches since the Society became incorporated in January 2013. Therefore, a greater degree of scrutiny will continue to appear within the Branch Audits to ensure total compliance of every Branch administration with the requirements of the 1992 Act as well as compliance with the Society's Rules and Procedures.

The Fraternal Board is also responsible for fraternal risks relating to the Society and for the passing of resolutions in furtherance of the aims and directives of the Society's strategy and in accordance with the policy of the Board which will receive and approve its minutes.

Governance Committee:	Barbara Needham	(Chairman)
	David Ogden	
	Jane Nelson	
	John Mann	
	Bill Connolly	(External Non-Executive Director)
	Vicky Morley	(Company Secretary)

The members of the Governance Committee as at 31 December 2021 are as stated above.

The Governance Committee is responsible for monitoring the appropriateness of the Society's corporate governance arrangements. In doing so, it needs to take account of the regulatory matters that affect the Society and, where appropriate, makes recommendations based on its deliberations and conclusions to the Board, Sub Boards and Committees.

The Governance Committee has received written and/or verbal reports from the following during the course of 2021:

- Chief Executive Officer;
- Compliance & Risk Officer; and
- Company Secretary.

The oversight and management of governance related risks within the Society's Risk Management Framework. The Governance Committee undertook reviews and reported back on the following matters during 2021:

- Traditions of the Society.
- The various matters that came about from the Prudential Regulatory Authority and the Financial Conduct Authority with regards the Senior Managers & Certification Regime;
- Review and update of the Director's Handbook;
- Review of the Society's compliance with the Association of Financial Mutuals (AFM) Corporate Governance Code (CGC), across six key Principles;
- The annual assessment of the on-going fitness and propriety of the Society's Regulated Persons;
- Review and update of the 'Becoming a Director of the Oddfellows' Booklet;
- Governance Committee Clause;
- Review of PRA Rules on Board Diversity and Succession Planning;
- Review of Directors and Senior Managers Succession Planning;
- Review and updating of Director & Skilled Persons Appraisal Forms;
- MNED Nominees Training; and
- The Terms of Reference for the Sub Boards and Committees.

The Governance Committee acts as the Society's Nominations Committee in respect of Member Nominated Non-Executive Directors. As part of the process by which the Board has to satisfy itself about a candidate's fitness and propriety to stand for election as a Member Nominated Non-Executive Director (MNED), potential candidates were invited to receive training prior to Branches submitting their nominations The training covered the aspects for both the fraternal and regulatory expectations in respect of the role of a Director of an Incorporated Friendly Society.

Five members attended (either in person or via Zoom) the training that was held on 6 October 2021, and by the deadline of 30 November 2021, three new MNED nominations had been received.

Remuneration Committee: Tony Luckett (Chairman)
Bill Connolly
David Ogden
David Webster

The members of the Remuneration Committee as at 31 December 2021 are as stated above.

The Main Board delegates responsibility of overseeing the design, implementation and maintenance of the Society's Remuneration Policy to the Remuneration Committee.

The Remuneration Committee is responsible for:

- reviewing the framework or broad policy for the remuneration of Executive Directors and Non-Executive Directors and submitting it to the Board for approval;
- determining targets for any performance-related pay schemes operated by the Society.

For the year 2021, the Committee again decided not to use the services of an external consultancy. As reported previously, this is largely because the data provided by the consultant previously engaged by the Society is capable of being collated internally and is also in the public domain. Furthermore, the market conditions in which the remuneration of the Society's Executive Directors was set did not warrant the expenditure that would have been incurred by engaging external support.

The main sources of data used to benchmark the remuneration of the Executive Directors were:

- Remuneration packages of the member organisations of the Association of Financial Mutuals; and
- The published Reports and Accounts for those Societies considered to be the closest comparators to our Society.

The Chief Executive Officer is invited to attend meetings of the Committee to participate in the consideration of the remuneration of the Insurance Director and associated matters but the CEO is excluded from discussions relating to her own remuneration. The Committee then makes recommendations to the Non-Executive Directors regarding the basis of the Executive Directors' remuneration.
Annual performance reviews of the Executive Directors are undertaken by the Remuneration Committee, based on the Executive Directors' objectives derived from the Society's Strategic Plan. Formal appraisals were held with both Directors in this regard.

The Remuneration Committee reviews Executive Directors' remuneration annually. It considers it is in the Members' interests for remuneration packages to be competitive in order to attract, retain and motivate people of the required calibre.

The details shown in the following tables reflect the remuneration arrangements that have been in place for the Chief Executive Officer and the Insurance Director during 2021:

	Salary	Bonus	Cash Allowance in lieu of pension	Taxable Benefits	Total	
					2021	2020
Chief Executive Officer/ Secretary of the Order	182,452	4,214	45,929	10,954	243,549	£220,512
Insurance Director	159,954	3,694	40,265	9,613	213,526	£193,711
Total	342,406	7,908	86,194	20,567	457,075	£414,223

Taxable Benefits currently offered are private medical insurance and a company car or car allowance. The Executive Directors both have notice periods of 12 months.

Pension entitlements

The figures are in respect of benefits within the M U Pension Scheme.

Position	Accrued pension 31.12.21 (per annum)	Transfer value of accrued pension at 31.12.20	Transfer value of accrued pension at 31.12.21	Pension input amount over 2020 less Director's contributions	Pension input amount over 2021 less Director's contributions
Chief Executive Officer/Secretary of the Order	£70,769	£1,796,811	£1,811,455	Nil	Nil
Insurance Director	£7,840	£159,196	£161,150	Nil	Nil

Notes

- Mrs C J Nelson and Mr S Code both ceased accruing benefits in the Scheme and became deferred pensioners on 31 March 2016. Therefore from this date onwards the pension input amounts and contributions are zero.
- The accrued pensions are the deferred pension amounts which the Directors would be entitled to from normal retirement age based on accrued service prior to the relevant date.
- The transfer values represent the present value of the accrued deferred pension and associated benefits at the relevant date and have been calculated using a methodology set by M.U. Pension Trustees Limited, in accordance with the Pensions Regulator's guidance and applicable legislation.
- The deferred pension figures make no allowance for any future adjustments which may be required in relation to the equalisation of GMPs. However, the transfer values at 31.12.21 do include such an allowance, following the judgement in the Lloyds case.
- All accrued pensions and transfer values include the value of the Directors' AVC benefits, where applicable.
- At retirement Mrs Nelson will receive a deduction to her pension in respect of the Annual Allowance tax charges paid her behalf via the "Scheme Pays" arrangement. The table above makes no allowance for Mrs Nelson's Scheme Pays arrangement.

External and Member Elected Non-Executive Directors

The fee structure is fee based for the Society's External and Member Elected Non-Executive Directors for June 2021 to May 2022 is as detailed below:

- A base fee of £ £4,100 pa is paid to all Non-Executive Directors who sit on the Main Board, the Commercial Board or the Fraternal Board.
- An additional fee of £ 4,660 pa is paid to the Chairman of the Main Board.
- An additional fee of £1,140 pa is paid to the Chairmen of the Commercial and Fraternal Boards.
- An additional fee of £ £1,140 pa be paid to the Chairmen of the Audit, Risk & Compliance and the Governance Committees.
- An additional fee of £ £570 pa is paid to the Chairman of the Remuneration Committee, the Senior Independent Director and the Society's TCF & Conduct Risk Champion.
- An additional fee of £931.50 pa is paid to any Non-Executive Director who sits on both Sub-Boards.
- An additional fee of £1,140 pa is paid to the Grand Master in his year of Office.

Under the Terms of Transfer, the former KU Directors, who were nominated and appointed to the Commercial Board and the ARCC, a maximum fee of £9,000 pa will be paid for two years from the Effective Date of the transfer. The excess of such fee over and above the standard fees paid to other members of the Commercial Board and ARCC is charged to the KU Fund in accordance with the Instrument of Transfer.

These fees will be reviewed on an annual basis, the outcome of which will be reported to the next Annual Movable Conference in the same way as is done for Executive remuneration.

The details in the following table show the remuneration arrangements that have been in place for the Non-Executive Directors and reflect the remuneration for the year ended 31 December 2021:

	Total Remuneration	
Name	**2021**	**2020**
David Webster (Chairman)	8,675	6,127
David Ogden	6,245	5,442
Barbara Needham	5,285	3,842
David Randall	5,331	5,558
Tony Luckett	5,791	5,442
John Mann	2,415	-
Bill Henchliff	1,667	3,842
Richard Gough	5,767	5,454
Colin Nugent	5,205	4,917
Bill Connolly	4,082	5.920
David Grant	8,266	-
Robert Edwards	8,266	-
Peter Darragh	8,266	-

Notes
- External and Member Elected Non-Executive Directors are paid through PAYE. This does not mean that they are employed by the Society. Contracts for Services are in place for the NEDs under the revised structure.
- The Society does not pay any pension contributions for the NEDs under the revised structure.

Statement of Solvency
The Board considers that the value of the assets of the Society and its Branches at the end of the year, together with future income significantly exceeds future liabilities and operating expenses and is capable of providing adequate income to sustain the reasonable expectations of the members.

The Board confirms that the Society, at the end of the financial year, held eligible own funds to cover both the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR) as prescribed in the PRA rulebook for Solvency II firms.

Conflicts of Interest
The Society's code of conduct, regulatory Individual Conduct Rules and conflicts of interest policy requires any members of staff, Advisers or Directors to declare any potential or actual conflict of interest in respect of any business matter or transaction which is being considered.

In the event of such a conflict of interest, the individual must disclose to the Society any benefit they may receive from the business matter or transaction concerned. This requirement applies whether or not the Society sets aside the particular business matter or transaction concerned. It is not necessary for the individual concerned to have to account for the benefit if they are allowed to have an interest or duty by the rules of the Society and the interest or duty has been disclosed to and approved by the Board and/or Sub Board.

Charitable Donations
HA Andrews and the Lupus Trust
On 2 November, the Grand Master, David Ogden and the CEO, Jane Nelson visited Guy's Hospital in London to hand a cheque to the Lupus Trust's research team, Professor Jo Spencer and PHD student, Bekki Velounias. The donation marks the final instalment of a major three-year funding partnership, which totalled £85,000.

Helping others
In addition, Branches continued to support local and national charities and, in 2021, donated over £150,000 which is an increase from £140,000 in 2020.

Holdings in Subsidiaries
The Society holds 100% of the Ordinary Share Capital issued by Oddfellows Support Services Limited, an entity incorporated in the United Kingdom and whose registered address is Oddfellows House, 184-186 Deansgate, Manchester, M3 3WB.

Liability Insurance
The Society continues to effect Directors and Officers liability insurance for and behalf of the Directors and executive management as permitted by the Friendly Societies Act 1992.

Each of the Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the Society's performance, business model and strategy.

Statement of Disclosure of Information to Auditor
Each of the persons who is a Director at the date of this report confirms that, so far as each of them is aware, there is no information relevant to the audit of the Society's Financial Statements for the year ended 31 December 2021, of which the Auditor is unaware. Each Director has taken all steps that he/she ought to have taken in his/her duty as a Director to make himself/herself aware of any relevant audit information and to establish that the Society's Auditor is aware of that information.

The above report was approved by the Board and signed on its behalf by:

C J Nelson
Chief Executive Officer
7 April 2022

Independent Auditor's Report

Report on the audit of the Financial Statements

1. Opinion

In our opinion the Financial Statements of The Independent Order of Oddfellows Manchester Unity Friendly Society Limited (the 'Society') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the Society's affairs as at 31 December 2021 and of the group's and the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Friendly Societies Act 1992.

We have audited the Financial Statements which comprise:

- the group and Society income and expenditure accounts;
- the group and Society statements of comprehensive income;
- the group and Society balance sheets;
- the statement of accounting policies; and
- the related Notes 1 to 27, excluding the capital statement in Note 14 calculated in accordance with the Solvency II regime which are marked as "unaudited".

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. 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 the Society in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (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 confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the Society.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Expense assumptions used within technical provisions; • Completeness and accuracy of policyholder data used within technical provisions; • Valuation of investment property; and • Kingston Unity Friendly Society ("KUFS") acquisition accounting; Within this report, key audit matters are identified as follows: ! Newly identified risk <> Similar level of risk
Materiality	The materiality that we used for the group Financial Statements was £511,000 which was determined on the basis of 2% Funds for Future Appropriation ("FFA").

Scoping	Audit procedures designed to respond to the risks of material misstatement were performed directly by the audit engagement team.
Significant changes in our approach	We have identified a new key audit matter relating to the KUFS acquisition accounting, as a result of the transfer of KUFS during the financial year.

4. 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's and Society's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's stress and scenario testing, and challenged management's key assumptions. In conjunction with internal actuarial specialists, we reviewed the governance over, and the production of, solvency monitoring information, and considered its consistency with other available information and our understanding of the business;
- Evaluating the group's budgets for the current year to assess the reasonableness of said budgets, in addition to assessing the accuracy of prior year budget vs actual figures;
- Evaluating management's assessment of going concern, including challenge of the stressed balance sheet and capital requirement projections within the Society's Own Risk and Solvency Assessment ("ORSA"), Medium Term Capital Management Plan, and operational matters within the Strategic Plan; and
- Assessing the going concern disclosures made by management in the Financial Statements, based on our knowledge gained throughout the audit.

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's and Society's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 The expense assumptions used in the Technical Provisions

Key audit matter description	The Technical Provisions balance is the largest liability on the Balance Sheet, held at £379.1m at 31 December 2021 (2020: £246.7m). Significant judgement is required in the setting of assumptions that underpin the Technical Provisions valuation and the group appoint an actuarial consultant to assist in the determination of the Technical Provisions. We identified a key audit matter in relation to the future expense assumptions used given the sensitivity of the provisions balance to changes in this assumption. The use of an inappropriate assumption, whether through fraud or error, could result in a material misstatement. In particular the provision valuation incorporates an assumption that future management actions will reduce the expense base in the longer term, which is a key judgement. Management included this as a critical accounting estimate in their financial statements in Note 1b. The accounting policy disclosure for the Technical Provisions is set out in Note 1a and the financial disclosures are set out in Note 14. This has been included in the Audit, Risk and Compliance Committee ("ARCC") report on Page 46.
How the scope of our audit responded to the key audit matter	In respect of the expense assumptions used within the technical provisions, we have performed the following procedures: • Gained an understanding of the relevant controls put in place by management to manage the risks associated with setting the expense assumptions; • Assessed the competence, capability and objectivity of management's actuarial expert; • Challenged the split of expenses used within the actuarial assumptions to assess whether the allocation between funds and product is consistent with the audited fund trial balance; • With the support of our actuarial specialists, challenged the appropriateness of the expense assumptions used within the modelling of Technical Provisions. As part of this work we have reviewed the adjustments to total expenses and the calculation of the per policy expenses; • Performed a retrospective comparison of the 2021 actual expenses to the 2021 budget, and a comparison of the on-going expenses included in the actuarial model and the 2022 budget; • Challenged the assumption that future management actions around the expense base will reduce overall expense levels per policy in the longer term by considering potential future acquisitions that would reduce the cost base of the Society; and • Agreed the actual expense base used in the assumption setting process through to the audited current year information to assess consistency.
Key observations	We consider the expense assumptions used in the Technical Provisions to be appropriate.

5.2 Completeness and accuracy of policyholder data used in the Technical Provisions

Key audit matter description	The group extracts data from a number of different platforms before passing this to the external actuarial consultant for processing through the actuarial models. We identified a key audit matter in relation to the completeness and accuracy of data used in the calculation given the quantum of the Technical Provisions. The use of incomplete or inaccurate data, whether through error or deliberate manipulation, could result in a material misstatement because the data extracted from the underlying platforms is integral to the material accuracy of the calculation at the year-end date. The accounting policy disclosure for the Technical Provisions is set out in Note 1a and the financial disclosures are set out in Note 14. This has been included in the ARCC report on Page 46.

How the scope of our audit responded to the key audit matter	In respect of the completeness and accuracy of policyholder data used within the Technical Provisions, we have performed the following procedures: • gained an understanding of the relevant controls in place around the preparation, maintenance and integrity of the actuarial data extracts; • gained an understanding of the relevant controls in place around the data input into the policyholder insurance systems; • with the support of IT specialists, gained an understanding of the relevant controls over data security including access privileges and change management on the policyholder insurance systems; • reconciled the number of policyholders included in the 2021 data extract to the 2020 audited data and tested a sample of the policyholder movements to supporting documentation to assess whether the data is complete and accurate; • reconciled the total policy count in the data extract provided to the external actuarial consultant to the totals included in the external actuarial consultant's portal which has been used in the Technical Provision calculation; and • tested a sample of policyholders from the data extract provided to the external actuarial consultant back to the details held on the policyholder systems and back to policyholder documentation.
Key observations	We consider the policyholder data used in the Technical Provision to be complete and accurate.

5.3 Valuation of investment property

Key audit matter description	At 31 December 2021, management's experts valued the investment property at £86.1m (2020: £70.9m), of which £32.6m (2020: £21.4m) related to properties within the retail and leisure sectors. We identified a key audit matter relating to this specific segment of the balance, due to the heightened uncertainty around the valuation inputs and the inability to gain reliable market benchmarks. Management's experts use various assumptions as inputs within the property valuation, these have been detailed within Note 26 on Page 95. Due to the judgemental nature of the balance, we identified the manipulation of investment property valuation an area of potential fraud. Due to the judgemental nature of the balance, we identified the manipulation of investment property valuation an area of potential fraud. The accounting policy disclosure for the investment properties is set out in Note 1a and the financial disclosures are set out in Note 5 and 26 This has been included in the ARCC report on Page 46.
How the scope of our audit responded to the key audit matter	In respect of the valuation of investment property, we have performed the following procedures: • Gained an understanding of the relevant controls in place over the valuation of the investment property portfolio; • Reconciled the fair value of investment properties through to the external valuation reports provided at the year end date; • Engaged our property valuation specialists to assess the work of the external valuation specialist and challenge the assumptions and methodologies used in the valuation process using published information sources to assess whether they are within a reasonable range; and • Assessed the objectivity, competence and capability of management experts.

Key observations	We consider the valuation of investment properties within the retail and leisure sectors, including its assumptions and methodology, to be appropriate.

5.4 Kingston Unity Friendly Society ("KUFS") acquisition accounting

Key audit matter description	In February 2021, the group completed a transfer of engagements exercise to acquire 100% of Kingston Unity Friendly Society (KUFS), in line with the Friendly Societies Act 1992 ("the Act"). As per the Act, the assets and liabilities of KUFS have been vested in the Oddfellows Friendly Society, with the group agreeing to fulfil the engagements of the KUFS. This is a non-routine transaction with a material business being transferred into the group. The complexities are in ensuring that the business combination is accounted for appropriately. In a transfer of engagements, no consideration is exchanged between parties. FRS 102 does not include scope for mutual entities and therefore management have referred to IFRS 3 which includes some specific requirements in relation to such transactions whilst making it clear that they should be accounted for using the purchase method. Management have included this as a critical accounting estimate in Note 1b to the financial statements. Management has concluded that the fair value of the consideration is equal to the FFA acquired, and no goodwill balance should therefore be recognised at acquisition. We have identified a key audit matter around the accounting for the transfer and the fair value of the consideration transferred at the date of acquisition. The inappropriate treatment, whether through fraud or error, could result in a material misstatement. The accounting policy disclosure for the transfer is set out in Note 1a and the financial disclosure, including the fair value of assets acquired, is set out in Note 27. This has also been included in the ARCC report on Page 46.
How the scope of our audit responded to the key audit matter	In respect of KUFS acquisition accounting, we have performed the following procedures: • Gained an understanding of the relevant controls in place over the acquisition accounting process; • Tested the acquisition-related costs included in the cost of the business combination by assessing whether these were directly attributable to the acquisition and whether they have been recorded at the appropriate amount; • Involved actuarial specialists in assessing the fair value of the acquired own funds and the fair value of the consideration paid by performing model replication work and assessing the appropriateness of assumptions used in the valuation of KUFS opening reserves; • Involved valuation specialists in assessing the valuation of investment property at the date of acquisition; • Tested the completeness of the identification of fair value adjustments made to the KUFS identifiable assets and liabilities as at the acquisition date. This involved assessing the methodology and assumptions applied by management in calculating the fair values; • Tested appropriateness of management's conclusion that the fair value of the consideration is equal to the FFA acquired, by determining a reasonable range for the consideration transferred at acquisition; and • Assessed the appropriateness of disclosures in relation to the KUFS acquisition in Financial Statements.
Key observations	We consider the acquisition accounting of KUFS to be appropriate, with management's assumed fair value of consideration being inside an acceptable range.

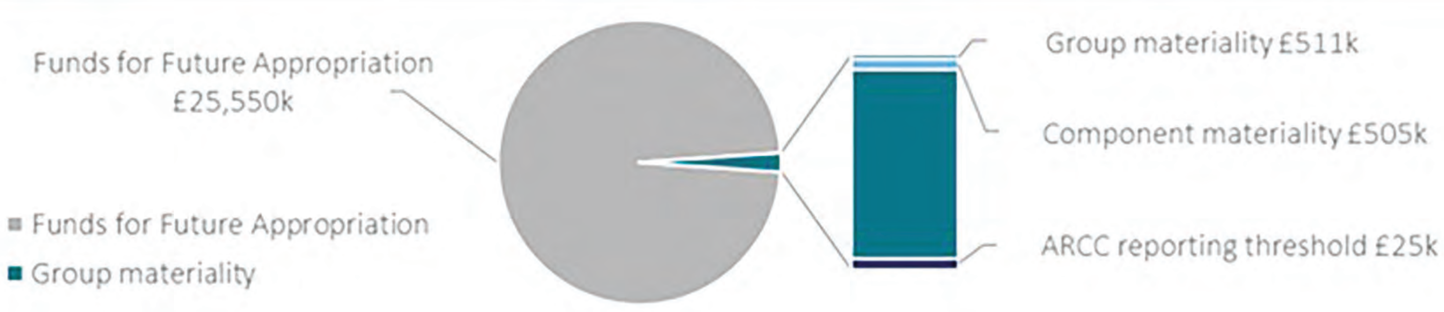
6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Society Financial Statements
Materiality	£511,000 (2020: £540,000)	£505,000 (2020: £534,000)
Basis for determining materiality	2% of FFA (2020: 3% of FFA).	2% of FFA (2020:3% of FFA) has been capped at 99% of group materiality.
Rationale for the benchmark applied	We consider FFA benchmark consistent with that used in relation to industry peers and that it is a key area of focus for users of the Financial Statements. It has also remained relatively stable post Solvency II implementation whilst reflecting any expected future growth of the group. We have decreased the factor applied to the materiality benchmark to 2% from 3% used in FY20. This is due to the increase in risk profile of the company.	



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole.

	Group Financial Statements	Society Financial Statements
Performance Materiality	60% (2020: 60%) of group materiality	60% (2020: 60%) of Society materiality
Basis and rationale for determining performance materiality	We have continued to determine performance materiality at 60% of materiality. Our judgement considers the recent history of misstatements, and the control deficiencies identified in prior periods given the size of the finance function and continuation of operating controls into a remote environment.	

6.3 Error reporting threshold

We agreed with the ARCC that we would report all audit differences in excess of £25,000 (2020: £27,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the ARCC on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

7. An overview of the scope of our audit

7.1 Identification and scoping of components

The group audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. The audit procedures have been designed to respond to the risks of material misstatement at a group level and were performed directly by the audit team. The society includes one subsidiary, Oddfellows Support Services Limited, and our scope covers 100% of the group.

7.2. Our consideration of climate-related risks

The group continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change. As part of our audit, we held discussions with management to understand the process of identifying climate-related risks, and its strategy for managing climate risk. We performed our own qualitative risk assessment of the potential impact of climate change on the group's account balances and classes of transactions. We also read the group's climate change related disclosures in the strategic report to consider whether they are materially consistent with the financial statement and our knowledge obtained during the audit.

8. 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 contained within the annual report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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's and the 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.

10. 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.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Board;
- results of our enquiries of management and the ARCC about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, IT, and actuarial specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the expense assumptions used in the technical provisions, the completeness and accuracy of policyholder data used in the technical provisions, the valuation of the investments properties and KUFS acquisition accounting. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the Friendly Societies Act 1992, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included consideration of Prudential Regulation Authority ("PRA") regulations, Financial Conduct Authority ("FCA") regulations as well as the Society's regulatory solvency requirements.

11.2 Audit response to risks identified

As a result of performing the above, we identified the expense assumptions used in the technical provisions, the completeness and accuracy of policyholder data used in the technical provisions, the valuation of the investment properties and KUFS acquisition accounting as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the ARCC and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and

reviewing correspondence with the FCA and PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Friendly Societies Act 1992

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.

In the light of the knowledge and understanding of the group and the Society and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1 Adequacy of explanations received and accounting records

Under the Friendly Societies Act 1992 we are required to report to you if, in our opinion:
- adequate accounting records have not been kept by the Society; or
- the Society's Financial Statements are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

We have nothing to report in respect of these matters.

14. Other matters which we are required to address

14.1 Auditor tenure

Following the recommendation of the ARCC, we were appointed by Annual Moveable Conference (AMC) to audit the Financial Statements for the year ending 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 12 years, covering the years ending 31 December 2010 to 31 December 2021.

14.2 Consistency of the audit report with the additional report to the ARCC

Our audit opinion is consistent with the additional report to the ARCC we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the Society's members, as a body, in accordance with section 73 of the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Birch (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester

7 April 2021

Group Consolidated Balance Sheet

		As at	
		31/12/2021 £'000	31/12/2020 £'000
ASSETS	**Note**		
Investments			
Land and buildings	5	86,146	70,953
Other financial investments			
Shares and other variable yield securities	6	78,463	70,906
Debt and other fixed income securities	7	150,738	112,377
Loans secured by mortgage	8	214	253
Assets held to cover linked liabilities	9	238,920	159,819
Debtors due within one year			
Other debtors	10	1,612	1,097
Other assets			
Tangible assets	11	5,174	4,791
Inventories		30	31
Other cash at banks and in hand		23,755	17,147
Prepayments and accrued income			
Accrued income		1,539	1,361
Prepayments		677	531
		587,268	439,266

Group Consolidated Balance Sheet

LIABILITIES	Note	As at 31/12/2021 £'000	31/12/2020 £'000
Reserves			
Reserves provided for, by the rules and other specific purposes	12	2,480	2,472
Fund for future appropriations	13	25,700	18,253
Technical provisions			
Long term business provision	14	147,944	91,603
Claims outstanding		1,229	1,326
Technical provisions for linked liabilities	14		
Insurance contracts		2,114	2,117
Investment contracts		229,026	152,929
Liabilities to investing branches		155,512	143,403
Creditors and accruals due within one year	15	2,740	2,267
Creditors, amounts falling due after more than one year	15	19,000	19,000
Deferred income		1,063	893
Pension scheme liability	16	460	5,003
		587,268	439,266

These Financial Statements of the Independent Order Fellows Manchester Unity Friendly Society Ltd. Registered number 223F were approved by the Board on 7 April 2022 and were signed on its behalf by:

C J Nelson
Chief Executive Officer/Secretary of the Order

Society Balance Sheet

ASSETS	Note	As at 31/12/2021 £'000	31/12/2020 £'000
Investments			
Land and buildings	5	86,146	70,953
Other financial investments			
Shares and other variable yield securities	6	78,463	70,906
Debt and other fixed income securities	7	150,738	112,377
Loans secured by mortgage	8	214	253
Assets held to cover linked liabilities	9	238,920	159,819
Debtors due within one year			
Other debtors	10	1,592	1,068
Other assets			
Tangible assets	11	5,174	4,791
Other cash at banks and in hand		23,748	17,141
Prepayments and accrued income			
Accrued income		1,539	1,360
Prepayments		675	530
		587,209	439,198

Society Balance Sheet

LIABILITIES	Note	As at 31/12/2021 £'000	31/12/2020 £'000
Reserves			
Reserves provided for, by the rules and other specific purposes	12	2,480	2,471
Fund for future appropriations	13	25,645	18,184
Technical provisions			
Long term business provision	14	147,944	91,603
Claims outstanding		1,229	1,326
Technical provisions for linked liabilities	14		
Insurance contracts		2,114	2,117
Investment contracts		229,026	152,929
Liabilities to investing branches		155,512	143,403
Creditors and accruals due within one year	15	2,736	2,267
Creditors, amounts falling due after more than one year	15	19,000	19,000
Deferred income		1,063	895
Pension scheme liability	16	460	5,003
		587,209	439,198

These Financial Statements of the Independent Order Fellows Manchester Unity Friendly Society Ltd. Registered number 223F were approved by the Board on 7 April 2022 and were signed on its behalf by:

C J Nelson
Chief Executive Officer/Secretary of the Order

Group Consolidated Income and Expenditure Accounts

		Years ended	
		31/12/2021 £'000	31/12/2020 £'000
TECHNICAL ACCOUNT: Long Term Business	**Note**		
Earned premiums, net of reinsurance		2,260	2,022
Investment Income	17	13,042	8,514
Unrealised gains/(losses) on linked investments		28,361	(21,786)
Unrealised (losses) gains on non-linked investments		(5,132)	3,466
Total technical income		36,271	(9,806)
Claims paid		(4,041)	(3,919)
Gross change in Long-Term Business Provision			
Decrease/(increase) in non-linked investment contract liabilities		6,570	(379)
(Increase) in insurance contract liabilities		(526)	(3,331)
Net Change in Long-Term Business Provision		6,044	(3,710)
Gross Changes in technical provision for linked liabilities			
(Increase)/decrease in linked investment contract liabilities		(35,032)	16,046
Decrease/(increase) in insurance contract liabilities		3	(92)
Net change in technical provisions for linked liabilities		(35,029)	15,954
Operating expenses		(4,107)	(2,960)
Investment expenses and charges		(448)	(268)
Tax	18	224	(196)
Other technical (expenses)/income		(47)	1
Transfer (to)/from Funds for Future Appropriations	13	(1,127)	2,882
Balance on the Long Term Business Technical Account		-	-

Group Consolidated Income and Expenditure Accounts

NON TECHNICAL ACCOUNT	Note	Years ended 31/12/2021 £'000	Years ended 31/12/2020 £'000
Turnover		76	78
Investment income	17	6,196	6,039
Gains/(losses) on realisation of investments		3,344	(372)
Movement in unrealised gains on investments		9,582	215
Annual lodge levy		2,070	2,039
Cost of Sales		(43)	(44)
Investment expenses and charges		(359)	(353)
Finance Charges		(581)	(586)
Other income		11	12
Investment return to investing branches	19	(15,663)	(5,006)
Net operating expenses		(2,670)	(2,766)
Non-contractual benefits		(178)	(113)
Pension scheme benefits	16	(326)	(177)
Transfer to the reserves provided for by the rules and other specific purposes	12	(8)	(3)
Excess of income over expenditure/(expenditure over income)	13	1,451	(1,037)

All the amounts above are in respect of continuing operations.

Society Income and Expenditure Accounts

NON TECHNICAL ACCOUNT	Note	Years ended 31/12/2021 £'000	31/12/2020 £'000
Investment income	17	6,196	6,039
Gains/(losses) on realisation of investments		3,344	(372)
Movement in unrealised gains on investments		9,582	215
Annual lodge levy		2,070	2,039
Investment expenses and charges		(359)	(353)
Finance Charges		(581)	(586)
Other income		11	12
Investment return to investing branches	19	(15,663)	(5,006)
Net operating expenses		(2,623)	(2,756)
Non-contractual benefits		(178)	(113)
Pension scheme benefits	16	(326)	(177)
Transfer to the reserves provided for by the rules and other specific purposes	12	(8)	(3)
Excess of income over expenditure/(expenditure over income)	13	1,465	(1,061)

All the amounts above are in respect of continuing operations.

Note: The inclusion of OSSL in the Group Income and Expenditure Accounts only affects the Non Technical Account, hence a Society Technical Account has not been presented as it would be identical to the Consolidated Technical Account on Page 69.

Statement of other Comprehensive Income

Group Consolidated Statement of other Comprehensive Income

	Note	Years ended 31/12/2021 £'000	31/12/2020 £'000
Surplus(Deficit) on Non Technical Account		1,451	(1,037)
Reserves provided for by the rules and other specific	12	8	108
Pension Scheme Actuarial gains/(losses)	16	4,869	(2,755)
Total comprehensive gain/(loss) for the year		6,328	(3,684)

Society Statement of other Comprehensive Income

	Note	Years ended 31/12/2021 £'000	31/12/2020 £'000
Surplus/(Deficit) on Non Technical Account		1,465	(1,061)
Reserves provided for by the rules and other specific	12	8	108
Pension Scheme Actuarial gains/(losses)	16	4,869	(2,755)
Total comprehensive gain/(loss) for the year		6,342	(3,708)

1a ACCOUNTING POLICIES

Basis of accounting
The principal accounting policies are summarised below. They have been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

The Independent Order of Odd Fellows Manchester Unity Friendly Society Limited is a registered Friendly Society under the Friendly Societies Act 1992. The Society is an incorporated Friendly Society in the UK whose registered office is 184-186 Deansgate, Manchester M3 3WB. The nature of the Society's operations and its principal activities are set out in the Strategic Report on Pages 7 to 25.

The Financial Statements have been prepared under the historical cost conventions, modified to include certain items at fair value, in accordance with Financial Reporting Standards 102 and 103 (FRS 102 and FRS 103) issued by the Financial Reporting Council. The Financial Statements are also drawn up in accordance with the rules set out in Schedule 6, Part III of the Friendly Societies (Accounts and Related Provisions) Regulations 1994 No. 1983.

The functional currency of the Society is considered to be pounds sterling because that is the currency of the primary economic environment in which the Society operates.

Basis of Consolidation

The consolidated financial statements include the results of the Society and its subsidiary undertaking made up to 31 December each year. A subsidiary is an entity controlled by the Society. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The amounts in the consolidated financial statements all arise from continuing operations made up until 31 December each year.

In accordance with FRS102, Section 3 'presentation of financial statements' the comparative period has been restated on a consolidated basis.

The following UK subsidiary has taken advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ended 31 December 2021. Oddfellows Support Services Limited (the subsidiary) Company number 08309175 is 100% owned by the Society. In accordance with Section 479C of the Companies Act 2006, the Company will guarantee the debts and liabilities of the above subsidiary undertakings. As at 31 December 2021 the total sum of those debts and liabilities is £59,408 (2020: £68,724).

Transfer of engagements accounting policy

The assets and liabilities of the Kingston Unity Friendly Society ("KU") have been included within the accounts at fair value at the date the transfer was effected. The combination of the two societies did not involve the transfer of any cash consideration. The transfer of engagements is in accordance with the Friendly Societies Act 1992.

Classification of contracts

The Society classifies its products for accounting purposes as insurance or investment. Insurance contracts are defined as a contract under which one party accepts significant insurance risk. As a general guideline the Society defines a significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

A discretionary participation feature is a contractual right held by a policyholder to receive additional payments as a supplement to guaranteed benefits:
- That are likely to be a significant proportion of the total contractual payments; and

- Whose amount or timing is contractually at the discretion of the issuer and that is contractually based on:
  the performance of a specified pool of contracts or a specified type of contract;
  realised and/or unrealised investment returns on a specified pool of assets held by the Society; or
  the profit or loss of the Society, fund or other entity that issues the contract.

Such contracts are more commonly known as 'with-profit' or as 'participating' contracts. The terms and conditions of these contracts, together with UK regulations, set out the basis for the determination of the amounts on which the additional discretionary benefits are based and within which the Society may exercise its discretion. All with-profit contracts are classified as insurance contracts under the current accounting rules. Investment contracts are those which carry financial risk, with no significant insurance risk.

Insurance premiums

Premiums received and reinsurance premiums paid relate to insurance and non-participating investment contracts. They are accounted for when due for payment except for recurring single premium in respect of unit-linked business, which are accounted for when the related liabilities are created.

Investment contracts, premiums and claims

Amounts collected on investment contracts, which primarily involve the transfer of financial risk such as long-term savings contracts, are accounted for using deposit accounting, under which the amounts collected, less any initial fees deducted, are credited directly to the Balance Sheet as an adjustment to the liability to the investor.

For claims and benefits paid on investment contracts, amounts are not included in the Income and Expenditure Account but instead deducted from investment contract liabilities in the period to which they relate.

Insurance claims incurred and claims outstanding

All valid claims and benefits notified in respect of 2021 are included in the Financial Statements whether or not they have been settled. All claims notified but not settled as at 31 December 2021 are included within claims outstanding on the Balance Sheet. Claims are stated as arising from either insurance contracts or investment contracts under FRS 103. In addition, the costs of administering the claims paid have been included in the claims incurred figure in accordance with The Friendly Societies (Accounts and Related Provisions) Regulations 1994 No. 1983 Schedule 1, Part III.

Investment income

Investment income is included on an accruals basis. Dividends are included by reference to ex dividend dates. Income on fixed interest investments is adjusted for purchased accrued interest.

Realised gains and losses on investments

Realised gains and losses on investments, other than unit trusts held in the Long Term Business Fund, are calculated as the difference between net sales proceeds and the original cost. Realised gains and losses on unit trusts held in the Long Term Business Fund are calculated as the difference between net sales proceeds and the aggregate of additions at cost.

Unrealised gains and losses on investments

Unrealised gains and losses on investments, other than unit trusts held in the Long Term Business Fund, are calculated as the difference between the valuation of investments at the Balance Sheet date and the original cost. Unrealised gains and losses on unit trusts held in the Long Term Business Fund are calculated as the difference between the valuation at the Balance Sheet date and the aggregate of additions at cost and the previous Balance Sheet valuation. An adjustment to unrealised gains and losses is included for any occurring income as at 31 December which is also included in the valuation. All movements in unrealised gains and losses on investments arising in the year are shown in the respective Income and Expenditure accounts.

Leases

Payments under operating leases are charged to the Income and Expenditure accounts equally over the lease term.

Investments

Investments are stated in the Financial Statements at fair value. Information on all valuations is given in Notes 5, 6, 7 and 9.

All property owned by the Society is long leasehold and is included under investments on the Balance Sheet at open market value, if not occupied by the Society for its own activities, in accordance with the Friendly Societies Act 1992 and the regulations made under them.

Owner occupied property

Owner occupied property is included under Fixed Assets on the Balance Sheet at fair value. The decrease on book value of owner occupied investment property is recognised in the Income & Expenditure account. Any increase on book value reverses the decrease in value in the Income & Expenditure account with any surplus being transferred to the revaluation reserve. Properties are professionally revalued at least every three years with any surplus book value being transferred to the revaluation reserve, in accordance with generally recognised methods of valuation. The Directors revalue the properties in the intervening years. It is the Society's practice to maintain these assets in a continual state of repair and to make improvements from time to time.

Loans secured by mortgage

Loans secured by mortgage are classed as basic financial instruments under FRS102 and are included at amortised cost.

Fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than owner occupied property, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Motor Vehicles	4 years (after residual value allowance)
Office equipment	4 years
Central office computer equipment	3 years or 5 years dependent on expected useful life
Branch Computer equipment	1 year
Owner occupied property	Nil

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due.

Inventories

Inventories are stated at the lower of cost and expected selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation

As a registered Friendly Society only part of the Long Term Business is subject to corporation tax. Provision for tax has been included for 2021.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date using tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are only recognised when it is considered they are more than likely to be recovered.

Fund valuation

The assets and liabilities of the Society were last valued as part of the Long Term Business annual investigation as at 31 December 2021 pursuant to the Solvency II guidance.

Actuaries' reports on the appropriate assets and liabilities of all long term insurance funds of the Society were last made on 31 December 2021, and copies of these reports may also be inspected at the Registered Office.

Long Term Business provision

The Long Term Business provision is determined by the Society's Chief Actuary following the actuarial valuation. It is calculated on a basis to comply with the reporting requirements of the Prudential sourcebook and the Friendly Societies Act 1992. In broad terms the calculation uses a net premium valuation method to assess the amount of mathematical reserves. As such it includes explicit provision for regular bonuses declared at 31 December 2021, and regular bonuses declared as a result of the valuation. Wherever possible, implicit allowance is made for future bonuses by a margin in the valuation rate of interest. No provision is made for terminal bonuses as these are declared at the discretion of the Board.

Non-linked insurance contracts that have been designated as investment contracts are measured at fair value. The Society has elected to take the fair value option to measure non-linked insurance contracts that have been designated as investment contracts at fair value as the contracts managed, and whose performance is evaluated, are on a fair value basis.

Linked Liabilities

For unit-linked business, the provision is calculated as the unit value of the individual accounts held by the Society for each member, plus any additional reserves considered necessary.

Going concern

The Board has considered in detail the Society's forecast performance, its capital and liquidity resource requirements and any potential implications resulting from Brexit. On this basis the Board has a reasonable expectation that the Society has sufficient capital and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly the Board has adopted the going concern basis in preparing these accounts. The Strategic Report provides further details of the Society's going concern assessment. Brexit has also been considered within the preparation of the Financial Statements and is determined to not have any material impact on the Financial Statements as a whole. The Directors have also considered any financial implications and impact on the Society and its Report and Financial Statements as a result of the Covid-19 pandemic, (Page 28).

Cash flow statement

The Society has taken advantage of the exemption for mutual life assurance organisations under FRS102 Section 7 Statement of Cash Flows and has not prepared a cash flow statement for the year.

Fund for Future Appropriations

The Fund for Future Appropriations represents all funds, the allocation of which has not yet been determined by the end of the financial year. Any surplus or deficit arising on the Technical Account – Long Term Business is transferred to or from the Fund on an annual basis.

Related party disclosure

Total income during the year received from Branches in respect of the levy was £2,070k (2020: £2,039k). Amounts due from Branches at 31 December 2021 in respect of goods and services was £83k (2020: £87k). Balances are settled within normal credit terms and there is no provision for doubtful debts related to these amounts. In respect of investments, these are disclosed on the Balance Sheet on Page 65.

1b CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Society's accounting policies, which are described in Note 1a, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Accounting for the transfer of engagements during the year

In accounting for the transfer of engagements during the year, the Directors have necessarily made judgements and estimates. The Directors have utilised existing skills and experience within the business, third party experts and actuarial valuation techniques applied by appropriate skilled individuals. The assets and liabilities of KU are measured at fair value as at the date of transfer. There was no cash consideration.

Classification of long term contracts

The Society has exercised judgment in its classification of Long Term Business between insurance and investment contracts, which fall to be accounted for differently in accordance with the policies set out in Note 1a Accounting Policies. Insurance contracts are those where significant risk is transferred to the Society under the contract and judgment is applied in assessing whether the risk so transferred is significant, especially with regard to pension contracts, which are predominantly, but not exclusively, created for investment purposes.

Key Source of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. These include the values of investments.

Fair value of financial assets and unit-linked investments

Fair value measurement has been adopted to reduce volatility in reported earnings in the Income and Expenditure Account as the liabilities so determined are measured in a way which is consistent with the fair value of the underlying invested financial assets.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between willing, knowledgeable parties in an arms-length transaction. Fair values are determined by reference to observed market prices where available and reliable - see Notes 5, 6 and 7.

Estimates of future benefit payments arising from Long-Term Business insurance contracts

The Society makes estimates of the expected number of deaths for each of the years that it is exposed to risk. These estimates are based on standard mortality tables; adjusted to reflect the Society's own experience.

The Society makes estimates of voluntary contract termination, investment returns and administration expenses at the inception of Long Term insurance contracts. These estimates, which are reconsidered annually, form the assumptions used to calculate the liabilities arising from these contracts. Within the expense assumptions, estimates are made relating to future acquisitions, which reduces the cost per policy and therefore the amount reserved.

When assessing assumptions relating to investment returns the Society makes estimates of the impact of defaults on the related financial assets. The estimates are reassessed annually. The assumptions used to establish insurance contract liabilities and appropriate sensitivities relating to variations in critical assumptions are disclosed in Note 14.

Accounting for pension plans

The Society participates in a defined benefit pension scheme based on final pensionable pay. The underlying assets and liabilities of the Scheme require an element of judgment in their valuation, with the deficit on the scheme presented within the Balance Sheet. Further details underpinning the valuation of the Scheme liabilities are disclosed in Note 16.

2 SUMS DENOMINATED IN FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are expressed in sterling at the exchange rates ruling at 31 December 2021. Revenue transactions and those relating to the acquisition and realisation of investments including foreign fixed rate short term cash deposits have been translated at rates of exchange ruling at the time of the respective transactions.

3 STAFF COSTS

	2021 £'000	2020 £'000
Gross contracted service salaries	2,350	2,065
Social security costs	239	220
Pension costs	352	368
	2,941	2,653

The average monthly number of employees during the year was as follows:

	2021	2020
Directors	12	11
Clerical	60	50
Printing, production and dispatch	4	4
	76	65

4 AGGREGATE AMOUNT OF DIRECTORS' EMOLUMENTS

	2021 £'000	2020 £'000
Gross salaries	350	361
Cash in lieu of pension contributions	86	79
Benefits and allowances	21	20
	457	460

Included in the previous page re emoluments (including benefits and allowances) of:

	2021 £'000	2020 £'000
Highest paid Director	244	221
Directors emoluments:		
Up to £10,000	13	9
£190,000 to £200,000	-	1
£210,000 to £220,000	1	-
£220,000 to £230,000	-	1
£240,000 to £250,000	1	-

5 LAND AND BUILDINGS

	Occupied properties £'000	Investment properties £'000	2021 £'000	2020 £'000
Valuation as at 1 January	115	70,838	70,953	76,076
Transfer of Engagements	-	12,565	12,565	-
Additions at cost	-	509	509	-
Disposals	-	(4,347)	(4,347)	(861)
Realised gain/(loss)	-	799	799	(793)
Movement in unrealised gains/(losses)	-	5,667	5,667	(3,469)
Valuation as at 31 December	115	86,031	86,146	70,953

Freehold and leasehold investment properties were valued at 31 December 2021 by CB Richard Ellis Limited, Chartered Surveyors of The Chancery, Spring Gardens, Manchester M2 1EW. The Directors have considered this valuation and consider it to remain appropriate.

Property owned by the Society for sponsorship activities was last valued at 31 December 2019 by Keningtons LLP, Chartered Surveyors of 9-13 George Street, London, W1U 3QH. The Directors have considered this valuation and consider it to remain appropriate.

Valuation on property transferred from the Druids Friendly Society was last valued at 31 December 2021 by Handley Gibson of Scott Hall House, Sheepscar Street North, Leeds LS7 3AF. The Directors have considered this valuation and consider it to remain appropriate.

Valuation on property transferred from the Kingston Unity Friendly Society was last valued at 31 December 2021 by Lambert Smith Hampton of 9 Bond Court, Leeds, LS1 2JZ. The Directors have considered this valuation and consider it to remain appropriate.

The valuations are based on open market value in accordance with the provisions of the RICS Appraisal and Valuation Manual. No allowances have been made for the costs of realisation. In order for the accounts to show a true and fair view it is appropriate not to provide for depreciation on land and buildings.

All Valuers used to value the Society's Property are all independent of the Society.

6 SHARES AND OTHER VARIABLE YIELD SECURITIES

	Listed Equities 2021 £'000	Listed Equities 2020 £'000
Valuation as at 1 January	70,906	63,858
Transfer of Engagements	7,210	-
Additions at cost	14,951	16,447
Disposals	(25,209)	(11,495)
Realised gains	3,087	241
Movement in unrealised gains	7,518	1,855
Valuation as at 31 December	78,463	70,906

Listed equities, (quoted on the London Stock Exchange) were valued at 31 December 2021 by Close Brothers Asset Management of 55 Grosvenor Street, Mayfair, London W1K 3HY, Investec Wealth & Investment Limited of 30 Gresham Street, London EC2V 7QN, Fidelity International of 25 Cannon Street, London EC4M 5TA, LGT Vestra LLP of 14 Cornhill, London EC3V 3NR and Royal London Asset Management of 55 Gracechurch Street, London EC3V 0RL.

7 DEBT AND OTHER FIXED INCOME SECURITIES

	United Kingdom Government Bonds £'000	Non-Government Bonds £'000	2021 £'000	2020 £'000
Valuation as at 1 January	51,301	61,076	112,377	102,423
Transfer of Engagements	17,050	15,075	32,125	-
Additions at cost	21,785	43,200	64,985	45,641
Disposals	(17,116)	(33,545)	(50,661)	(42,005)
Realised gains	275	396	671	1,032
Movement in unrealised (losses)/gains	(4,811)	(3,948)	(8,759)	5,286
Valuation as at 31 December	68,484	82,254	150,738	112,377

Listed bonds were valued as at 31 December 2021 by Investec Wealth & Investment Limited of 30 Gresham Street, London, EC2V 7QN and LGT Vestra LLP of 14 Cornhill, London EC3V 3NR.

8 LOANS SECURED BY MORTGAGE

	2021 £'000	2020 £'000
Outstanding as at 1 January	253	292
Transfer of Engagements	45	-
Repayments	(86)	(41)
Interest earned	2	2
Outstanding as at 31 December	214	253

9 ASSETS HELD TO COVER LINKED LIABILITIES

	Cash at Bank £'000	Unit Trusts £'000	Total £'000
Non Profit Fund	401	6,170	6,571
Nottingham Fund	-	46,325	46,325
Schoolteacher's Fund	-	85,520	85,520
Druids Fund	-	27,900	27,900
Kingston Unity Fund	-	64,782	64,782
Equity Fund	-	1,262	1,262
Corporate Bond Fund	-	253	253
Money Fund	251	-	251
UK Index Fund	-	6,056	6,056
Valuation as at 31 December 2021	652	238,268	238,920
Valuation as at 31 December 2020	652	159,167	159,819

Linked business investments were valued as at 31 December 2021 in accordance with the provisions of the Prudential Sourcebook.

Unrealised gains and losses on linked business investments are dealt with in the Long Term Business Technical Account.

Assets invested exceed the technical provision for linked liabilities by £7,780k (2020: £4,773k).

10 DEBTORS

	Group		Society	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade debtors	1,284	1,080	1,264	1,051
Tax to be recovered	328	17	328	17
	1,612	1,097	1,592	1,068

11 TANGIBLE ASSETS

Group Tangible Assets

	Office & Computer Equipment £'000	Owner Occupied Premises £'000	Motor Vehicles £'000	Total £'000
1 January 2021	2,021	4,531	62	6,614
Transfer of Engagements	-	260	-	260
Additions	362	-	-	362
31 December 2021	2,383	4,791	62	7,236
Depreciation:				
1 January 2021	1,742	41	40	1,823
Charge	225	-	14	239
31 December 2021	1,967	41	54	2,062
Net Book Value:				
31 December 2021	416	4,750	8	5,174
31 December 2020	279	4,490	22	4,791

Society Tangible Assets

	Office & Computer Equipment £'000	Owner Occupied Premises £'000	Motor Vehicles £'000	Total £'000
1 January 2021	2,021	4,531	62	6,614
Transfer of Engagements	-	260		260
Additions	362	-	-	362
31 December 2021	2,383	4,791	62	7,236
Depreciation:				
1 January 2021	1,742	41	40	1,823
Charge	225	-	14	239
31 December 2021	1,967	41	54	2,062
Net Book Value:				
31 December 2021	416	4,750	8	5,174
31 December 2020	279	4,490	22	4,791

Properties owned and occupied by the Society are revalued every three years. If the properties were included in the Society's Accounts at cost then the results would be:

- Manchester Office £5,021,068
- Wakefield Office £260,000 – Based on the value as at the date of transfer of the Kingston Unity
- Friendly Society
- Liverpool Office £230,000 – Based on the value as at the date of transfer of the Schoolteachers Friendly Society

The properties in Manchester and Liverpool were last valued at 31 December 2019. All Valuers used to value the Society's property which is occupied by the Society are independent of the Society.

12 RESERVES PROVIDED FOR BY THE RULES AND OTHER SPECIFIC PURPOSES

The reserves comprise those funds with specific purposes as laid down in the rules of the Society.

Movement in the year:	2021 £'000	2020 £'000
Balance at 1 January	2,471	2,468
Transfer from Non Technical Account	9	3
Balance at 31 December	2,480	2,471

13 FUND FOR FUTURE APPROPRIATIONS

Group Fund For Future Appropriations

The fund for future appropriations comprises all funds, the allocation of which had not been determined by 31 December 2021.

Movement in the year:	**2021** **£'000**	**2020** **£'000**
Balance at 1 January	18,253	24,927
Transfer (to)/from Long Term Business Technical Account	1,127	(2,882)
Surplus/(Deficit) on Non Technical Account	1,451	(1,037)
Net Pension Scheme Actuarial gain/(loss)	4,869	(2,755)
Balance as at 31 December	25,700	18,253

The balance at the accounting date arises as follows:

	2021 **£'000**	**2020** **£'000**
Technical Account: Long Term Business	7,562	6,434
Non Technical Account	18,138	11,819
Balance as at 31 December	25,700	18,253

Society Fund For Future Appropriations

Movement in year:	**2021** **£'000**	**2020** **£'000**
Balance at 1 January	18,184	24,882
Transfer from Long Term Business Technical Account	1,127	(2,882)
Surplus/(Deficit) on Non Technical Account	1,465	(1,061)
Net Pension Scheme actuarial gain/(loss)	4,869	(2,755)
Balance at 31 December	25,645	18,184

The balance at the accounting date arises as follows:

	2021 **£'000**	**2020** **£'000**
Technical Account: Long Term Business	7,562	6,434
Non Technical Account	18,083	11,750
Balance as at 31 December	25,645	18,184

14 LONG TERM BUSINESS

(a) Capital Statement (unaudited)

The following summarises the capital resources and requirements of the Independent Order of Odd Fellows Manchester Unity Friendly Society Limited as determined for UK regulatory purposes.

Available capital resources

The life insurance business is made up of five funds, the MU Long Term Business Fund ("MU Fund"), the Schoolteachers Fund, the Druids Fund, the Kingston Unity Fund and the Non Profit Fund. The figures shown reflect the capital resources within the combined life insurance business.

	Total life insurance £'000	Other activities £'000	Total £'000
31 December 2021	7,562	18,083	25,645
31 December 2020	6,434	11,750	18,184

Movement in capital resources	Total Life insurance 2021 £'000	Total Life insurance 2020 £'000
Total available capital resources at 1 January	6,434	9,316
Change in assets		
Premiums less claims and expenses	(13,611)	(982)
Investment income	10,490	8,481
Realised and unrealised losses on investments	25,782	(18,287)
Kingston Unity fund as at 31 December	110,902	
Total change in assets	133,563	(10,788)
Change in liabilities		
Change in provision for linked liabilities	13,606	9,676
Change in long term business provision	5,349	(17,582)
Kingston Unity fund as at 31 December	113,480	-
Total change in liabilities	132,435	(7,906)
Total available capital resources at 31 December (unrestricted)	7,562	6,434
Ring Fenced Restriction (Capital in KU only available to the KU Fund)	(1,880)	-
Total available capital resources 31 December (restricted)	5,682	6,434

Analysis of liabilities at 31 December 2021	Total Life insurance £'000
With-profit liabilities	99,708
Non-profit insurance business	25,799
Non-profit investment contracts	22,436
Unit-linked	231,140
Total provisions included in the Balance Sheet	379,083

Analysis of liabilities at 31 December 2020	Total Life insurance £'000
With-profit liabilities	46,344
Non-profit insurance business	28,870
Non-profit investment contracts	16,389
Unit-linked	155,046
Total provisions included in the Balance Sheet	246,649

Non-profit investment contracts are measured at fair value through profit and loss using established actuarial techniques utilising market observable data.

Management of risks in the life insurance business

The Society ensures that management of the Long Term Business is appropriate and proportionate for a directive society.

To accomplish this the Society will continue to ensure that:

- sufficient assets are set aside to meet Long Term Business liabilities;
- the strategy for the distribution of any free assets within the Long Term Business is appropriate for the business concerned, and in particular, the discretionary allocation of bonuses is decided by the Board;
- liquid investments are sufficient to meet benefit payments;
- workflow and resources are planned to ensure that Long Term Business can be administered in a proper
- manner; and
- due regard is paid to risks that might impact on how the Long Term Business is managed.

In implementing these measures, the Society adheres to the PRA principles, rules and guidance applicable to Long Term Business to ensure that the requirement and expectations of customers are met and that they are treated fairly.

Regulatory solvency position

In line with Solvency II requirements the Society calculates it's Solvency Capital Requirement (SCR) using Standard Formula. All disclosures in respect of Solvency II are unaudited.

As at 31 December 2021 the Society's estimated SCR and corresponding eligible own funds were as follows:

	Unaudited 2021
Eligible Own Funds	£329.96m
SCR	£100.52m
Coverage (unrounded)	328%

Note, the SCR is an estimate and is unaudited. The Solvency II return will be submitted by the revised Regulatory deadline (due to Covid-19) of 8 April 2022.

Sensitivities of the capital position

The capital position is sensitive to changes in market conditions, which may affect the value of assets and/or liabilities. It is also sensitive to assumptions and experience relating to mortality, expenses and persistency, and to a lesser extent morbidity.

Management of insurance risk

The Society's management of insurance risk is a critical aspect of its business. The primary insurance activity carried out by the Society comprises the assumption of the risk of loss from persons that are directly subject to the risk. Such risks in general relate to life, accident, health and financial perils that may arise from an insurable event. As such, the Society is exposed to the uncertainty surrounding the timing and severity of claims under the related contracts. The principal risk is that the frequency and severity of claims is adverse to that expected. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. Insured events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques. The risk under assurance policies is partly naturally hedged by risks under annuity policies where the exposure is to the risk of longevity.

The main insurance risks can be summarised as follows:

- Mortality – the risk that the Society's experience of life assurance policyholders is different from that expected. For life assurance the risk is that more policyholders die than expected;
- Morbidity – the risk that more of the Society's health insurance policyholders fall ill or become incapacitated than expected;
- Persistency – the risk that policies do not remain in force and are for any reason lapsed, made paid-up, surrendered or transferred prior to maturity or expiry. For policies without guarantees, the risk is generally that fewer policies remain in force than expected. For those with guarantees, the risk is generally that more remain in force than expected;
- Annuitant longevity – the risk that the annuitant lives longer than assumed in the pricing and reserving basis used; and
- Expenses – the risk that actual expenses are higher than those expected.

In addition, it is necessary for the Society to make decisions which ensure an appropriate accumulation of assets relative to liabilities. These decisions include the allocation of investments between classes, the setting of policyholder bonus rates and the setting of surrender terms.

The primary responsibility for managing insurance risk falls to the Commercial Board. The Commercial Board has responsibility for the setting of policy and for monitoring the levels of risk arising from mortality, morbidity, persistency and expenses. The Commercial Board also considers the Society's reinsurance coverage.

The management of insurance risk and information around sensitivity analysis is disclosed further within this Note.

Concentration risk

The Society has historically written a diverse mix of business across a diverse group of people and has no material concentrations of risk by product type. However, as the Society has written substantially all of their business in the UK, results are sensitive to demographic and economic changes arising in the UK. Concentrations of insurance risk are considered by the Commercial Board to ensure that the risk is within the Society's overall risk appetite.

The Society seeks to mitigate the risk of excess concentrations of risk through the use of reinsurance, portfolio analysis and risk limits.

The key risks to the Society's life insurance business are market risks, insurance risks and expense risks, particularly the inflation of expenses. The investment performance, expenses and other risks to the life insurance business are monitored regularly by the Board, or delegated to the Commercial Board as appropriate.

In the event of an adverse situation arising, the Society would take action to reduce the impact. These actions may include:

- reducing the rates of terminal bonus and/or reversionary bonuses;
- immediate sale of higher risk assets; and
- reducing overheads (to the extent possible without affecting the operation of the life assurance business).

(b) Provision

The principal assumptions used in the calculation of the long term business provision in 2021 were as follows:

Class of Business	Mortality tables
Annuities	70% IML/IFL922 - 3 years
UL CTF (DFS, NFS, SFS) and UL JISA / ISA (UIEF)	10% AM/FC00
Limited Claims	60% AM/FC00
All other policies	60% AM/FC00
KU Non-CTF (under 17)	100% ELT 16
KU Non-CTF (17 and over)	84% AM/FC00
KU CTF (under 17)	41% ELT 16
KU CTF (17 and over)	84% AM/FC00

The method of the calculation of the calculation of the long term business provision is described in the accounting policy note.

(c) Movements in the technical provision (Gross of Reinsurance)

	2021 £'000	2020 £'000
Balance at 1 January		
Long Term Business provision	91,603	81,927
Provisions for linked liabilities	155,046	172,628
Changes in technical provisions	132,435	(7,906)
	379,084	246,649
Balance at 31 December		
Long Term Business provision	147,944	91,603
Provisions for linked liabilities	231,140	155,046
	379,084	246,649

Within the changes in technical provisions is a £6,047 increase (2020: £169k decrease) in the non-profit investment contract provision.

(d) Assets

The total amount of assets representing the Long Term Business fund valued in accordance with the Friendly Societies (Accounts and Related Provisions) Regulations 1994 at 31 December 2021 were £387m (2020: £253m).

15 CREDITORS AND ACCRUALS

	Group		Society	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Amounts falling due within one year				
Trade creditors	252	77	251	77
Other creditors and accruals	2,452	1,983	2,449	1,983
Tax creditor	36	207	36	207
	2,740	2,267	2,736	2,267
Amounts falling due after more than one year	19,000	19,000	19,000	19,000

16 PENSION SCHEME BENEFITS

The funds of the Scheme are actuarially valued by Willis Towers Watson Limited every three years. The most recent full valuation was carried out at 31 March 2021. The Scheme is a Final Salary Defined Benefit Pension Scheme regulated by The Pensions Regulator.

Total employer contributions in the accounting period ended 31 December 2021 were £0.495m (2020: £0.538m). The employer contribution rate was 31.5% with effect from 1 April 2020 (previously 34.8%).

The Balance Sheet position for the Scheme has improved, with the deficit decreasing from £5m to £0.460m over the accounting period. The performance of the Scheme assets was slightly higher than expected and this has been complimented by the actuarial value of Scheme liabilities decreasing over the year to £27.4m (2020: £29.8m). This has resulted in a higher funding position overall. The decrease in the Scheme liabilities is mainly due to an increase in the discount rate as well as changes to the demographic assumptions adopted for the 2021 fiscal year and allowing for member experience captured as part of the 31 March 2021 valuation. It should also be noted that a loss of approximately £0.400m has arisen over the year as a result of allowing for known inflation over the period – this has been allowed for in the Scheme liabilities as at 31 December 2021.

The liability value includes an allowance for the impact of GMP equalisation, which is a 0.5% loading on the liabilities as at 31 December 2021 (compared to a 1% loading as at 31 December 2020). This allowance is assumed to suitably reflect the 20 November 2020 High Court ruling on equalising historic transfer value payments from the Scheme. The change in assumption has been recognised an actuarial gain of around £100k at the 2021 year end.

It should be noted that the results and position shown have been calculated by reference to investment market conditions at 31 December 2021. Considerable volatility in these figures is possible from year to year if market returns and yields should differ materially in future years from those assumed in the valuation. In addition, future actuarial measurements may differ significantly from the measurements presented in this report due to:

- Scheme experience differing from that anticipated by the economic or demographic assumptions;
- Changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements;
- changes in the Scheme provisions or applicable law; and/or
- significant events since the previous actuarial valuation.

The assumptions selected for this valuation generally reflect long-term average expectations. If overall future experience is less favourable than assumed, the relative level of costs determined in this valuation will be likely to increase in future valuations.

The projections are based on an update of a preceding actuarial valuation (as at 31 March 2021), thereby introducing an element of approximation relative to the result of a hypothetical full actuarial valuation at the census date.

Society provisions and assumptions

The benefits have been valued in accordance with the provisions of the Scheme's Trust Deed and Rules dated 26 February 1998, and subsequent deeds of amendment. With effect from 1 April 2020, the Scheme closed to new joiners and reduced the future accrual rates for members. An allowance has been made in the 31 December 2020 figures to reflect the expected reduction in the cost of future benefits. It is noted that there were no further significant changes in benefit structure of the Scheme, or by the method by which these are valued over the last year.

The Society revalues most of members' deferred pensions between their date of leaving and date of retirement in line with inflation in accordance with statutory requirements. Consumer Price Index ("CPI") is the effective indexation for deferred pension increases and has been used as the basis for the pension increases in deferment in producing these FRS 102 disclosures.

FRS 102 Disclosures

The calculations carried out by the Society's Advisor have been undertaken using the accounting information of the Scheme as at 31 December 2021 and have been based on the participant information used in the valuation as at 31 March 2021.

Census Date	**31/03/2021**
Active Participants	
Number	59
Average Annual Pensionable Salary	£26,900
Participants with Deferred Benefits	
Number	32
Average Annual Deferred Benefits at census date	£4,800
Participants Receiving Benefits	
Number	78
Average Annual Benefits in Payment at census date	£8,400

Mortality
The mortality tables have been updated since the previous year to use 98% and 92% of SAPS 3 "All" tables (S3PXA) for males and females respectively based on members' years of birth, projected in line with CMI 2020 projections with a 1.5% pa long term trend rate and a 0.25% initial addition parameter.

Expected lifetime
The expected lifetime of a participant who is age 65 and the expected lifetime (from age 65) of a participant who will be age 65 in 15 years are shown in years below based on the above mortality tables.

Age	Males	Females
65	22.4	25.2
65 in 15 years	23.5	26.5

Income & Expenditure	2021 £'000	2020 £'000
Effect of employee service in the current period	570	510
Net interest on net defined liability	61	32
Defined benefit cost recognised in Income & Expenditure	631	542
Administration costs incurred during the period	190	173
Employer contribution	(495)	(538)
Cost recognised in Income & Expenditure	326	177
Other Comprehensive Income (OCI)		
Actuarial (gain)/loss arising during period	(2,683)	3,573
Return on plan assets (greater)/less than discount rate	(2,186)	(818)
Remeasurement effects recognised in OCI	(4,869)	2,755
Total Defined Benefit Cost		
Cost recognised in Income & Expenditure	821	715
Remeasurement effects recognised in OCI	(4,869)	2,755
Total defined benefit cost	(4,048)	3,470

Assumptions Used to Determine Defined Benefit Cost	2021	2020
Discount rate	1.30%	1.85%
Price inflation (RPI)	3.15%	3.20%
Price Inflation (CPI)	2.70%	2.35%
Long-term rate of return on assets	1.30%	1.85%
Rate of salary increase	4.15%	4.20%
Pension increases for in-payment benefits:		
• in respect of pensions accrued prior to 6 April 1997 (in excess of GMP)	nil	nil
• in respect of pensions accrued prior to 1 April 2006 and after 5 April 1997	3.05%	2.95%
• in respect of pensions accrued after 31 March 2006	2.10%	1.95%
Pension increases for deferred benefits	2.70%	2.35%

[1]These beginning of year assumptions were used to calculate the defined benefit cost recognised through Income & Expenditure. Rates are expressed on an annual basis.

Development of Net Balance Sheet Position	2021 £'000	2020 £'000
Defined benefit obligation (DBO)	(27,433)	(29,803)
Fair value of assets (FVA)	26,973	24,800
Defined benefit deficit	(460)	(5,003)

Reconciliation to the Balance Sheet	2021 £'000	2020 £'000
Net defined benefit liability at end of prior period	(5,003)	(2,071)
Effect of employee service in the current period	(570)	(510)
Net interest on net defined benefit liability	(61)	(32)
Remeasurement effects recognised in OCI	4,869	(2,755)
Employer contributions	495	538
Administration costs incurred during the period	(190)	(173)
Net defined benefit liability at end of current period	(460)	(5,003)

Assumptions and Dates Used for Measurements	2021	2020
Discount rate	1.85%	1.30%
Price inflation (RPI)	3.60%	3.15%
Price Inflation (CPI)	3.15%	2.70%
Long-term rate of return on assets	1.85%	1.30%
Rate of salary increase	4.60%	4.15%
Pension increases for in-payment benefits:		
• in respect of excess pensions accrued prior to 6 April 1997 (in excess of GMP)	nil	nil
• in respect of excess pensions accrued prior to 1 April 2006 and after 5 April 1997	3.40%	3.05%
• in respect of pensions accrued after 31 March 2006	2.20%	2.10%
Pension increases for deferred benefits	3.15%	2.70%

Change in Defined Benefit Obligation (DBO)		
DBO at end of prior period	29,803	25,961
Effect of employee service in the current period	570	510
Interest cost on the DBO	382	472
Remeasurement of the DBO	(2,683)	3,573
Scheme participants contributions	158	167
Benefits paid from Scheme assets	(797)	(880)
DBO at end of current period	27,433	29,803

Change in Scheme Assets

	2021 £'000	2020 £'000
Fair value of assets at end of prior period	24,800	23,890
Interest income on Scheme assets	321	440
Return on plan assets greater/(less) than discount rate	2,186	818
Employer contributions	495	538
Scheme participants' contributions	158	167
Benefits paid	(797)	(880)
Administrative costs paid	(190)	(173)
Fair value of assets at end of current period	26,973	24,800

Scheme Asset Information

	Target Allocation Range	Allocation Percentage 31/12/21	Allocation Percentage 31/12/20
Equity securities	50.0%	36.8%	45.8%
Debt securities	40.0%	31.5%	35.0%
Real estate/property	10.0%	0.0%	0.0%
Cash	0.0%	1.5%	3.5%
Other*	0.0%	30.2%	15.7%
Total	100.0%	100.0%	100.0%
Fair value of Society assets (£'000)		£26,973	£24,800

*Includes Diversified Collective Investments

17 INVESTMENT INCOME

	2021 £'000	2020 £'000
Technical account: Long Term Business:		
Investment Property	1,552	663
Shares and other variable yield securities	6,048	5,666
Debt and other fixed income securities	2,883	2,096
Bank and building society interest	-	4
Capital Return	-	47
Other	7	5
	10,490	8,481
Gain on Realisation of Investments	2,552	33
	13,042	8,514
Non Technical Account:		
Land & Buildings Income	3,803	3,866
Less: Land & Buildings Expenditure	(413)	(354)
Shares and other variable yield securities	1,720	1,409
Debt and other fixed income securities	1,083	1,030
Bank and building society interest	-	83
Branch loan interest	3	5
	6,196	6,039

18 TAXATION

(a) Analysis of the tax charge for the year is	2021 £'000	2020 £'000
Corporation tax		
Current year policyholder tax (credit)/charge	(49)	273
Prior year policyholder charge (credit)/charge	(21)	13
Deferred tax		
Timing differences, origination and reversal	(180)	(88)
Prior year charge/(credit)	26	(2)
Total tax (credit)/charge	(224)	196

The tax credit for the group is £224k (2020: charge of £196k).

The applicable UK corporation tax rate is 19% for the subsidiaries (2020: 19%), due to the reduction of the UK corporation tax rate from 20% to 19% which was effective from 1 April 2017.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This change was substantively enacted on 24 May 2021 as part of Finance Act 2021. Deferred taxes at the balance sheet date have been measured using these substantively enacted tax rates and reflected in these financial statements.

The Society primarily writes tax exempt business, with a small proportion of taxable business. The UK rate of income tax applicable to this business is 20% (2020: 20%). Deferred tax in the Society has been measured using this enacted rate.

At 31 December 2021, the group did not hold any provisions for uncertain tax positions.

(b) Reconciliation of total tax (credit)/charge	Society 2021 £'000	Society 2020 £'000
Surplus/(deficit) of income over expenditure before tax	1,465	(1,061)
Tax on result	278	(202)
Factors affecting tax charge:		
Accounting (deficit) not subject to policyholder tax	(278)	202
Items taxed on a different basis	(224)	196
Total tax (credit)/charge for the year	(224)	196

(c) Analysis of deferred tax asset	Society 2021 £'000	Society 2020 £'000
Fixed Asset Timing differences	1	(1)
Deferred tax provision on unrealised gains	(11)	75
Deferred tax asset on acquisition expenses	36	-
Losses recognised	207	5
Total recognised deferred tax asset	233	79
Unrecognised deferred tax assets	161	-
Total tax charge for the year	394	79

(d) Movement in recognised deferred tax asset/(provision)	Society 2021 £'000	Society 2020 £'000
Provision at start of the period	79	(12)
Deferred tax credit to Technical Account – Long-term business	154	90
Deferred tax charge to Non-Technical Account	-	-
Provision at end of the period	233	79

Taxation services are provided by PwC LLP and their remuneration for services in 2021 was £22k excluding VAT (2020 : £22k).

19 INVESTMENT RETURN TO INVESTING BRANCHES

	2021 £'000	2020 £'000
Investment income	(4,668)	(4,457)
(Gain)/loss on realisation of investments	(2,814)	486
Movement in unrealised (gains) on investments	(8,181)	(1,035)
	(15,663)	(5,006)

20 LONG TERM BUSINESS - CHANGE IN OTHER TECHNICAL PROVISIONS

	2021 £'000	2020 £'000
Continuing Long Term Business (Note 14)	132,435	(7,906)

21 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Total minimum lease payments payable under non-cancellable operating leases were in respect of leases expiring:

	2021 £'000	2020 £'000
Land and buildings: Within one year	-	2
Other: Between one to five years	7	7
	7	9

Other financial commitments payable within one year not provided for in the accounts amounted to £26k (2020: £8k).

22 AUDITOR'S REMUNERATION

	2021 £'000	2020 £'000
Audit related assurance services	333	213
Other assurance services	-	8
Total (exclusive of Value Added Tax)	333	221

23 CHIEF ACTUARY

The Society has requested the Chief Actuary to furnish to it the particulars specified in Section 77 of the Friendly Societies Act 1992 and the particulars furnished pursuant to the request are identified below:

(a) The Chief Actuary of the Society, between 1 January 2021 and 31 December 2021, was Mr Scott Robinson FIA, of Zenith Actuarial Limited. Mr Robinson is not a member of the Society.

(b) Mr Robinson had no other pecuniary interest in any transaction between the actuary and the Society subsisting at any time during the year save their interests in respect of the amounts disclosed in (c) below.

(c) Mr Robinson was an employee of Zenith Actuarial Limited during the period of his appointment. The only remuneration was the fees for professional services paid to Zenith Actuarial Limited for the services provided by the firm, and the amount payable in this respect amounted to £334,353 exclusive of Value Added Tax.

(d) Mr Robinson did not receive, nor will receive any other pecuniary benefit.

24 RELATED PARTY DISCLOSURES

The Society is controlled by its members through an Annual Movable Conference of Deputies. The Board governs the affairs of the Society between each conference. The Society is a related party to the following:

MU Pension Scheme
MU Pension Trustees Limited
Manchester Unity Housing Association Limited

In every case members of the Society's Directors including the Chief Executive have substantial control or influence by their involvement in the management structure of each organisation.

The Society operates disbursement accounts with the concerns as appropriate. In addition, the Society provides financial support and sponsorship to the Unity Credit Union Limited in respect of direct overhead costs, which in 2021 totalled £19k (2020: £19k).

25 CONTINGENT LIABILITIES

The Society's General Rule 77D contains provisions to underwrite liabilities and guarantee performance of all Branches.

The Directors are not aware of any such potential liabilities arising at 31 December 2021 (2020: £Nil).

26 FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. The tables over the page show the determination of fair value according to a three-level valuation hierarchy. Fair values are generally determined at prices quoted in active markets (level 1). However, where such information is not available, the Society applied valuation techniques to measure such instruments. These valuation techniques make use of market observable data for all significant inputs where possible (level 2). Where inputs for the assets or liabilities are not based on observable market data (that is unobservable), fair values are classified as level 3. There are no non-recurring fair value measurements as at 31 December 2020 and 2021.

Fair value measurement at 31 December 2021				
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial Assets				
Shares and other variable yield securities	78,463	-	-	78,463
Debt and other fixed income securities	150,738	-	-	150,738
Assets held to cover linked liabilities	238,920	-	-	238,920
Investment properties	-	-	86,146	86,146
Total	**468,121**	**-**	**86,146**	**554,267**
Financial liability				
Investment contracts at fair value through profit and loss	-	288,753	-	288,753
Total	-	**288,753**	**-**	**288,753**

Fair value measurement at 31 December 2020				
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial Assets				
Shares and other variable yield securities	70,906	-	-	70,906
Debt and other fixed income securities	112,377	-	-	112,377
Assets held to cover linked liabilities	159,819	-	-	159,819
Investment properties	-	-	70,953	70,953
Total	**343,102**	**-**	**70,953**	**414,055**
Financial liability				
Investment contracts at fair value through profit and loss	-	169,318	-	169,318
Total	**-**	**169,318**	**-**	**169,318**

The majority of the Society's instruments are valued based on quoted market information or observable market data. Owner occupied and investment properties are stated at their revalued amount, as assessed by qualified external valuers in line with the Society's policy. Further details can be found on Page 75.

The investment contract liabilities in level 2 of the valuation hierarchy represent the fair value of linked and non-linked liabilities valued using established actuarial techniques utilising market observable data for all significant inputs, such as investment yields. There have been no transfers between levels 1, 2 and 3 in 2021.

In the case of investment properties and owner occupied properties, there are limited market observable inputs and therefore the fair value is determined using a valuation technique based on numerous assumptions. The assumptions used with in the determination of the fair value may depend on inputs drawn from the Society's own data, including; tenure, letting, floor space, condition, environmental matters, statutory and local authority requirements.

Management of financial risk

The risk management strategy forms an integral part of ensuring that risks are managed on alignment with the Society's objectives and business strategy and to maintain the financial stability of our policyholders, our reputation, employees and assets. Further detail on corporate governance structure and the impact of current market conditions are provided in the Strategic Report on Pages 7 to 25.

The key financial risks faced by the Society are as follows:
- Market risk;
- Insurance risk;
- Credit risk;
- Operational risk; and
- Liquidity risk

Market risk

The Society manages its market risks within asset liability matching (ALM) frameworks that have been developed to reduce the degree to which asset and liability values diverge when investment markets change. The following table presents an analysis of the Balance Sheet for each distinct category of assets and liabilities which are referred to in this Note:

31 December 2021	With-profit business	Non-profit business	Unit-linked	Other	Total
	£'000	£'000	£'000	£'000	£'000
Assets					
Land and buildings	17,589	8,392	-	60,165	86,146
Shares and other variable yield securities	3,495	1,666	238,015	73,303	316,479
Debt and other fixed income securities	75,757	36,150	253	38,831	150,991
Loans secured by mortgage	29	13	-	172	214
Other debtors	-	-	-	1,591	1,591
Tangible assets	-	-	-	5,174	5,174
Cash at bank and in hand	3,509	1,675	652	18,564	24,400
Other assets	706	337	-	1,171	2,214
Total assets	**101,085**	**48,233**	**238,920**	**198,971**	**587,209**
Liabilities					
Reserves provided for, by the rules and other specific purposes	-	-	-	2,480	2,480
Insurance contract provision	44,646	25,799	2,114	-	72,559
Investment contract provision	55,062	22,436	229,026	-	306,524
Claims outstanding	1,229	-	-	-	1,229
Other liabilities	-	-	-	204,417	204,417
Total liabilities	**100,937**	**48,235**	**231,140**	**206,897**	**587,209**

31 December 2020	With-profit business	Non-profit business	Unit-linked	Other	Total

	£'000	£'000	£'000	£'000	£'000
Assets					
Land and buildings	6,615	5,938	-	58,400	70,953
Shares and other variable yield securities	4,186	3,759	158,818	62,961	229,724
Debt and other fixed income securities	37,472	33,651	350	41,254	112,727
Loans secured by mortgage	2	3	-	249	254
Other debtors	-	-	-	1,067	1,067
Tangible assets	-	-	-	4,791	4,791
Cash at bank and in hand	1,648	1,481	651	14,012	17,792
Other assets	452	406	-	1,032	1,890
Total assets	**50,375**	**45,238**	**159,819**	**183,766**	**439,198**
Liabilities					
Reserves provided for, by the rules and other specific purposes	-	-	-	2,472	2,472
Insurance contract provision	35,141	28,870	2,117	-	66,128
Investment contract provision	11,203	16,389	152,929	-	180,521
Claims outstanding	1,326	-	-	-	1,326
Other liabilities	-	-	-	188,751	188,751
Total liabilities	**47,670**	**45,259**	**155,046**	**191,223**	**439,198**

Asset price risk

Equity risk is the risk that the fair value or future cash flows of an asset or liability will fluctuate because of changes in market prices, other than those arising from interest rate risks. Those changes may be caused by factors specific to the asset or liability, or its issuer, or by factors affecting all similar assets or liabilities.

The Society's exposure to this risk arises principally from its holdings in equities and investment properties. The Board sets the Society's investment policy and strategy. Day to day responsibility for implementation is delegated to the Society's investment management with monitoring procedures in place.

The investment management agreement in place between the Society and the Investment Manager specifies the limits for holdings in certain asset categories. Asset allocation and performance benchmarks are set, which ensure that each fund has an appropriate mix of assets and is not over or under-exposed to a particular category or specific investment. The Society's Commercial Board monitor the actual asset allocation and performance against the benchmark.

A sensitivity analysis to changes in the market prices of equities and property is included in Sensitivity below.

Liquidity

Liquidity risk is the risk that adequate liquid funds are not available to settle liabilities as they fall due and is managed by forecasting cash requirements and by adjusting investment management strategies to meet those requirements. Liquidity risk is generally mitigated by holding sufficient investments which are readily marketable in sufficiently short timeframes to allow the settlement of liabilities as they fall due. The Society's substantial holdings of money market assets also serve to reduce liquidity risk. The table below represents our best estimate of the undiscounted claim profile arising from the in force contracts. The claim profile allows for full and partial surrenders, regular withdrawals, death claims and retirements as well as maturities. All assumptions on expected rates are consistent with our valuation assumptions.

31 December 2021						
Carrying values and cash flows arising from:	0-5 years	5-10 years	10-15 years	15-20 years	>20 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
GIB	15,548	-	-	-	-	15,548
Non-Linked (exc GIB)	46,368	27,493	12,093	9,432	12,696	108,082
Unit Linked	132,983	87,295	2,772	1,255	1,961	226,266
Total	**194,899**	**114,788**	**14,865**	**10,687**	**14,657**	**349,896**

31 December 2020						
Carrying values and cash flows arising from:	0-5 years	5-10 years	10-15 years	15-20 years	>20 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
GIB	15,439	-	-	-	-	15,439
Non-Linked (exc GIB)	23,670	12,382	6,840	5,719	11,557	60,168
Unit Linked	68,191	72,138	1,909	969	1,639	144,846
Total	**107,300**	**84,520**	**8,749**	**6,688**	**13,196**	**220,453**

Cashflows shown include claims, premiums and expenses for all guaranteed benefits considered on Solvency II basis. Cashflows relating to future discretionary benefits are excluded.

All cashflows assume best estimate assumptions and investment return based on the Solvency II risk free curve prescribed by the PRA.

Interest rate

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will vary as market rates of interest vary. For the Society, interest rate risk arises from holding assets and liabilities – actual or notional – with different maturity or re-pricing dates, creating exposure to changes in the level of interest rates, whether real or notional. It mainly arises from the Society's investments in debt and fixed income securities, which are exposed to changes in interest rates.

Exposure to interest rate risk is monitored using scenario testing, stress testing and asset and liability duration control.

The Society manages interest rate risk using performance benchmarks with appropriate durations. A sensitivity analysis to interest rate risk is included in section below.

Sensitivity

All sensitivities consider the change in Solvency II Own Funds.

It is assumed that the Risk Margin and liabilities relating to Future Discretionary Benefits are unchanged from the base position under all of the sensitivities considered.

Approximations have been made in the derivation of some of the figures backing these sensitivities.

The Expense sensitivity considers a ± 10% change in the expense assumption alongside a ± 1% change in expense inflation.

It is assumed that the decrease sensitivity would lead to an equal and opposite change in Own Funds compared to the increase sensitivity.

The equity price sensitivity considers the changes in prices of UK and other equities as defined under Solvency II. This is a change in equity prices of ± 46.09% for Type 1 equities.

It is assumed that the increase sensitivity would lead to an equal and opposite change in Own Funds compared to the decrease sensitivity.

The interest rate sensitivities shown are based on the Solvency II Standard Formula interest rate stresses which are expressed as a duration dependent multiplicative factor applied to the base curve.

This stress is not applied symmetrically which results in a more onerous increase sensitivity (compared to the decrease sensitivity) when interest rates are low.

The property value sensitivity considers a ± 25% change in property values.
It is assumed that the increase sensitivity would lead to an equal and opposite change in Own Funds compared to the decrease sensitivity.

31 December 2021	Expenses		Equity prices		Interest rates		Property values	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Change in LTB Own Funds	(6,039)	6,039	6,211	(6,211)	(787)	314	6,605	(6,605)

31 December 2020	Expenses		Equity prices		Interest rates		Property values	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Change in LTB Own Funds	(5,282)	5,282	6,200	(6,200)	(240)	45	3,183	(3,183)

Credit risk

The Society has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Society is exposed to credit risk are:

- Counterparty risk with respect to debt securities and cash deposits;
- Reinsurers' share of insurance liabilities;
- Amounts deposited with reinsurers in relation to investment contracts;
- Amounts due from reinsurers in respect of claims already paid; and
- Insurance and other receivables.

In addition, there will be exposures to individual policyholders, on amounts due on insurance contracts. These are tightly controlled, with contracts being terminated or benefits amended if amounts owed are outstanding for more than a specified period of time, so that there is no significant risk to the results of the Society.

The Society structures the levels of credit risk taken in by placing limits on their exposure to a single counterparty, or group of counterparties. Such risks are subject to at least an annual review, whole watch lists are maintained for exposures requiring additional review.

Although the Society holds a significant proportion of financial assets in debt securities, the risk of default on these is mitigated to the extent that any losses arising in respect of unit-linked assets backing the insurance and investment contracts which the Society issue, would effectively be passed on to the policyholders and investors through the unit-linked funds backing the insurance and investment contracts.

Notes to the Financial Statements

The following table presents the assets of the Society which are subject to credit risk and reconciliation to the balance sheet carrying value of each item:

31 December 2021	Amounts not subject to credit risk	Amounts subject to credit risk	Balance Sheet carrying value
	£'000	£'000	£'000
Shares and other variable yield securities	-	78,463	78,463
Debt and other fixed income securities	-	150,738	150,738
Assets held to cover linked liabilities	238,920	-	238,920
Loans secured by mortgage	-	214	214
Cash at banks and in hand	-	23,748	23,748
Total	**238,920**	**253,163**	**492,083**

31 December 2020	Amounts not subject to credit risk	Amounts subject to credit risk	Balance Sheet carrying value
	£'000	£'000	£'000
Shares and other variable yield securities	-	70,906	70,906
Debt and other fixed income securities	-	112,377	112,377
Assets held to cover linked liabilities	159,819	-	159,819
Loans secured by mortgage	-	253	253
Cash at banks and in hand	-	17,141	17,141
Total	**159,819**	**200,677**	**360,496**

The amounts presented above as not being subject to credit risk, represent unit-linked assets where the risk is borne by the holders of unit-linked insurance and investment contracts, except for (i) reinsurers' share of insurers' contract provisions and (ii) amounts deposited with reinsurers in respect of investment contracts.

The amounts in the table above represent the maximum exposure to credit risk as at 31 December 2021.

The Society's exposure to credit risk is summarised as:

Credit rating 31 December 2021	AAA	AA	A	Below A	Unrated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Shares and other variable yield securities	-				78,463	78,463
Debt and other fixed income securities	115	68,488	17,212	25,764	39,159	150,738
Assets held to cover linked liabilities	-	-	651	-	238,269	238,920
Loans secured by mortgage	-	-	-	-	214	214
Cash at banks, building societies and in hand	-	376	20,732	54	2,586	23,748
Total	**115**	**68,864**	**38,595**	**25,818**	**358,691**	**492,083**

Credit rating						
31 December 2020						
	AAA	**AA**	**A**	**Below A**	**Unrated**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Shares and other variable yield securities	-	-	-	-	70,906	70,906
Debt and other fixed income securities	126	48,242	9,086	17,011	37,912	112,377
Assets held to cover linked liabilities	-	-	651	-	159,168	159,819
Loans secured by mortgage	-	-	-	-	253	253
Cash at banks, building societies and in hand	-	53	14,170	336	2,582	17,141
Total	**126**	**48,295**	**23,907**	**17,347**	**270,821**	**360,496**

No credit limits were exceeded during the year ended 31 December 2021.

27 TRANSFER OF ENGAGEMENTS - KINGSTON UNITY

On 1 February 2021, the Society completed the transfer of engagements of the Kingston Unity Friendly Society ("KU").

As at 1 February 2021, the Balance Sheet of KU is represented below:

ASSETS	**£'000**	**£'000**
Property	12,565	
CTF & Tracker Investments	58,411	
Fixed Interest	32,125	
Mortgages and Loans	45	103,146
Debtors	35	
Tangible Assets	260	
Cash & Bonds < 2 years	7,960	
Prepayments & Accrued Income	550	8,805
TOTAL ASSETS		**111,951**

			Amendments to align with Oddfellows policies re FDB	
LIABILITIES	**£'000**	**£'000**	**£'000**	**£'000**
Technical Provisions	104,597		5,068	109,665
Own Funds	7,354	111,951	(5,068)	2,286
TOTAL LIABILITIES		**111,951**		**111,951**

The amendment shown above aligns the treatment of future discretionary benefits (FDBs) for Kingston Unity with Oddfellows policies. This amendment means the level of FDBs is set so that the Own Funds is equal to 5% of the non-linked BEL.