



the **ODDFELLOWS** SINCE 1810
making friends, helping people

Reports & Financial Statements 2022

For the Year Ended
31 December 2022



Purpose



the Oddfellows SINCE 1810
making friends, helping people

“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.”



the Oddfellows SINCE 1810
making friends, helping people

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



UnityMutual
FAMILY FRIENDLY FINANCE

“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
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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 Lockett, PGM
	J L Mann, PPGM
	D Jex, PPGM, Prov CS
	K Rose, Prov CS
	A Walker, PPGM
	W S Connolly, External Non-Executive Director
	R C Edwards, 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
FINANCE DIRECTOR:	K Ashcroft, BA, ACA
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:	PKF Littlejohn LLP
TAX:	PricewaterhouseCoopers LLP
BANKER:	Lloyds Banking Group PLC

The Oddfellows is the trading name of The Independent Order of Odd Fellows Manchester Unity Friendly Society Limited,
Incorporated and registered in England and Wales No. 223F. Registered Office Oddfellows House, 184-186 Deansgate, Manchester M3 3WB.
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, registration No. 109995

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Chairman's Report



I am pleased to present this report in my role as Chairman of the Oddfellows Board and to highlight some key achievements of our Society against a backdrop of uncertainty and turbulence in our economy, alongside some deep-rooted fractures in our social systems which have been all too evident this past year.

It would be foolish to characterise 2022 as a vintage year. The Russian invasion of Ukraine and the consequent spike in oil and gas prices, the emergence of the Omicron Covid variant, the highest rate of UK inflation in decades, rising interest rates and a cost of living crisis, a budget that exploded the Government's fiscal credibility and the death of Queen Elizabeth II, all contributed to a sense of disarray and fragmentation in 2022.

And yet, amidst this turmoil the essential purpose of the Oddfellows shows no sign of wear and tear. Such a formidable set of challenges has compelled many businesses to re-examine their fundamental objectives and to re-assess risk appetite across a spectrum of topics from product pricing and component sourcing to staff retention and hiring techniques. However, the simplicity of the Oddfellows business model and the values-based nature of our organisation have enabled us to adapt, modify and adjust without any distortion of our basic commitment to communities, to friendship and to making mutuality meaningful.

The role of the Oddfellows has rarely, if ever, been more relevant. The social scarring of the post-pandemic health and social care landscape is all too apparent and some of the high level statistics are illuminating in bringing the scale of the challenges into focus. For instance, 10 million of the UK population of 67 million are over 65 and the ratio of working people to retired individuals is now just 2.9 down from 4.3 just 30 years ago. So the working group that funds the social contract of a welfare state has shrunk at a time when the average lifespan of men and women has risen to 79 and 82 respectively. This places enormous pressure on the health and care eco-system. Of course the Oddfellows is not equipped to rectify such huge systemic problems but we are able to help deal with the symptoms of such seismic shifts, for example, it is estimated that half of people aged over 75 in the UK live alone, so connecting those individuals to communities of various forms is part of the Oddfellows ethos.

In parallel with the relevance of the Oddfellows values in a contemporary setting, it is also reassuring to report another year of remarkable progress on our business metrics too. Such highlights as rising premium income and growing new membership are covered in the Chief Executive's Operational Report, as is the ongoing evidence of the positive impact of our strategic appetite for acquisitions, notably the business integration of the former Kingston Unity Friendly Society.

To conclude, the Oddfellows has achieved much in the past twelve months and we are well placed to build on our successes in future years, but this is only made possible due to the commitment, talent and tenacity of our staff, in whom we place enormous credit and gratitude. I remain extremely pleased to be Chairman of the Board of Oddfellows and to help steer the Society's strategic goals for our Fraternal Business and for our Long Term business in a manner which exemplifies the very highest standards of governance, compliance, risk management and business development. The Oddfellows has a leadership team of talented people with an authentic vision for our future and our members can be assured that the Society remains on a sustainable course for future success.

I wish to thank all my fellow Directors for their effort and guidance this past year and for the outstanding manner in which we have collectively risen to the challenges of such a turbulent period.

A handwritten signature in black ink, appearing to read 'D Webster', with a long horizontal flourish extending to the right.

D Webster
Chairman
3 April 2023

Chief Executive's Operational Report



Overview

2022 saw the Society fully back to usual post the impact of over two years of the global pandemic. All functions of the Society, whether it be the Offices in Manchester and Liverpool, or the Branches being fully able to return to face to face meetings and events returned to the new normal in a post pandemic world. The availability of some flexible working for staff remains in force and continues to work well for the Society and be well received by staff. All Departments are effectively managed under this hybrid working solution and staff are appreciative of the flexibility they have and those who have chosen to avail themselves of this are finding it beneficial for them.

As always appears to be the case, 2022 was a challenging year in terms of achieving those goals we set out to achieve, which was affected by external matters outside of our control. The UK base rate had remained at all-time low levels since 2009, with the level at the end of 2021 being 0.25%. 2022 saw eight interest rate rises ending the year at 3.50%, with a further increase seen in both February and March 2023 taking us to 4.25%. There was also the impact of rising fuel costs and the general increase in the cost of living and the hiatus created from the September mini budget which had such a dramatic and disastrous effect. All these matters affected each and every one of us, both as a Society as well as the impact on our members and policyholders.

However, as a Society, we should be so proud of what we achieved throughout the ups and downs of the last three years. As for all our staff, in Manchester, Liverpool and, of course, all the Branch Secretaries, Social Organisers, Welfare Visitors, Care Coordinators and volunteers, everyone did an amazing job throughout 2022 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.

It was great to return to our face to face AMC in 2022 which was held in Scarborough, the first one held since 2019. Members really valued being able to meet up for the first time since Covid and enjoy the social side of our AMC as well as the business side.

Whilst the use of video conferencing and online team chat, which was so critical in 2020 and 2021, was not needed to the same extent in 2022, it did provide some opportunities for continuing to host online events for members and that is set to continue in 2023 and beyond as there is an appetite for them. They provide a valued lifeline and opportunity for those members who, for whatever reason, cannot attend the face to face events that are held at our Branches right across the country. They also provided some flexibility for meetings where it was not possible for everyone to physically attend. It is a testament to who we are as a Society that members continue to have the choice of face to face or online events. The inclusion of online social events for members means that many members have a wider circle of Oddfellows friends as, of course, there are no geographical boundaries - they can meet anyone from anywhere in the country. Using online services such as Zoom to expand how we deliver some of our membership benefits has 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 reach out and provide quality social events that support recruitment campaigns and give members alternative options across the country. 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 which is so important for both physical and mental health.

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 2022 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 challenges are affecting us.

The benefits that our members can access are so wide and varied, it is not just about social events, there are the Convalescent breaks, the Care benefits, the Care and Welfare Advice lines, the Citizens Advice Support line which is dedicated to only answering calls from our members, and all of these and more, when combined make membership of the Oddfellows such a unique package and one which is there for our members no matter what life throws at us all.

Chief Executive's Operational Report

The Society adopted an Adult Safeguarding Policy in late 2020, and 2022 saw the start of the rollout of an adult safeguarding training programme take place with a further six workshops already planned for 2023 so that by the end of the year all the Adult Safeguarding Leads will have undertaken the necessary training. In addition a Child Safeguarding Policy will be rolled out to Branches in 2023.

In terms of some key achievements in 2022, the Care Line at Unity Office, recorded 5,957 contacts (2021: 5,413) dealing with and responding to the diverse and sometimes complex needs of members. Our Care and Welfare offering is not just delivered by Unity Office but also via our network of Branches and during 2022, the number of contacts Branches made to members was over 23,177 (2021: 35,000) which has remained something to be very proud of.

Recruitment for 2022 showed that the Society is still attractive in terms of what we offer and the results were amazing and really showed the fantastic work done by the Branches with the support of Unity Office. The highest number of members recruited in any one year since 2011 was in 2019 when we recruited 1,398 new members. In 2021 we recruited 1,379 and in 2022 the number was just slightly less at 1,343 but still an achievement nonetheless. There were 12 Branches in 2022 who each recruited over 30 new members including one Branch that recruited 63 new members and all Branches are to be congratulated for their efforts.

The number of people enquiring about membership in 2022 was 3,699, which was an increase compared to 2021 where the number of enquiries were 3,090, with a conversion rate of 13.4%. The Society's Friendship Month in September is one of the highlights in the Oddfellows calendar and has been going since 2010 and continues to see lots of interest in the Society by members and non-members alike. 244 new members were recruited during September and 683 enquiries.

To build message credibility in campaigns, a partnership with academic and clinical psychologist, Dr Jennifer Wild, was secured. Dr Wild is Associate Professor of Clinical Psychology at Oxford University and content from Dr Wild's advice blog was used in all four national recruitment campaigns across advertorials, the Oddfellows' website, in organic Facebook and twitter posts, and also within Branch PR templates. As part of the promotion of the Society in Friendship Month, myself and Dr Wild undertook a series of radio interviews on 14 radio stations with a combined reach of over 1.1m people. 203 Friendship Month events were held of which 180 were face to face events and usage of the Society's website and unique Friendship Month page views were up 51.8% and 125.3% respectively when compared to 2021. For all our campaigns, including Friendship Month we were able to use 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.

Training remains a vital part of the Society, whether that be for employed staff either centrally or locally in the Branches or for our 2,500 volunteers. There is a regular program of easily accessible training events that are promoted on a quarterly basis and given that many of these are online then it means that everyone can benefit from the training offered.

Training available includes:

- Zoom - A number of 'how to' type sessions. Most recently, we ran a session on hosting a face to face and online event simultaneously.
- Facebook training.
- Marketing - Including Front of House resources, Marketing planning.
- Oddfellows Travel.
- Member Benefits.
- PR and Communications - including press coverage support and advice for Branches.
- Events Planning - Including how to run a safe event.
- Branch Development Planning.
- Unity Mutual products and services.
- Committee of Management, Chairman and Trustees - Roles and responsibilities.

We were able to hold two Weekend Seminars in 2022, in March and September where a combined total of 104 members attended to learn new skills and increase their understanding of topics such as Workshops for:

- Social Organisers;
- Welfare Visitors;
- Unity Mutual Products;

Chief Executive's Operational Report

- Succession Planning for Branch Committees of Management;
- Good Customer Service Delivery;
- The Use of Media; and
- Member Benefits - helping Members get more out of Membership.

The Weekend Seminars are an excellent source of networking and sharing ideas to take back and share with their own Branches. By the middle of February 2023, there had already been 62 members registered to attend the March 2023 training weekend which demonstrates the appetite to learn and the value gained from attending the Seminars.

There are still some Branches that continue to have some challenges to face and my Fraternal Board colleagues and I will continue to work with and support those Branches in 2023 and beyond to help secure their future in whatever form that needs to take to be able to flourish.

In 2022 the Society ran four marketing and PR campaigns to boost recruitment. Three focussed on key lifestyle triggers that encourage prospective members' initial interest – these are moving house, retirement and bereavement. The fourth campaign was Friendship Month. 2022 was the first year these campaigns were all delivered in a 12 month period using a comprehensive mix of proactive PR content and marketing techniques. Complementary PR stories and refinement of marketing messages enhanced the campaigns and supported local Branch activity, which was reflected in increased enquiry numbers. Learnings will be brought forward into the same schedule of marketing recruitment campaigns in 2023.

Online Open days continued throughout the year via Zoom to support the recruitment campaigns – to enable potential new members to find out more about who we are and what we do from the comfort of their home. Sessions are hosted monthly apart from Friendship Month where we host weekly events for a six week period from the beginning of September through to mid-October. In addition, three new member events which showcase our offering were hosted in the year and feedback was positive. Further promotion and Branch engagement will be the key focus in 2023.

To the end of 2022, the Society had, since 1971, donated over £1.2m 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 and 2022 saw the newest project accepted which is a three year support of a study into Cancer Immunology. The project is entitled '*Studying how our immune system recognises cancers; towards the next generation of cancer vaccines.*' The support will total £100,000 over three years and the first instalment of £33,000 was presented in November 2022, where myself, the Grand Master and Deputy Grand Master had the privilege of visiting the University of Southampton (University of Southampton's Centre for Cancer Immunology) where the research is being undertaken and meet the team to understand more about this project.

Our Long Term Business (LTB), branded under Unity Mutual, has seen good growth in recent years and has demonstrated that our business model can achieve new business growth, both from reinvestments by our existing members, by meeting their savings and investment needs, as well as from new customers across a wide age range from 18-39 year olds investing in a Unity Mutual Lifetime ISA to the over 55 year olds investing in a Unity Mutual Guaranteed Investment Bond.

Through Unity Mutual, the Society has generally offered a very competitive range of savings and investment products, which was enhanced with the launch of a competitively priced Over 50s Life Assurance plan in Q4 2022.

2022 was a very challenging year mainly as a result of external pressures on the financial services sector, including the after effects of the pandemic, inflation, rising interest rates and new emerging regulation. The Society responded positively and during 2022 further investment was made in new product developments, expansion of our sales and marketing activities and enhancements in our customer service proposition through developments in our IT platforms.

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

- Lifetime ISA;
- Junior ISA;
- Flexible ISA;
- Guaranteed Investment Bond;
- Tax Exempt Savings Plan; and
- Over 50s Life Assurance Plan.

Chief Executive's Operational Report

2022 was the second full year for the Child Trust Fund maturities and we continued to respond to the needs of our 17 and 18 year olds with enhancements to our customer portal and maturity processes. We are proud that we have had the opportunity to support our young adult members who, in many instances, are making financial decisions for the first time. The Society has had success with the integration of a number of transfer of engagements over the last fifteen years and more recently with the transfer of Kingston Unity Friendly Society in February 2021, which is now fully integrated into our day to day operations. During 2022 we helped two societies consider their strategic options. Further inward transfers are an integral part of our growth strategy.

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

The challenges that we face in 2023 and beyond, will no doubt continue, and with the regulatory reporting landscape always evolving there will be an increasing amount of reporting to do on Climate Change, ESG (Environmental, Social and Governance) and Diversity and Inclusion, as well as the new Consumer Duty regulations. 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.

As part of my succession planning, the Society welcomed Keith Ashcroft as our new Finance Director in December 2022 who brings lots of experience to the Society. 2022 also saw the resignation for family reasons of Colin Nugent who joined us following the transfer of the Schoolteachers Friendly Society on 31 March 2011. He has been an excellent Non-Executive Director for us and has brought a wealth of knowledge with him from many years in the Friendly Society movement. Thank you Colin for all you have done for us over 11 years and I wish you and Pat good health for the future. I would also like to thank Rob Edwards and David Grant who became NEDs of the Society as a result of the Transfer of Engagements from the Kingston Unity Friendly Society in February 2021. David resigned in December 2022 and Rob will depart in May 2023. We have valued their contributions over the last couple of years and wish them well.

The early part of 2023 will also see the retirement of two colleagues from the Society, Steve Code who joined us in 2011 as a result of the transfer of the Schoolteachers Friendly Society, and who has been our Insurance Director since that date, and Dawn Walters who joined us back in 1999 to head up Branch Development. I have felt privileged to work with them both over all these years and I thank them both for everything they have done for the Society. They are both great advocates for us as an organisation and who we are and what we offer. Thank you both so much for all you have done.

The efforts that are put in every year, 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 continue to 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 Officer
3 April 2023

Strategic Report

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 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 and deliver good outcomes;
- to ensure the Society has in place effective Compliance, Risk Management, and Governance arrangements;
- 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 meet policyholders reasonable expectations;
- to ensure the Society remains fully compliant with all regulatory requirements; and
- to proactively seek incoming Transfers of Engagements from other Friendly Societies thus giving those policyholders access to the range of supportive benefits we offer.

Throughout 2022, 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 (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;
 - major new systems; and
 - approval and launch of new products or significant changes to existing products.
- 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;" and
- The timely submission of regulatory returns.


In addition, the Society also supports the provision of a Housing Association 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 monitors progress of the operational areas of the Strategic Plan on a quarterly basis.



Strategic Report

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 below in order of potential impact on the Society:

Risk	Risk movement over 2022	Management and mitigation
Solvency Risk <i>This is the risk that the Society fails to meet its Solvency Capital Requirement</i>		<p>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.</p> <p>In managing this risk, the solvency position is:</p> <ul style="list-style-type: none"> monitored by the Executive Directors, and the Chief Actuary and reported to the Society's Commercial Board on a quarterly basis. The Commercial Board agree any management 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. <p>In addition, if required, there is the potential to draw on Fraternal assets to support the solvency of the LTB Funds.</p> <p>The solvency of the LTB funds fluctuated throughout 2022, as a result of the movements in the investment markets. The solvency of the LTB funds will continue to be closely monitored by the Board and Commercial Board and appropriate management actions will be taken if necessary.</p>


Strategic Report

Risk	Risk movement over 2022	Management and mitigation
Fraternal Strategy <i>This is the risk that the Society fails to achieve its Fraternal Strategic Plan</i>		<p>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:</p> <ul style="list-style-type: none"> • The Fraternal Strategic Plan is approved by the Society's Board; • Quarterly Fraternal Strategic Reports detailing progress against the plan are reviewed by the Fraternal Board and 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 <i>This is the risk that the Society fails to achieve its Long Term Business (LTB) Business Plan objectives</i>		<p>The Commercial Board holds oversight responsibility for the LTB strategy. The LTB strategy includes the following elements:</p> <ul style="list-style-type: none"> • existing business; • transfers of engagement; • new business; and • regulatory compliance. <p>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:</p> <ul style="list-style-type: none"> • The Annual LTB Business Plan is approved by the Commercial Board and the 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 Executive Directors to oversee the implementation of any recommendations.


Strategic Report

Risk	Risk movement over 2022	Management and mitigation
Reputational risk <i>This is the risk that the Society's reputation is adversely affected</i>		<p>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 has in place the following:</p> <ul style="list-style-type: none"> • Documented policies, procedures and controls which are regularly reviewed by the Compliance and Risk Function, 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 identify, 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 feedback, complaints, breaches and other management information; 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.
Non-compliance with legal and regulatory requirements <i>This is the risk of regulatory scrutiny, censure and/or financial penalty</i>		<p>The Society has in place documented policies, systems and controls which are regularly reviewed and audited to ensure its compliance with relevant legal and regulatory requirements, including:</p> <ul style="list-style-type: none"> • The annual Compliance & Risk Report and Plan is approved by the Society's Audit, Risk and Compliance Committee (ARCC), the Commercial Board and the Board; • The quarterly Compliance & Risk Reports detailing progress against the Compliance & Risk Plan are reported to the ARCC, the Commercial Board and the 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.

Strategic Report

Risk	Risk movement over 2022	Management and mitigation
Investment Strategy <i>This is the risk that the Society fails to achieve its investment strategy</i>		<p>In relation to the investment strategy of the Society, the Commercial Board holds oversight responsibility for the LTB investment strategy. The following processes, procedures and controls are in place to manage the respective investment strategies, including:</p> <ul style="list-style-type: none"> • The LTB investment strategy is approved by the Board, the Commercial Board, the Chief Actuary and the With Profits Actuary; • Qualified external Investment Managers (IM) actively manage the agreed strategic asset allocation and achievement of investment targets; • IM performance is assessed on a quarterly basis by the Commercial Board; and • The Commercial Board receives reports on the asset allocation of funds on a monthly basis and performance of funds against the agreed benchmark on a quarterly basis. <p>Given the volatility in markets in 2022, as a result of worldwide issues including inflation, 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 expected increase in UK interest rates will continue to be reviewed.</p>

Strategic Report

Risk	Risk movement over 2022	Management and mitigation
<p>Climate change financial risk</p> <p><i>This is the risk that the Society fails to manage the risks arising from climate change</i></p>		<p>The Society recognises its role in terms of reducing its impact on climate change. The Society is aware that this is a journey and will continue to evolve its climate change strategy and enhance its risk management, including looking for opportunities as well as managing climate related risks and setting smarter metrics and targets.</p> <p>To date, the Society has put in place the following processes and systems to manage the financial risks of climate change:</p> <ul style="list-style-type: none"> • The Board has ultimate responsibility for climate change, however oversight of the management of the financial risks of climate change has been allocated to the CEO; • Climate change risks are embedded into the Society's risk management framework to ensure that climate related financial risks are effectively monitored, managed and reported; • Exposure to climate change risks are reflected within the Society's scenario analysis to assess the potential impact on its solvency; • Since 2021, the Society has calculated the carbon emissions of its operations and offset these emissions by supporting climate change solutions in the UK and worldwide; • The Society continuously considers opportunities to reduce the emissions from its operations and offices, including switching to a renewable energy tariff at the end of 2022 and upgrading to LED lighting in the Manchester Office; and • The Society has a strategy in place to ensure that all of its investment properties meet the enhanced energy across the Society efficiency expectations which come into effect in stages over the next few years. <p>Further information on the Society's climate change strategy and measures implemented to manage climate related risks can be found in the Climate Change Risk Strategic section of this Report.</p>

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, monitored and reported to the Board, Sub Boards and Committees.

Strategic Report

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 evolve its governance, risk management, target setting and measurement as it takes a strategic approach to assessing the impact of climate change on the organisation.

Since 2020, the Society has adopted the recommended Taskforce on Climate-related Financial Disclosures (TCFD) framework to describe how it manages climate related financial risks and opportunities.

In the 2021 Reports and Financial Statements, a separate report setting out the Society's climate change journey was produced for the first time. This report received positive feedback from stakeholders, and a further report setting out the additional activities that the Society has undertaken during 2022, as well as the further steps that it intends to take over the next 12 months and beyond, can be found on the Society's website.

A high level summary of the Society's approach to managing climate related risks and opportunities is also set out below:

Governance

The Board retains ultimate responsibility for climate related financial risks and opportunities and this has been formalised by making appropriate adjustments to the Directors Handbook which details the Board's responsibilities. The Board, in turn, has assigned responsibility for the management of climate related risks and opportunities to the CEO and this includes the development and delivery of the Society's strategy.

Throughout 2022, Senior Management has continued to update the Board on climate change developments that affect the Society in the short, medium and long term, including recommending appropriate and proportionate actions to mitigate and manage these risks.

A Board Champion for climate change has also been appointed who will support Senior Management in developing its strategy and assessing the impact of climate change on the Society, including exploring options and opportunities for reducing its carbon emissions.

Strategy

The Society has identified the key climate related risks and opportunities (shown in the report), materiality of the risk/opportunity, timeframe and actions taken or to be taken to mitigate the risk or develop the opportunity.

To date, the Society has adopted a steady approach of pragmatic solutions to reduce its carbon emissions. However, the Society recognises its role in helping the UK transition to a low carbon economy and over the next 12 months it will further consider specific commitments and targets aligned to the UK Government's requirement for all firms to be net zero by 2050.

Strategic Report

Risk Management

Climate related risks are identified, monitored, managed, mitigated and reported through the Society's risk management framework. Climate related risks are considered in terms of:

- physical risk which is defined as acute one off climate events or chronic gradual and long term changes in weather patterns which could impact assets for example, property damaged or destroyed by extreme weather events. This risk could impact the Society's property portfolio; and
- transition risk which is defined as the risks stemming from transitioning to a low carbon economy, for example, the technical, legal, policy and market changes which could lead to financial and reputational risk depending on the scale, speed and focus at which firms make the transition.

During 2023, a wider assessment of how climate related risks specifically impact other risk categories will be carried out.

The Society's Own Risk and Solvency Assessment (ORSA), which considers the risks to which the organisation is exposed, includes a scenario analysis of the impact of climate change upon the investment portfolio over a five year period, which allows the Society's Commercial Board to explore a range of actions to mitigate or manage these risks. During 2023, the scenario analysis will be enhanced to cover transition and physical climate risk, aligned to short (two to five), medium (seven to ten) and long term (decades) impacts.

Metrics and Targets

A range of metrics to measure, monitor and assess climate related risk and opportunities in line with the Society's strategy and risk management are in place.

The Society's Head Office, Oddfellows House has achieved the Building Research Establishment Environmental Assessment Method (BREEAM) Certification in relation to sustainability, however, this award alone does not discharge the obligation to reduce its carbon emissions.

In 2021, the Society undertook its first carbon footprint assessment. To help the Society to monitor the emissions from its operations and develop its strategy to reduce these emissions, the assessment was also carried out in 2022 for comparison purposes. Between 1 April 2021 and 31 March 2022, the Society's total carbon emissions across its operations, including its Manchester and Liverpool offices and associated travel costs equated to 100.89 tonnes. While the Society has seen a slight increase in emissions in 2022 of 7.9%, a much larger increase was anticipated on the basis that almost all staff were working from home as a result of the Covid-19 lockdowns during the first assessment period. The most recent report has given the Society a more accurate view of where it should focus its attention and resources to reduce its carbon emissions.

As a result of these assessments, the Society has implemented various initiatives, one of these includes offsetting its carbon emissions through the funding of a range of climate change solutions. In 2021, the Society supported tree planting and reducing deforestation; 82 trees planted in the UK and a further 83 in the Amazon, achieving Carbon Neutral status. For 2022, support was given to reducing emissions from deforestation and degradation in Brazil and tree planting in the UK to help rewild an area in Scotland, reaching Carbon Neutral Plus status. Other changes, aimed at reducing its emissions include, upgrading all lights in Oddfellows House to automatic motion sensor LEDs to reduce electricity consumption and as of November 2022, the Society switched to a renewable electricity tariff.

The UK Government is introducing changes to the current Energy Performance Certificate (EPC) requirements to raise the energy performance of new and existing rented properties, both commercial and residential, incrementally over the next few years. The Society will continue to work closely with its Property Managers to implement its strategy to raise the energy efficiency of its LTB property portfolio in line with the changes and also support its Branches to understand the requirements and make any necessary improvements to meet these expectations.

Strategic Report

Further information on the following areas can be found in the Climate Change report on the website:

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

Environmental, Social and Governance (ESG)

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

Throughout 2022, the Society continued to work closely with its three active Investment Managers, Investec Wealth & Investment Limited (Investec), LGT Wealth Management UK LLP (LGT) and Close Brothers Asset Management (Close Brothers) to better 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 portfolio and provide an overall ESG rating. The ESG rating then enables the Society to monitor how each portfolio is performing in relation to ESG factors, which will help the Society to understand the impact of its investments and evolve its ESG investment strategy during 2022 and beyond.

The charts below show the ESG performance of some of the Society's investment portfolios throughout 2022. 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

Investec are signatories to several UK and worldwide commitments and codes taking forward and focussing on ESG issues and the ethos of '*create enduring worth, living in, not off society*' which drives its own sustainability and stewardship programme. Investec's sustainability framework is based on the United Nations Sustainable Development Goals (UN SDGs):



Source: Investec Wealth & Investment Limited

Strategic Report

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. Investec's two core SDG priorities include:



Source: Investec Wealth & Investment Limited

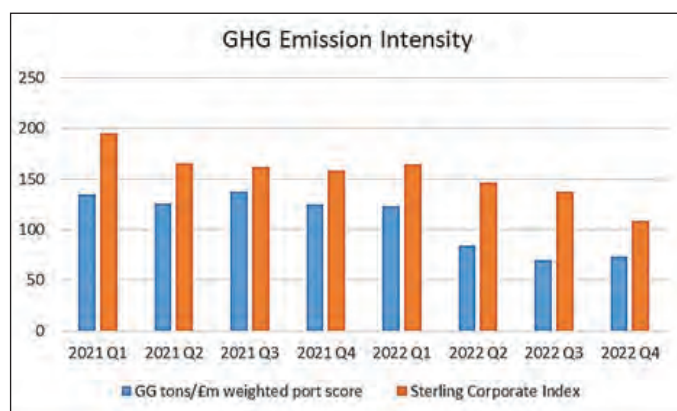
With their secondary priorities being:



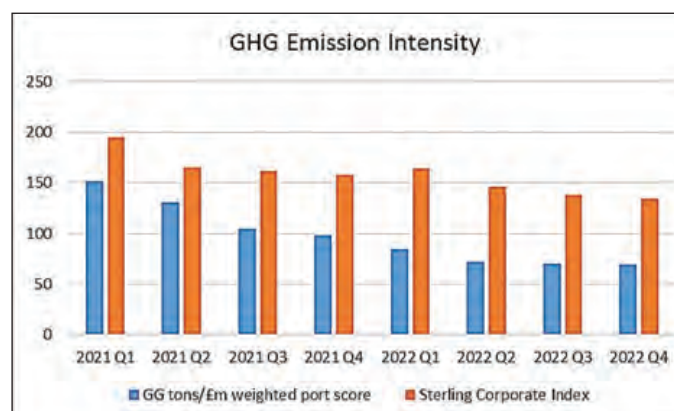
Investec use several different ESG metrics to monitor the portfolios exposure to ESG factors. One of the metrics used is known as a Sustainalytics ESG Score. Sustainalytics measures exposure to ESG risks and how well these risks are being managed by the firms in which the Society invests.

Examples of our Funds Greenhouse Gas Emissions (GHG) intensity when compared to the benchmark are:

UIEF:



Schoolteachers Fund:

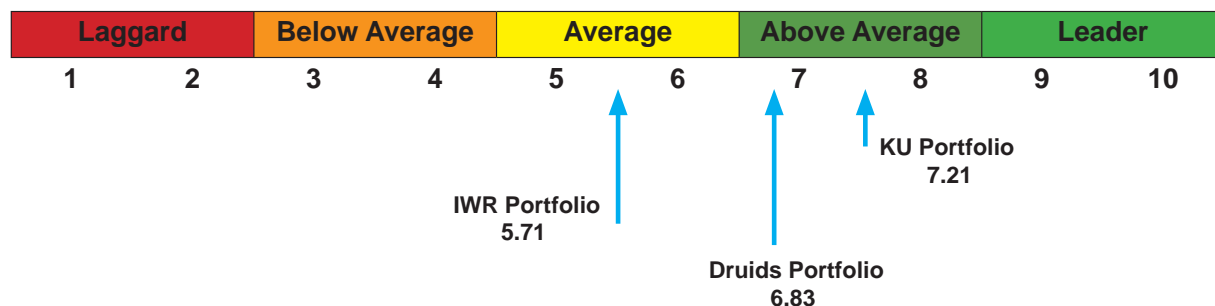


As shown in the charts above, the UIEF and Schoolteachers Funds (blue bars) have consistently achieved a lower greenhouse gas emission rating in comparison to the Sterling Corporate index tracker (orange bars). The lower the score being the better one.

Strategic Report

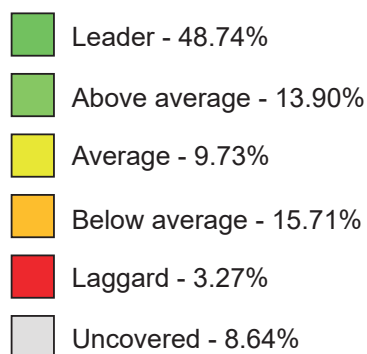
LGT

LGT 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'.



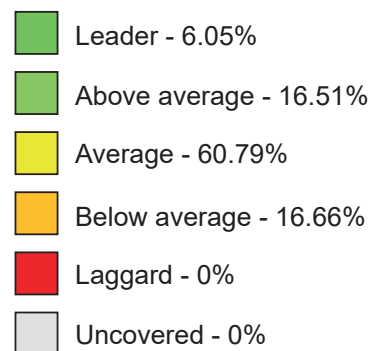
	Oddfellows Druids	Oddfellows KU	Oddfellows IWR
Q4 2021	6.86	7.11	5.57
Q1 2022	7.09	7.38	5.50
Q2 2022	6.90	7.17	5.76
Q3 2022	6.84	7.13	5.63
Q4 2022	6.83	7.21	5.71

The chart below shows the ESG rating of the Kingston Unity Fund. As at the end of 2022, 67% of the portfolio was in 'Leader' or 'Above average' category, equating to an overall ESG score of 7.21, showing an overall improvement in the rating compared to the same period in 2021 at 63% and 7.1 respectively.



Source: LGT Wealth Management UK LLP

In terms of the International Wider Range Fund, the chart below shows 83.35% on average or above with an overall score of 5.71 compared to 67.71% at the end of 2021 (overall score 5.57).



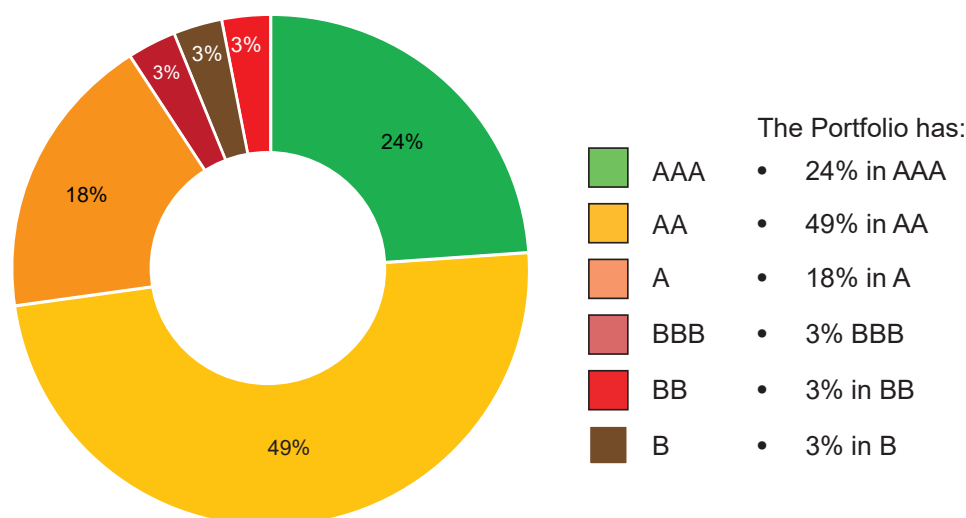
Source: LGT Wealth Management UK LLP

Strategic Report

Close Brothers

The rating Close Brothers utilise to measure the ESG performance of two 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 91% of the Fund is rated as leader (AAA and AA) and average (A), compared to 88% last year.



Source: Close Brothers Asset Management

The Society will continue to work closely with its Investment Managers to monitor the impact and performance of its funds in relation to ESG factors and how they are driving forward and focussing on ESG initiatives.

The 'S' in ESG:

In line with the Society's mutuality and ethos of 'making friends and helping people', it is fundamental to the Society to focus on ways in which it can continue to positively impact its members, customers, staff and community.

After listening to its staff members, particularly in relation to supporting their wellbeing, both in their professional and personal life, the Society launched an Employee Assistance Programme (EAP) in 2022. The EAP is a confidential and comprehensive support network offering advice on a wide range of issues. The programme is not only available to staff, but also their immediate family members, 24/7 and not only offers reactive, but also proactive services which can be accessed in a variety of ways. This is in addition to an annual wellbeing day (an additional days leave), for staff to spend doing something for them and a dedicated contemplation room in the Office for a period of quiet reflection, meditation or prayer.

Improving the quality of people's lives through friendship, care and charitable support is at the heart of the Society's ethos. In 2022 alone, the Society, via its Branch network, raised over £185k 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 the Manchester Charity, Wood Street Mission. The Society is extremely proud of the fact that since 1971, the Society has donated over £1.2m to the H A Andrews Memorial Fund to fund vital medical research in the UK. The Society has committed to donating £100,000 over three years to support the Centre for Cancer Immunology to fund vital research into treatment, the first instalment having been made in November 2022. Further information on the focus of the Fund can be found on Page 22.

During 2022, the central Society and its Branches donated over £30k to the Red Cross appeal to go towards the work they were doing in respect of the conflict in Ukraine and a further appeal has been made to make donations in respect of the earthquake that occurred in Turkey/Syria during February 2023.

Each year, the Society is honoured to support three members undertaking their first Degree University studies by providing a grant for each year of study, through its Educational Awards. This year's winners are studying Veterinary Medicine, Education Studies and Psychology Studies. One Apprenticeship Award was given in February 2023 in respect of training to be an Optical Assistant.

Strategic Report

While the Society is progressing its social commitments and considerations, it will look to define its social priorities within an overarching ESG strategy during 2023. This will include identifying further opportunities to support its members, customers, staff and local communities, with a continued focus on doing the right and responsible thing.

Diversity, Equality and Inclusion (DE&I)

The Society is committed to promoting diversity and inclusion and eliminating discrimination in the workplace.

We recognise the importance of diversity in creating an inclusive culture for staff and members, and welcome the inclusion of a range of experiences, perspectives, ideas and talents into the business.

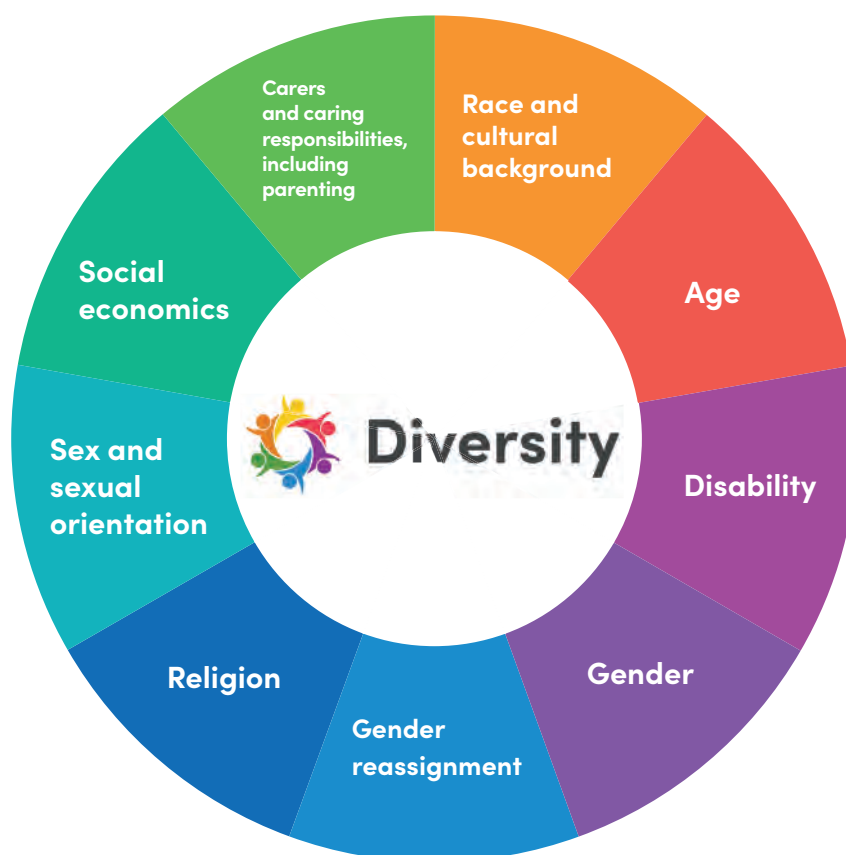
Embracing diversity of thought improves performance. Our aim is for the Society to be truly representative of all sections of society. All staff and volunteers, whether part-time, full-time or temporary, will have support to develop their full potential and utilise their unique talents. We believe this will maximise the efficiency of the organisation and promote a culture of meeting the expectations of all Society stakeholders.

Everyone connected with us, be it staff, members, volunteers or customers will be treated with respect, dignity and courtesy at all times. In addition, the Society embraces diversity of thought and acknowledges the improvement in performance this brings.

What we do

The Diversity Working Group (DWG) was created in 2021 as a way for the Society's staff to meet regularly and contribute to discussions around diversity, and shape our work moving forward. The DWG is comprised of the Society's Diversity Champion (CEO, Jane Nelson) as well as representatives from each department within Unity Office. The Compliance & Risk Function act as the administration function for the DWG, e.g. coordinating meetings, recording actions, providing anonymous staff feedback, etc.

On a monthly basis the DWG meet to discuss issues relating to the following characteristics on a rolling basis:



Strategic Report

During 2022 the following meetings were undertaken and the following subjects were discussed:

- Age;
- Disability;
- Gender;
- Religion;
- Sex and Sexual Orientation;
- Carer's and caring responsibilities; and
- Race and cultural background.

Work is underway to ensure the Gender Reassignment and Social Economic topics can be discussed in 2023. Set out below are some examples of the actions taken following the meetings:

- Introduced an Employee Assistance Programme, a confidential and comprehensive wellbeing support network.
- Published a Menopause policy.
- Large print documentation made available for Oddfellows and Unity Mutual documentation.
- Changes made to Unity Office to make the office more accessible.
- Dedicated contemplation room in Unity Office for quiet reflection, meditation or prayer.
- Pride newsletter published and distributed amongst staff at Unity Office explaining the origins of Manchester Pride and why it remains relevant today.

These were in addition to more general work such as:

- Publication of the Diversity Policy;
- Computer Based Training (CBT) for relevant staff; and
- Religious/special days commemorated within Unity Office via computers lock screen.

Strategic Report

Mutual Diversity Alliance

The Oddfellows are proud to be a founder member of the Association of Financial Mutual's (AFM) Mutual Diversity Alliance (MDA). In joining the AFM MDA the Society is demonstrating our commitment to maintaining a culture which allows all our employees to thrive, avoids barriers to our customers, partners and suppliers and demonstrates inclusive behaviours, embracing diversity in all its forms.

MDA's expectation	Examples of the work we do
Appointing a senior leader to lead our work on mutual diversity.	The Society appointed Oddfellow's CEO Jane Nelson as Diversity Champion in 2021.
Treating all customer and employees with respect, dignity and courtesy.	Vulnerable Customer and Complaint Handling CBTs on bi-annual basis for customer facing staff. Unity Office staff educated on religious/cultural events.
Making reasonable adjustments to, and maintaining, an appropriate working environment, where employees from diverse backgrounds enjoy an equality of opportunity, and to demonstrate this through equality of pay, the capacity for agile working, fair recruitment and other HR policies.	Creation of a Prayer Room at Unity Office. Updates to Staff Handbook to formalise areas such as maternity/paternity, carers support, stress management, etc. Creation of a Menopause Policy. Diversification of Recruitment Consultants. Where possible use of name anonymised CVs/ job applications.
Maintaining an effective culture via our Board, that promotes diversity and sets the right example.	Creation of a Diversity Working Group.
Working with other members of the Alliance to support problem solving, to sponsor training of our people on inclusivity and diversity, as well as on conscious inclusion, and to share good practice, as necessary.	The Society's Diversity Champion along with the Society's Compliance & Risk Function are regular contributors to the AFM's MDA webinars and forums.
Reporting each year in September on how we have met the expectations of the alliance.	The Society's Diversity page can be found at https://www.oddfellows.co.uk/about/diversity including a link to the AFM's Mutual Diversity Alliance webpage.

Survey and MI

In 2021, we undertook a short survey with a view to establishing where the Society sat in terms of DE&I. From a qualitative point of view it was felt that the Society was well situated with regards to DE&I, however, previously no quantitative data had been collected.

The 2021 survey produced a relatively small response rate (31 members of staff, just over 50%) again meaning it was difficult to draw accurate conclusions. As such it was agreed that the Society would look to embed the work it undertakes with regards to DE&I before revisiting another survey. It is hoped that this approach will encourage staff to engage with the survey if they have previously not been made aware of the benefit of doing so.

Strategic Report

Training and Workshops

The Society has made available Computer Based Training modules (CBTs) for all staff as well as requiring certain customer facing roles to complete Equality and Diversity/Unconscious Bias CBTs. In addition the DWG have arranged sessions such as the Menopause Listening Sessions, where members of Unity Office were invited to share their experiences, knowledge and questions regarding the menopause, as well as more formal workshops to discuss areas where a knowledge gap existed, such as Gender.

Gender Representation

To date, the Society has focused on Gender representation at Board and Senior Manager level. As shown below, since we began recording this data in 2021, we have seen an increase in female representation at Board level.

January 2021 statistics

Board	Nº	%
Men	10	83
Women	2	17

Senior Manager	Total	%
Men	5	45
Women	6	55

January 2022 statistics

Board	Nº	%
Men	12	85
Women	2	15

Senior Manager	Total	%
Men	5	42
Women	7	58

January 2023 statistics

Board	Nº	%
Men	11	73
Women	4	27

Senior Manager	Total	%
Men	8	50
Women	8	50

NB - Please note those senior managers who sit on the Society's Boards appear twice within these statistics.

In terms of broader Board representation, the Society will continue working towards achieving a more broadly representative Board that more closely represents its members, customers and wider community.

At the start of its DE&I journey, the Society surveyed its staff to obtain quantitative data in relation to other areas of diversity. Completion of the survey was voluntary, however, it is hoped that when we relaunch the survey during 2023, an increase in uptake is achieved.

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 2022 had a network of some 107 Branches, throughout the United Kingdom. Despite the challenges faced by society as a whole throughout 2020 and 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 the prompt payment of claims. 2022 was the first year that Branches fully embraced the return to face to face events, although it was recognised that some members would still, for whatever reason, prefer some online events and, as such, throughout 2022 the Society maintained some online events for those members for whom that was their preference.

Strategic Report

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 387,976 members.

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. Whilst due to the ongoing effect of the Covid-19 pandemic in 2020 and 2021, the physical meetings traditionally held were not possible, electronic meetings took place wherever possible. However, 2022 saw the return of a physical AMC taking place from 23-25 May 2022 and with 215 registered voting Deputies taking part in the proceedings. The return to face to face AMCs allowed Deputies, who are deputed by their Branches, to debate and vote upon the various business matters. In addition, the 2022 AMC was live streamed so that those members who were not able to attend could follow proceedings.

In addition to the AMC there are many other opportunities for members to be involved and learn from the various workshops and training sessions held either physically or via electronic means. 2022 saw the full return of the two training weekend seminars a year for our Branches and members and it was great to see the positive outcome and feedback from those 52 that attended the Seminar in March 2022 and 52 in September 2022. 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. The TCF and Conduct Risk Champion in 2022 was David Grant. 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 2022 was David Randall.

Employee Engagement

The Society had 61 staff at the end of 2022 (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 three Executive Directors on a regular basis. Throughout 2022, these meetings were held on a face to face basis wherever possible. Throughout 2022 there were four issues of the Staff Newsletter to which staff were encouraged to contribute. 2022 saw the introduction of a quarterly Staff Recognition Scheme whereby members of staff were encouraged to nominate members of staff for whom they felt had gone "*above and beyond*". Each successful recipient was highlighted in the Staff Newsletter. All the nominations received on a quarterly basis are reviewed by a panel of staff who select the winner. Formal performance appraisals are conducted annually for all of the Society's employees and for the year 2021, these were carried out in December 2021 and January 2022 and for the year 2022 in December 2022 and January 2023. Quarterly staff surveys using an external Company "*Engagement Multiplier*" continued throughout 2022 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. 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 2022, the amount of donations to charitable causes across the UK totalled over £185k (2021: £165,000). 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 2022 over £1.2m 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 and 2022 saw the newest project accepted which was a three year support of a study into Cancer Immunology. The project is entitled '*Studying how our immune system recognises cancers; towards the next generation of cancer vaccines.*' The support will total £100,000 over three years and the first instalment of £33,000 was presented in November 2022.

Strategic Report

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)

As at 31 December 2022 the Society's LTB had assets under management of approximately £357m which are ringfenced from the Fraternal business of the Society and which consisted of 340,000 saving, investment and insurance policies, of which 311,000 were Child Trust Fund (CTF) accounts. All policies are managed under the Unity Mutual brand and are administered from offices in Manchester and Liverpool by a dedicated team.

Unity Mutual's strategic activities during the year focused on looking after our existing customers and their respective policies, initiatives to grow the business, both organically and through transfers of engagements, and ensuring that our regulatory requirements were met.

Overall, Unity Mutual continued to perform in line with its set objectives across most business areas despite a challenging economic backdrop with increasing inflation and volatility in the stock market. Highlights for the year included:

- Kingston Unity Friendly Society's policies were fully incorporated into our existing systems and processes, delivering on the proposed cost savings as part of their transfer of engagements which completed on 1 February 2021.
- Unity Mutual met our customer service level objectives for the year, even though there were occasions where call wait times were longer than desirable, especially for our CTF customers. As a result, operational improvements were made during the year, which improved the service provided to our customers.
- Unity Mutual launched a new Over 50s Life Insurance plan in November. This is the first in a new range of insurance products that Unity Mutual aims to launch in the future.
- External market forces, including rising inflation, which has squeezed household disposal income, and a drop in investor confidence, impacted new business levels. So whilst new business remained at a healthy level, overall volumes have reduced in comparison to 2021.
- 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 Directors are 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 consolidation

2022 was another busy but enjoyable year for the Branch Development Team. Similar to the previous year, 2022 saw a number of Branches emerge from delivering a satisfactory social programme into making real positive and tangible steps in their own Branch Development.

Prime focus across the Branch network has been on delivering a diverse range of face to face events along with a regular and attractive online offering.

Online Open days continued throughout the year via Zoom – these enable potential new members to find out more about who we are and what we do from the comfort of their home. Sessions are hosted monthly apart from Friendship Month where we hosted weekly events for a six week period from the beginning of September through to mid-October.

Strategic Report

An effective social offering

Branches continue to develop and deliver a great range of accessible events and have been supported to try out new activities to bring in new members and re-energise inactive ones. A focus on marketing, publicity and promotion as part of Branch Development activity overall, has reaped great rewards. In particular, Branches have found success in promoting themselves as part of the Society-wide Campaigns, eg Oddly enough (Bereavement) and Friendship Month.

Networks and support

The Social Organiser network continued to go from strength to strength and one great example of this is the joint walks/active events that a number of the Yorkshire Branches have held. The two WhatsApp groups (Secretaries and Social Organisers) remained active which enabled Branches to share information, ask questions and keep in contact.

Recruitment for new and replacement Social Organisers remained buoyant and was, once again, supported by the Social Organisers network in terms of help, support and buddying.

Social Organiser (SO) Drop Ins have continued on a monthly basis, with two sessions being held every month, one during the daytime, and one early evening to enable as many SO's as possible to attend. Fundamental to the success of these sessions has been Branch engagement and involvement in best practice, sharing and discussions around event ideas and issues Branches are facing. As per the previous year, highlights from the sessions form part of the monthly Branch Development 'What's New' email which is sent to all Branch Secretaries and Social Organisers.

Branch Development Plans

A full year working with Branches on the refreshed planning process and content has been rewarding. The target for year end 2022 was 78% of Branches focussing on development with the actual result achieved being 86%.

Training, development, skills and enhancement

A calendar of monthly activity throughout the year continued from the success in 2021. Webinars delivered via Zoom on a variety of key areas and topics were hosted every month, and also recorded and uploaded onto Oddspace, to enable Branches to refresh their knowledge as and when required. Session topics included:

- Member benefits;
- Cruse Bereavement awareness;
- Oddfellows Travel;
- Unity Mutual Products and Services;
- Facebook surgeries; and
- Marketing planning and resources.

A record number of Branches (over 50%) attended the Cruse Bereavement awareness sessions which were held in March and June and the feedback from those attending those sessions was excellent.

Two successful Weekend Seminars were held in March and September 2022. From a Branch Development perspective, the focus at this year's Social Organiser workshops was '*Making your Development Plan come Alive*' and focus on the 3 P's (publicity, promotion and plans).

In addition, the workshop on Third Parties was focussed on enabling members to get more out of their membership by helping Branches understand what's on offer, how to access the deals and offers and share ideas to enable them to promote to their membership and potential new members.

Partnerships

Focus in 2022 has been raising awareness of partnerships and the associated deals and offers across the Branch network, refreshing web content and promotional material plus continuing our partnership with Yours Live.

Strategic Report

Managing and building digital channels

- **Social media – Facebook and Twitter**

Facebook continues to be an important social channel for Branches to interact with members and build online communities. The number of live Branch pages has risen annually from 53 in 2019 to 75 by the end of 2022.

The annual Facebook Audit was carried out in June 2022 and looked at 70 live Branch pages. 48 Branches scored either Good or Excellent, nine were classed as Basic and 12 required action. One Facebook page was brand new so could not be audited. 65 of the 69 auditable pages either maintained the same score or saw an improvement on the previous year's score. Those Branches whose scores had dropped were supported to make improvements.

The team continued to offer individual Facebook support to Branches and online surgery sessions throughout the year, and, in addition, there were also two face-to-face training workshops held on 2 and 3 November 2022.

Content engagement for the Society's Twitter channel, which is mainly used as a business to business channel, increased during 2022, rising from 1.58 to 2.75 by the end of the year. Twitter measures engagement using a unique calculation based on interactions with the profile or posts, for example if a user likes or shares content. A score of 1.5 or more is considered a positive indication of the reach and engaging nature of our content.

- **E-marketing**

Monthly Society emails sent to over 9,000 active members in 2022 achieved high open rates of 55% demonstrating members continue to engage positively with this communication. Click through rates were lower at 16% which will be worked on as part of ongoing strategic development. 'Good' working targets for standard monthly member emails are open rates of 40-50%, and click through rates of 25-40%.

The Society has approximately 18.31% of active emails that can be used for marketing (an increase of 2.01% from 2021). Branches were encouraged to collect and update member email information via a data request flyer which was designed and distributed to all Branches for them to send to their members.

Additional e-marketing for targeted audiences was created and distributed to support:

- **Recruitment campaigns** – to encourage enquirers to attend online open days, invite new members to attend an online new member event and try/learn more about the Society to non-member subscribers.
- **Oddfellows Travel** – sharing travel news and offers specifically with members that had opted into receiving this information.
- **Unity Mutual** – Guaranteed Investment Bond (GIB) promotion.
- **Satisfaction survey** – invitation to members to answer questions.

- **Website www.oddfellows.co.uk**

Resources limited development opportunities in 2022 but a specialist company was sourced to work on the much needed upgrade of the Umbraco (CMS) platform. Other development projects will be revisited after this upgrade is complete in 2023.

Website performance was varied and figures below are not a 100% accurate reflection of usage as approximately 15% of website users are not consenting to tracking or marketing cookies.

Target: *Increase online audience size and engagement*

Users:

2021 – 128,837

2022 – 144,401 (up 12.08%)

Strategic Report

Target: *Increase online member sign-ups*

Adult membership:

2021 – 213

2022 – 177 (down 16.90%)

Target: *Online (archive) membership:*

2021 – 71

2022 – 40 (down 43.66%)

Target: *Increase online third-party referrals*

www.oddfellows.co.uk/benefits/offers pages – unique visits

2021 – 6,111

2022 – 7,036 (up 15.14%)

Target: *Increase number of online RaF referrals*

2021 – 13

2022 – 8 (down 38.46%)

Target: *Increase online renewals (adult memberships)*

2021 – 51

2022 – 35 (down 31.37%)

Target: *Increase in online member area subscribers*

Dec 2021 – 4,127

Dec 2022 – 4,169 (up 1.01%)

Public relations activity - media coverage

Considerable effort was taken in 2022 to lift the quality and quantity of press coverage. This was achieved by end of 2022 with the average press cuttings increasing from 21.08 cuttings per month to 34.41. 105 cuttings were achieved by Branches using one of the four distributed PR templates in 2022 as follows:

Template 1 – 12 cuttings – Oddfellows reach out to help newcomers forge new friendships.

Template 2 – 23 cuttings – Friendship group urges widowed to give ‘*Three Minute Carrot Method*’ a go to regain lost confidence.

Template 3 – 39 cuttings - Keep investing in friends this Friendship Month.

Template 4 – 31 cuttings – Letter to the Editor Friendship Month.

A ‘*Use of Media*’ workshop was delivered at the Weekend Seminar which was very well received by members. Other than this formal session, support was delivered on request throughout the year – 30 requests for editorial/PR support by Branches were responded to in 2022, including the creation of 28 local media lists.

Recruitment

Recruitment decreased slightly by 2.61% in 2022, 1,343 compared with 1,379 in 2021.

In addition to Friendship Month in September, three themed campaigns ran during the year – each focussed on life experiences which influence people joining, these were Moving Areas, Oddly Enough (following bereavement) and Retirement. A mixed media approach was used to drive enquiries and traffic to the website. This included new online titles, podcasts, national print and digital advertising throughout the year.

Recruitment through the Refer a Friend Scheme increased from 487 in 2021 to 584 last year. Marketing collateral was refreshed and a selection of Branches were asked for feedback about various improvements planned to better promote the scheme next year.

Strategic Report

Online training was also developed and delivered to support recruitment – workshops included:

- Telephone skills; and
- Turning enquiries into members.

Conversion

Enquiries increased significantly from 3,090 in 2021 to 3,716 in 2022, indicating the advertising messages are effective. However, conversion remains a challenge as the overall conversion rate for 2022 was 12.35%, a drop from 16.88% in 2021. It is worth mentioning that conversion in 2021 was likely affected by the lift of lockdown so it is not a like for like comparison.

To assist conversion, online open days continued to give people who enquired an opportunity to find out more and meet other like-minded people. 109 people attended last year with 31% converting (compared to 44% in 2021).

Satisfaction Survey

This included an online and postal questionnaire to members where 7.7% responded online, and 11.8% responded via post. In total, 986 of 10,604 members completed the survey.

Top three most appealing aspects of Oddfellows

54.1% Meeting people, making friends.

53.1% Variety of social events.

45.5% Practical care and support when you need it.

The net promoter score measuring what proportion of the membership would recommend the Oddfellows to others, increased significantly to 37, compared with 16 in 2021. The percentage of members stating they were either satisfied or very satisfied with their membership fell from 82% to 74%.

Individual Branch feedback with member comments was given where appropriate and a cross-department meeting of key Unity Office teams took place to discuss the findings and agree ongoing action and support.

Member retention

The member lapsing rate increased from 8.81% in 2021 to 9.95% which is reflected in the drop in retention rate from 88.74% in 2021 to 87.46%.

New members were invited via email to attend special online new member events during the year to encourage engagement with their Branches and help them get the most from their membership.

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

2022 was an extraordinary year with dramatic changes in both geopolitics and the global economy. At the beginning of the year, there was an improving economic and investment sentiment but this all changed with the Russian invasion of Ukraine in the early spring, which has had marked implications for the global economy and financial markets.

Disruption to the supply of many commodities and sanctions placed on Russia saw inflationary pressures surge with inflation spiking to levels not seen for decades, having a marked effect on the supply and cost of energy and other goods and services.

The jump in inflation saw accelerated interest rate increases across the world and in the UK, The Bank of England increased interest rates from 0.25% to 3.5% in 2022 in order to combat the surge in inflation where the annual rate rose from 5.3% in December 2021 to a 40 year high of 11.1% in October 2022. This has had a marked effect on the UK economy which saw little or no growth in the year and stagnated between October and December.

Strategic Report

The sharp increase in energy costs and goods and services has and will continue to feed through to higher costs being paid by the Society. The Society made a one-off payment to employees in July 2022 to help with the cost of living crisis.

The financial outcome for the year is detailed in the Group Consolidated Income and Expenditure Accounts shown on Pages 73 and 74, with the Group Consolidated Statement of Other Comprehensive Income being shown on Page 76, and the Assets and Liabilities as at 31 December 2022 shown in the Group Consolidated Balance Sheet on Pages 69 and 70.

The Technical Account for Long Term Business on page 73 produced a surplus and a transfer to the Fund for Future Appropriations of £0.92m for the year compared with a deficit and a transfer from the Fund to Future Appropriations of £0.26m in 2021 (restated).

The Non Technical Account produced shows the income and expenditure arising from the Society's business objectives as outlined on Page 74. There is a deficit for the year of £2.5m for the year (2021: surplus of £1.5m) (See Note 13)

The value of investments suffered the rare combination of losses in both equities and bonds in a year where most asset classes fell sharply. The value of fixed interest investments where bond prices fell as inflation rose and investors demanded higher yields have been particularly affected. The effect from the sensitivity to interest rate changes has been limited due to managing the duration risk of our long term liabilities and this is reflected in a reduction in the value of our long term liabilities.

Total investment return for the year in the Technical Account amounted to a loss of £19.0m (2021: Gain £35.8m) and in the Non Technical Account the total investment return for the year amounted to a loss of £17.5m (2021: Gain £18.2m), of which £16.4m (2021: Loss £15.7m) was attributed to Branches in the various internally operated unitised funds (See Note 19).

The fall in the value of investments in 2022 has resulted in a Consolidated Balance Sheet gross asset value which has decreased to £535.5m from £587.2m in 2021, an overall decrease of £51.7m (8.8%).

The Society regularly reviews its long term investment strategy and investment performance and despite seeing one of the most volatile years in markets, the Society has been able to maintain our strategy and a healthy level of solvency. The Society's Solvency Capital Coverage Ratio as at 31 December 2022, stood at 350% (2021: 334% Final).

Liquidity strategy

There have been numerous shocks and dramatic changes in investment outlook during 2022 which show no sign of abatement in 2023, with unparalleled volatility being witnessed in the financial markets.

As part of the Society's Own Risk and Solvency Assessment (ORSA) it stresses its liquidity needs and considers the Society's ability to respond to a number of individual and combined shocks to its liquidity. As part of that assessment we regularly monitor our investments including our holding of cash and other marketable securities that can be realised quickly. Liquidity requirements are built into our investment management mandates that are approved by the Society's Board.

The Society maintains a 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 ensuring that we are able to continue operating and meet our liabilities as they fall due.

The maturing profile of our assets are matched with our liabilities, and in conjunction with 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.

Strategic Report

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:

A handwritten signature in blue ink, appearing to read 'C J Nelson', with a long horizontal flourish extending to the right.

C J Nelson
Chief Executive Officer
3 April 2023

Directors' Report

The Directors present their Annual Report together with the Financial Statements for the year ended 31 December 2022. In producing this Report, the Directors have considered the AFM Corporate Governance Code which now operates on an 'Apply and Explain' basis (see Pages 34-39).

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.

Directors' Report

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 24 regulated business complaints. Following appropriate investigation, 15 were upheld, eight refuted and one withdrawn. Of the eight refuted complaints, two 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 387,976 (395,617 in 2021) members as at 31 December 2022, of which 317,177 were Junior Members (312,399 being Child Trust Fund Members and 809 Junior ISAs).



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.

Directors' Report

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 2022 Main Board meeting. The Board conducted this review using a detailed budget for the forthcoming year (ie 2023), 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 2023, 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 2023 budget and the Strategic Plans are also reviewed and approved by the Board.

The Board has determined that the two year period to December 2024 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 2026;
- 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 has 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 a result of the 22 responses received, any actions required from those member states on the Society's policies are being taken. The outstanding responses from the remaining five continued to be chased in 2022 and this will continue in 2023 until responses are received. Given that the Society trades within the UK any resulting effect on the investment market continues to be the main impact the Society faces as a result of the UK leaving the EU.

Effect of the pandemic

Whilst the particularly challenging years of 2020 and 2021 are now both behind us, the Society can look back proudly on how it adapted to the challenging times in both those years. As a Society, we operated effectively and efficiently throughout the whole of 2020 and 2021 and that stood us on a good basis on which to commence 2022. 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 its Solvency Capital Ratio (SCR) which, as at 31 December 2022, stood at 350%, a movement from the position as at the end of 2021 (334%). As can be seen in other areas of this report, in 2022 the Society achieved 1,343 new fraternal members. In terms

Directors' Report

of new LTB policies and new premium income, 2022 saw the Society achieve 1,316 policy sales and £5.2m of new premium income.

As noted in the 2021 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, operated efficiently and effectively and once the Society was able to re-open its Offices fully in August 2021, staff were given the opportunity to have some flexibility of continuing to work some time from home. A number of staff took advantage of this added flexibility whilst a number also preferred the option of being in the Office on a full time basis. The Society and the staff have all adapted well to the new way of working.

Throughout 2022 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 in 2022 has been impacted by politics, company results, UK base rate increases, as well as the economic climate we face, all of them bringing different levels of challenge to the Society and its Investment Managers. 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 Capital Requirements to ensure we take appropriate actions if this is needed.

The positions, in terms of the cover ratio, on a quarterly basis during the year being:

31 December 2021	334%
31 March 2022	320%
30 June 2022	345%
30 September 2022	358%
31 December 2022	350%

During 2022 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 the 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 Sheffield Friendly 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 Friendly Society in February 2021. As at the end of December 2022, all of what is now a combined property portfolio amounted to £26.33m (2021: £25.98m), out of overall LTB assets of £357m (2021: £390m). The Society continued to actively manage the diversification of the portfolio by allowing other LTB funds to take partial investment in the fund and at YE 2022 the Society's Non-Profit Fund held all the LTB property exposure.

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.

Directors' Report

Governance and operations

As reported in previous Reports & Financial Statements, following staff successfully working from home throughout the pandemic, the Office reopened on a part time basis 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 continued throughout 2022 and will continue going forward.

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 to us, and will continue to do so going forward to ensure the Society is able to meet its customer and regulatory obligations.

Taking all these matters into account, the Board 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 2022 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 the welfare of its members 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 6) 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.

Directors' Report

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 launched a new financial product aimed specifically at the over 50's market at the end of 2022.

Principle 2 – Board Composition

A biography for each Director can be found on Pages 39 to 45 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

The Society held its AMC on 23 to 25 May 2022 where 16 Directors were elected. Of these, eight served on the Board until the end of November 2022, when, unfortunately, a Director had to resign for family reasons, and so, as at the end of the year there were seven Directors serving on the Board which comprised of the Chairman, the Chief Executive, the Insurance Director, three Member Nominated Non-Executive Directors and one External Non-Executive Director. 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 16 Directors elected in 2022 serve on at least one of these Sub Boards and the list of who serves on which can be found on Page 45. The Independent Non-Executive Director is 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, the Audit, Risk & Compliance Committee (ARCC) includes a Skilled Person, 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 48 to 59. 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
- ensuring that all our employment practices and procedures 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 equality and fairness in the workplace.

Directors' Report

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 48.

During 2022 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 2022, 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 at least eight and five meetings every year respectively. The Directors' attendance at meetings of the Board, Sub Boards and Committees is shown on Page 46. The key strategic areas of focus in 2022 are included in the Strategic Report on Pages 6 to 29.

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 of both 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 48 to 59.

The Board delegates authority for day-to-day management of the Society to the Executive (Chief Executive Officer, the Insurance Director and the Finance 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, diversity, Environmental, Social and Governance (ESG) and climate change, all supported by Key Performance Indicators (KPIs) wherever possible.

Directors' Report

Audit Provision

At the end of 2021, the Society undertook a tender process for External Audit services and PKF Littlejohn LLP were appointed as the Society's new External Audit provider with effect from April 2022 to audit the financial information. The Internal Audit function of reviewing the financial and systems controls is undertaken by the external company RSM UK Risk Assurance Services LLP, who reported on a quarterly basis to the Audit Risk and Compliance Committee.

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 6. The Board seeks out opportunities whilst managing the risks associated with 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. Overall, the Board feels that there is significant opportunity for a trusted and reliable provider of competitive saving, investment and insurance policies in the UK market. Through its Unity Mutual brand the Society believes that it has sufficient opportunity to create member value over the medium to long term. During 2022 the Society launched its new Unity Mutual Over 50s Insurance plan, provided a good level of service to our customers and maintained the competitiveness of our existing products despite challenging economic conditions. The Board also believes there is the continued opportunity of being a safe home for other mutuals that cannot continue to create value for their members.

Throughout 2022, four main campaigns, including Moving to a New Area, Bereavement, Friendship Month and Retirement contributed to receiving a greater number of enquiries in respect of membership compared to the previous year. Whilst face to face events have resumed, the Society recognises the benefits of continuing to offer some online events and has adopted a hybrid approach allowing members to realise that the Society is always there for them.

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 48 to 52).

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.

Directors' Report

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 2022, 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. Together with the work undertaken on culture, which includes staff culture surveys and 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.

The Society recognises the importance of diversity in creating an inclusive culture for staff, members and customers and welcomes the inclusion of a range of experiences, perspectives, ideas and talents into the Society. In 2021, the Society established a Diversity Working Group (DWG) to further develop its diversity and inclusivity strategy. The Group is comprised of representatives from different departments within Unity Office, however, all members of staff are welcome to get involved in our diversity discussions by attending meetings or sharing their ideas and thoughts, including submitting them anonymously, if they wish to. During 2022, the DWG continued to come together regularly to discuss and develop the Society's approach to diversity. Further information on the areas discussed during the meetings, variety of improvements made and various ways in which the Society is driving forward diversity can be found on Pages 18 to 21.

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 2022 and will further develop its ESG strategy throughout 2023 (for further information on ESG reporting see Pages 14 to 17). 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 12 to 13 for more details).

The Society achieved Carbon Neutral status for the first time in 2021, by calculating and offsetting its carbon footprint for its Manchester and Liverpool offices and associated transport activities. A further carbon footprint assessment was undertaken in 2022. Emissions reported for the period 1 April 2021 to 31 March 2022 totalled 100.89 tonnes of CO₂. Whilst this is up slightly from 2021, by 17.96 tonnes of CO₂, a much greater increase in emissions was expected for this period given that the first assessment was completed during the Covid lockdown period when staff were working from home and unable to travel. However, this year the Society attained Carbon Neutral Plus status by going beyond our measured footprint when offsetting our emissions and supporting a project in Brazil to protect the Amazon and its amazing biodiversity through the prevention of unplanned deforestation, which is expected to avoid over 22 million tonnes of CO₂ over a 40 year period.

Directors' Report

Improving the quality of people's lives through friendship, care and charitable support means a lot to the Society. In 2022 alone, Branches raised over £185,000 for a variety of local and national charities. Throughout 2022, a total of £30,287.50 was raised to support the British Red Cross Ukraine Crisis Appeal. This total was made up of contributions from a number of Oddfellows branches and members, including a £10,000 donation from the Society's central funds. The Society is extremely proud of the fact that since 1971, the Society has donated more than £1.2m to the H A Andrews Memorial Fund to fund vital medical research in the UK. During 2022, the Society's HA Andrews Memorial Fund gave its first donation of £33,000 to the Centre for Cancer Immunology to support ground-breaking research into immunology treatment to fight cancer. The first donation marks the start of a three-year partnership which will see the Oddfellows donate a total of £100,000.

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. For the first time in two years, the Annual Movable Conference (AMC) was held face to face, where there were 215 registered voting Deputies representing the Society's 113 Branches. In addition, the 2022 AMC was live streamed so that those members who were not able to attend could follow proceedings.

The AMC 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 held two weekend training events for members where 52 members attended each event 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 24.

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 its relationships with third parties and has appropriate policies and procedures in place to ensure that these relations remain effective.

Directors

The Directors of the Society as at 31 December 2022 were:



David Richard Ogden
Grand Master (Age 73)

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 26 years, 15 of them as a Trustee.

He holds the CAMU qualification, and has served on the LADGC Executive for 11 years, seven of them as secretary, and subsequently 15 years as Honorary Auditor. He has 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 as Deputy Grand Master at the 2019 AMC in his home town of Southport, and was elected Grand Master at the electronic 2021 AMC and at the 2022 AMC in Scarborough.

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.

Directors' Report

Barbara Needham

Deputy Grand Master (Age 70)



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 the 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 Randall

Immediate Past Grand Master (Age 71)



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 2000s 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) and is currently IPGM.

David became 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.

Directors' Report

Jane Nelson

Chief Executive Officer/Secretary of the Order/Executive Director (Age 57)



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 over 10 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. In October 2022, she stood down from the AFM Board after serving the maximum time allowed of nine years.

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 five (soon to be six) grandchildren.

John Mann

MNED (Age 71)



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 FC and Sale Sharks RFC 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.

Directors' Report

Tony Lockett

MNED (Age 62)



Tony joined the Society in 1994 after a recommendation from a 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.

Debbie Jex

MNED (Age 62)



Debbie joined the Society as a Junior member of the Royal County Lodge in 1973 and later became the Lodge's Noble Grand, as well as Noble Grand of the Reading Abbey Lodge following their amalgamation.

From 1993 until 2015, Debbie was Thames and Kennet Lodge's Financial Secretary and she continues to be a member of its Committee of Management, as well as supporting the Lodge's members as a volunteer Welfare Visitor.

In March 2015, Debbie became Reading District's Prov CS after having worked part time in the District office since 2009. She became the District's Provincial Grand Master in 2010, following a family tradition as her father held the same office in 1997, her mother in 1999 and her sister in 2011.

Since 2003, she has also been Secretary of the Jubilee Social Lodge.

Wider involvement in the Society has included her election on to the Southern Group Conference Executive Committee in 2013, where she was its President in 2019 and 2020, serving two years due to the Coronavirus Pandemic. Debbie was elected on to the Benevolence Committee in 2014 for eight years, becoming Chairman in 2018. She was elected as a Member Nominated Non-Executive Director in 2022.

Debbie received a CAMU qualification in 1996, passing with Distinction, her Purple Degree in 1999, and in 2019 she was awarded both District and Lodge Merit Jewels.

Outside of the Society, she enjoys spending time with her family and six grandchildren, socialising with friends, gardening and bowling.

Directors' Report

Dr Karen Rose

MNED (Age 48)



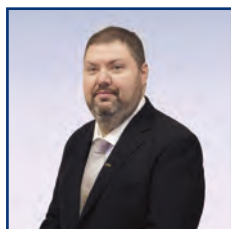
Karen attended the University of Leeds where she gained a BSc degree and PhD in Chemistry. She then worked for 10 years as a Forensic Specialist in Gunshot Residue for the Forensic Science Service (2002 to 2012). Her main role was reporting complex casework and providing witness testimony in criminal courts throughout England. Following redundancy in 2012, Karen volunteered for a charity, Imago Community, before becoming employed as the Finance Assistant and later Hub Manager where she managed the staff and work on the Young Carers and Care Navigator helplines.

Karen joined the Oddfellows in 2007, when she took over as joint Social Secretary of the Earl of Cottenham Lodge, part of the Tunbridge Wells District Lodge, when her father retired after over 60 years of service. Both Karen's grandfathers were members and Secretaries of their Lodges. In 2017, Karen was employed as Prov CS of the Tunbridge Wells District Lodge and has been a Deputy to AMC since 2018. Karen was an executive of the National Federation of Administrative Officers for one year. She has served on the Metropolitan Group Conference since 2018, with one year as an Executive Officer before becoming their Secretary in 2019. Prior to being elected as a Member Nominated Non-Executive Director in 2022, Karen was a Unity Special Arbitrator.

Outside of the Society, Karen has been a District Treasurer in East Grinstead for Girlguiding UK since 2007 and is a Unit Helper for two Rainbow units (girls aged five to seven years old) and also helps out at local Brownie and Guide camps. In addition, she has been a member of the Parochial Church Council at her local Church since 2010 and served as Church Warden from 2015 to 2021.

Alex Walker

MNED (Age 34)



Alex has been a member of the Society for more than 25 years, serving on North Gloucestershire District Lodge's Committee of Management for 10 of these. He is currently the District's Development Officer, a role held since 2012, he has been Provincial Grand Master for his District and he has served as an AMC Deputy for eight years.

He has a strong member recruitment record and, in 2017, he was awarded the Oddfellows' prestigious Silver Gilt Recruitment Jewel. Outside of the Oddfellows, Alex has been a Director of Unity Credit Union Ltd for over four years, managing its recent rebrand, social media activity and new website build.

Previous to his role at the Oddfellows, Alex worked for nine years in the insurance sector for TWG Services, achieving first place in the company's Lean Six Sigma project and innovating several ideas that were adopted into practice. He has also worked in the Trade Union movement for UNISON, driving member recruitment in Gloucestershire.

Alex has 13 GCSEs, a BND in ICT practitioners and system support, and numerous qualifications relating to security services. In his free time, Alex enjoys travelling as well as cooking.

Stephen J Code, MBA

Insurance Director/Executive Director (Age 62)



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 45 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 is Provincial Grand Master of the Mersey District Lodge for the year 2022/2023 and he is a Trustee of his Branch.

Directors' Report

Keith Ashcroft, BA (Hons), ACA

Finance Director (Age 54)



Keith joined the Society in December 2022 as an Executive Director and Commercial Board member.

Qualifying as a Chartered Accountant in 1994 with the Institute of Chartered Accountants (ICAEW), his career has been spent largely in the financial services industry, having worked in both commercial and investment banking, commodity markets, and family office investment and wealth management, with the last five years having been spent in the mutual friendly society space. He is an experienced Finance Director and Board member having held such positions over the last 10 years.

Outside of Oddfellows Keith enjoys playing tournament bridge, participating in both national and regional events held around the United Kingdom, and having represented both Kent and Lancashire in County competitions.

Bill Connolly, ACII

External Non-Executive Director (Age 67)



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.

David Webster

Chairman of the Board (Age 63)



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 sector, 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 UK's 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 67)



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.

Directors' Report

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.

Since June 2022, Rob has served as Chairman of the Society's Commercial Board.

Peter Darragh, Solicitor, BA, MA, PGDL

External Non-Executive Director (Age 43)



Peter joined Oddfellows' Audit Risk and Compliance Committee in 2021. Prior to this he spent 11 years as a Non-Executive Director at Kingston Unity, holding various positions during his tenure there, including Chairman for four years.

Most of Peter's career has been spent as a lawyer working both in private practice at large law firms and in-house in the financial services and insurance sectors. He is currently principal consultant for a legal and technology risk advisory firm, working with clients across a broad range of industries and jurisdictions. He also provides investment consultancy to a family office and has roles in various charities in Belfast which address deprivation and community regeneration.

Peter holds a BA(Hons) in Economics from Durham University, a MA in Management from Durham Business School, and post-graduate legal qualifications from Newcastle and the University of Law.

Peter has a young family and enjoys racquet sports and sailing. He currently serves as Commodore of County Antrim Yacht Club.

Directors

During the year to 31 December 2022, three Main Board meetings were held. As at 31 December there were 15 Directors; three Executive Directors, eight Member Elected Non-Executive Directors (MNED), and four External Non-Executive Directors. The size and composition of the Board and Sub Boards are kept under review to ensure that there are sufficient skills and experience represented for the direction of the Society's activities. The Annual Movable Conference (AMC), equivalent to an AGM, 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 then 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, as of the date of this report were:

Non-Executive (MNED)

David Ogden >*◆~
Barbara Needham >+*◆◆
David Randall *●
Tony Lockett >+*●~
John Mann *◆
Debbie Jex *◆
Karen Rose *●
Alex Walker *●

Executive

Jane Nelson >+*◆
Steve Code >+
Keith Ashcroft + (Appointed December 2022)

External Non-Executive

David Webster >◆~ (Chairman of the Board)
Bill Connolly > +◆~
Rob Edwards +
Peter Darragh ●
Colin Nugent >+● (Resigned November 2022)
Dave Grant + (Resigned December 2022)
Richard Gough + (Retired May 2022)

>Board

+Commercial
Board

*Fraternal
Board

●Audit, Risk and
Compliance

◆Governance
Committee

~Remuneration
Committee

Directors' Report

Board Attendance

Attendance at 2022 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			6	5 >	4	1 +	4	2 >	2	2
Barbara Needham	3	3	10	9 ~	6	6	4	2 □	4	4		
David Randall					6	6	4	4				
Jane Nelson	3	2 ♦	10	10	6	6	4	3 + #	4	4		
Tony Lockett	3	3	10	9 ♦	6	6	4	4			2	2
John Mann					6	6			4	4		
Debbie Jex					6	3 *			4	3 *		
Karen Rose					6	2 * ~	4	2 *				
Alex Walker					6	3 *	4	2 *				
Steve Code	3	3	10	10		1 ●						
David Webster	3	3	10	2 ~ # □					4	2 * #	2	2
Bill Connolly	3	3	10	10		1 ●			4	4	2	2
Rob Edwards			10	10								
Peter Darragh							4	4				
Keith Ashcroft			10	1 *								
Richard Gough			10	4 □								
Colin Nugent	3	2 ≈	10	7 ♦ ≈			4	2 ♦ ≈				
Dave Grant			10	9 ♦			4	1 *				

♦ Personal ~ Holiday # Business > Sickness ≈ Resigned

* Newly appointed Director to the Board and/or Committee

□ Retired from Board or Committee May 2022

+ The Grand Master and Chief Executive Officer are ex-officio on all Committees and meetings attended have been included in the numbers

● Pre AMC Meeting

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. The only full held Zoom meeting in the year was the September Commercial Board.

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

Directors' Report

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 2022, 9 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 in 2022. He was available to members for unresolved concerns during the year. No matters were raised during 2022.

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 take 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 Directors and Skilled Persons is covered as part of their induction, in accordance with the Society's Training and Development Scheme.

In accordance with that Scheme, each Director and Skilled Person undertook a self-assessment before the end of 2022, a process which highlights areas of strengths and areas for development, which can be appropriately addressed. During 2022, each Director and Skilled Person 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 and its Senior Management, keeping abreast of related regulatory and industry developments 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 2022 where the Directors met without the presence of the Chairman.

Directors' Report

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)
- Equality & Diversity
- Information Security
- Senior Manager & Certification Regime (SM&CR)
- Unconscious Bias
- 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 2022 were:

Audit, Risk and Compliance Committee:	Charles Haygarth	(Chairman) (External Skilled Person)
	David Randall	
	Tony Lockett	
	Karen Rose	
	Alex Walker	
	Peter Darragh	(External Non-Executive Director)

Composition of the ARCC

The members of the Audit, Risk and Compliance Committee (ARCC) as at 31 December 2022 are as stated above. Charles Haygarth (External Skilled Person) was appointed as Chairman of the ARCC on 23 June 2022.

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 2022. Representations from the Internal Auditors were made at each meeting and representatives of the External Auditor attended, as required, at two of those meetings.

Directors' Report

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 2022, 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.

Directors' Report

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 the 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 the 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 2022, 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 49 and 50. 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 Society's External Audit service is provided by PKF Littlejohn LLP (PKF), who were appointed by the Society in May 2022 following a thorough tender process.

Audit planning and year end 2022 audit work was performed on a hybrid basis via face to face and 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 2022 given that the Society had recently appointed new External Auditors.

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 appointment of PKF in May 2022 the Audit Partner is not yet due for rotation. 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.

Directors' Report

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 2022.

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, PKF Littlejohn 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 2022 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 by the Society's Property Managers 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.

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 going concern, fraud risks, climate related risks and the revised auditing standard on risk identification and assessment.

Directors' Report

Internal Audit of Unity Office

The Internal Audit service for Unity Offices (both in Manchester and Liverpool) has been provided by RSM UK Risk Assurance Services LLP (RSM) since the start of 2022 following a thorough tender process which was completed in 2021. 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 by the previous Internal Auditor and emerging regulatory themes.

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 2022, internal audit work has been carried out using a hybrid approach, whereby initial review work was completed face to face and any follow up work carried out remotely, using zoom and secure transfer of documents via cloud services, which was very successful.

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 unable to be actioned at the end of 2022. 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 2022.

At the end of each year, the Society's Internal Audit Function provides an annual internal audit opinion based upon work undertaken during the previous 12 month period. For the 12 months ended 31 December 2022, the Head of Internal Audit concluded that 'there are weaknesses in the framework of governance, risk management and controls such that it could become inadequate and ineffective if not addressed'. Of the 23 observations raised from the three regulatory audits conducted, two were categorised as high priority, 17 medium, and the remaining four as low priority. Two advisory audits were also carried out during 2022 and a further 16 actions were raised, however as these audits are not classed as regulatory audits, no opinion is given and there is no requirement for RSM to categorise the actions.

When appointing its new internal auditor one of the key considerations of the ARCC was to ensure that there was sufficient focus on adding value through an efficient, flexible and robust internal audit process. RSM acknowledged that the volume of their internal audit plan was much greater in comparison to what the Society had previously received, however, felt it was consistent within the industry in order to provide a thorough opinion over key risk areas or areas where operational change was occurring. The ARCC recognises that the new approach is a step change, however, takes assurance from the fact that the internal audit work undertaken during 2022 has been thorough, tailored to the Society's needs and focused on key risks within the organisation. The ARCC is confident that the Society's management team is committed to implementing the internal audit recommendations in order to enhance its governance and risk management environment.

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 2022.

Commercial Board:	Robert Edwards	(Chairman) (Ext Non-Executive Director)
	Jane Nelson	
	Steve Code	
	Keith Ashcroft	(Finance Director)
	Barbara Needham	
	Tony Lockett	
	Bill Connolly	(External Non-Executive Director)
	Ben Pears	(Director of Sales and Marketing)

The members of the Commercial Board as at 31 December 2022 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.

Directors' Report

The Commercial Board consists of at least seven members including the Chairman of the Commercial Board, the Chief Executive Officer, the Insurance Director, the Finance Director, two Member Elected NED's and one External NED. 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), Consumer Duty 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 Profit 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;

Directors' Report

- 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.

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 Lockett	
	John Mann	
	Debbie Jex	
	Karen Rose	
	Alex Walker	

The members of the Fraternal Board as at 31 December 2022 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 at least two Member Elected Non-Executive Directors. The Grand Master of the Order is traditionally 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:

- 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.
- Appointment of Deputations;
- Benevolence including:
 - Convalescent and Care benefit;
 - Educational and Apprenticeship Awards;
 - Emergency Benevolence Grants;
 - 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;
- Traditions of the Society; and
- Unity Unitised Funds.

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. During 2022, 47 visits were completed and it is now 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 2022 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 2022 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 has been the Regulator of all Branches since the Society became incorporated in 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 Society's Rules and Procedures.

The Fraternal Board is also responsible for managing the 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	
	Debbie Jex	
	David Webster	(Chairman of the Board)
	Bill Connolly	(External Non-Executive Director)
	Vicky Morley	(Company Secretary)

The members of the Governance Committee as at 31 December 2022 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 2022:

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

The Governance Committee undertook reviews and reported back on the following matters during 2022:

- The oversight and management of governance related risks within the Society's Risk Management Framework.
- 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 including the appointment of a Finance Director with effect from December 2022;
- 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.

Two members attended the training that was held on 12 October 2022, and by the deadline of 30 November 2022, two new MNED nominations had been received.

Directors' Report

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

The members of the Remuneration Committee as at 31 December 2022 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 2022, 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 comparable 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, and with a formal appraisal being held with each Director in this regard.

The Remuneration Committee reviews Executive Directors' remuneration annually. It considers it is in the Members' best interest 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 Executive Directors during 2022:

	Salary	Pension	Cash Allowance in lieu of pension	Taxable Benefits	Total	
					2022	2021
Chief Executive Officer/ Secretary of the Order	£198,959	-	£53,421	£10,872	£263,252	£243,549
Insurance Director	£174,485	-	£46,834	£9,955	£231,274	£213,526
Finance Director (5 December 2022)	£8,076	£807	-	-	£8,883	-
Total	£381,520	£807	£100,255	£20,827	£503,409	£457,075

Taxable Benefits currently offered are private medical insurance and a company car or car allowance. The Chief Executive Officer and the Insurance Director both have notice periods of 12 months and the Finance Director has a notice period of six months.

Directors' Report

Pension entitlements

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

Position	Accrued pension 31.12.22 (per annum)	Transfer value of accrued pension at 31.12.21	Transfer value of accrued pension at 31.12.22	Pension input amount over 2021 less Director's contributions	Pension input amount over 2022 less Director's contributions
Chief Executive Officer/Secretary of the Order	£77,946	£1,811,455	£1,354,487	Nil	Nil
Insurance Director	£8,635	£161,150	£122,552	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 31.12.22 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 on 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 structure is fee based for the Society's External and Member Elected Non-Executive Directors for June 2022 to May 2023 is as detailed below:

- A base fee of £5,100 pa is to be paid to all Non-Executive Directors who sit on the Main Board, the Commercial Board or the Fraternal Board.
- An additional fee of £ 4,800 pa is to be paid to the Chairman of the Main Board.
- An additional fee of £1,173 pa is to be paid to the Chairmen of the Commercial and Fraternal Boards.
- An additional fee of £ £1,173 pa is to be paid to the Chairmen of the Audit, Risk & Compliance and the Governance Committees.
- An additional fee of £ £588 pa is to be paid to the Chairman of the Remuneration Committee, the Senior Independent Director and the Society's TCF & Conduct Risk Champion.
- An additional fee of £960 pa is paid to any Non-Executive Director who sits on both Sub-Boards.
- An additional fee of £1,173 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. The excess of such fee over and above the standard fees paid to other members of the Oddfellows Commercial Board and ARCC is charged to the KU Fund in accordance with the Instrument of Transfer.

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

Directors' Report

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 2022:

Name	Total Remuneration	
	2022	2021 (restated)
David Webster (Chairman)	9,442	8,675
David Ogden	7,019	6,245
Barbara Needham *	8,500	7,112
David Randall	5,281	5,331
Tony Lockett *	7,259	6,907
John Mann *	5,905	2,415
Debbie Jex	2,975	-
Karen Rose	2,975	-
Alex Walker	2,975	-
Richard Gough	2,200	5,767
Colin Nugent	5,175	5,205
Bill Connolly	4,700	4,082
David Grant *	10,610	8,266
Robert Edwards *	11,053	8,266
Peter Darragh *	9,453	8,266
Bill Henchcliff	-	1,667

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.
- *The comparatives for 2021 have been restated to include taxable benefits.

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.

Directors' Report

Charitable Donations

HA Andrews

On 16 November, the Grand Master, David Ogden, the Deputy Grand Master, Barbara Needham, and the CEO, Jane Nelson, had the great pleasure of visiting the Centre for Cancer Immunology at Southampton General Hospital to meet Dr Tim Fenton (Molecular Bioscientist) and Professor Edd James (Cancer Immunologist) who are supervising the research being undertaken by Nur Zainal. The research being funded by the HA Andrews Memorial Fund over three years is "Studying how our immune system recognises cancers, towards the next generation of cancer vaccines". During the visit, the Oddfellows presented a cheque for £33,000, the first instalment of a donation totalling £100,000.

Helping others

In addition, Branches continued to support local and national charities and, in 2022, donated over £185,000.

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 on 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 2022, 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
3 April 2023

Independent Auditor's Report

Report on the audit of the Financial Statements

1. Opinion

We have audited the financial statements of The Independent Order of Odd fellows Manchester Unity Friendly Society Limited ("the Society") and its subsidiaries ("the group") for the year ended 31 December 2022 which comprise the Consolidated and Society Income and Expenditure accounts, the Group and Society Statements of Other Comprehensive Income, the Group and Society Balance Sheets and notes to the financial statements, including significant accounting policies, excluding the capital statement in Note 14 calculated in accordance with the Solvency II regime which is marked "unaudited". The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the Society's affairs as at 31 December 2022 and of the group's and of the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Friendly Societies Act 1992.

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 Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director's 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:

- reviewing the historical accuracy of the group's and of the Society's forecasting process, including the consideration of post-year-end performance to assess the accuracy of the prospective forecasts;
- ensuring that calculations applied in the forecasts are mathematically accurate and in line with management's forecasting method;
- reviewing and challenging key assumptions applied by management and agreeing them to supporting evidence;
- evaluating the appropriateness of the stress test scenarios performed by the Directors;
- reviewing the group's and the Society's significant correspondence with regulators up to the date of signing our audit report;
- reviewing the group's and Society's current capital position and Own Risk and Solvency Assessment (ORSA) reports submitted during and post-year-end;
- assessing the key risks faced by the group and Society, which include solvency risk, fraternal risk, long-term business risk, reputational risk, Association of Financial Mutuals risk, non-regulatory compliance risk, investment risk and climate change financial risk; and
- reviewing management's going concern disclosures to ensure they are fair, balanced and understandable to users of financial statements, as well as consistent with management's going concern assessment.

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 or 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.

Independent Auditor's Report

4. Our application of materiality

We determined the materiality for the group to be £769,000, which is 3% of the Fund for future appropriations. We set the Society's materiality at £761,310, which is 99% of group materiality, recognising the importance of the Society to the group. The Fund for future appropriations is selected as the most appropriate benchmark as it serves as a key measure of the group's and the Society's financial strength, as viewed by the members of the Group and Society.

Based on our risk assessments of the group and Society, together with our assessment of the group's and Society's overall control environment, our judgement was that performance materiality be set at 50% of our overall materiality. This is due to the heightened risk of the engagement being a first-year audit for PKF and the high degree of estimation applied in calculating certain material balances. The performance materiality for the group is £384,500, while for the Society is £380,655.

We agreed with the Audit, Risk and Compliance Committee (ARCC) that we would report to them all uncorrected audit differences in excess of 5% of overall materiality, namely for the group £38,450 and for the Society £38,065. Differences below this threshold were also reported which, in our view, warranted reporting on qualitative grounds.

5. Our approach to the audit

In designing our audit, we determined materiality, as above, and assessed the risks of material misstatement in the financial statements.

In particular, we looked at areas involving significant accounting estimates and judgements by the Directors and considered future events that are inherently uncertain. These areas included:

- Expense assumptions used in the valuation of Technical Provisions
- Completeness and accuracy of policyholder data used within the valuation of Technical Provisions
- Valuation of investment property
- Management override of controls

We performed a combination of substantive and analytical procedures, including obtaining direct confirmations from third parties where we considered this to be necessary, to address the risks of material misstatement for financial statement line items.

6. Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) we identified, including 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.

Independent Auditor's Report

Technical Provisions

Refer to Note 1(a) Accounting policies, 1(b) Critical accounting estimates and, 'Note 14 Long term business' of the financial statements

Expense assumptions used in the valuation of Technical Provisions

Key audit matter	<p>Significant judgement is required in the setting of assumptions that underpin the Technical Provisions ("TPs") valuation and the Society appoints an actuarial consultant to assist in the determination of the TPs.</p> <p>We identify a key audit matter in relation to the future expense assumptions used given the sensitivity of the TPs to expense movements and the level of focus on the Society expense base from the members. In addition, there is judgement required in relation to the future impact of the recent transfer of Kingston Unity on forward-looking expense assumptions.</p> <p>The use of an inappropriate assumption, whether through fraud or error, could result in a material misstatement, particularly because of the high sensitivity of the provisions to this assumption.</p>
How our scope addressed this matter	<p>In respect of the expense assumptions used within the technical provisions, we:</p> <ul style="list-style-type: none"> gained an understanding of the relevant internal controls put in place by management to manage the risks associated with setting the expense assumptions; challenged the split of expenses between fund and product groups to ensure that this is consistent with the policy expense assumptions; challenged the appropriateness of the expense assumptions used within the modelling of TPs with the support of our actuarial experts. As part of this work, we reviewed the adjustments to total expenses and the calculation of the per policy expenses; performed a retrospective comparison of the 2022 actual expenses to the 2022 budget, and a comparison of the on-going expenses included in the actuarial model and the 2023 budget; and agreed the actual expense base used in the assumption setting process through to the audited current year information to assess consistency.
Key observations	<ul style="list-style-type: none"> We determined that the actuarial assumptions used by management are reasonable based on the analysis of the experience to date, (including specific consideration of the impact of COVID-19), market practice and the financial and regulatory requirements relevant to the group and Society. We deemed that the expense reserves included within the TPs for the group and Society are reasonable. We concluded that the economic and non-economic assumptions have been subject to appropriate governance and appropriately included within the year-end actuarial models.

Independent Auditor's Report

Completeness and accuracy of policyholder data used within the valuation of Technical Provisions

Key audit matter	<p>The Society extracts data from a number of different platforms before passing this to the external actuarial consultant for processing through their actuarial models.</p> <p>We identify a key audit matter in relation to the completeness and accuracy of data used in the calculation of the TPs given the quantum of the balance, plus the potential for the recent integration of the Kingston Unity book to have driven changes to data extraction processes.</p> <p>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. This key audit matter is also considered to be a fraud risk.</p>
How our scope addressed this matter	<p>In respect of the completeness and accuracy of policyholder data used within the Technical Provisions, we performed the following procedures:</p> <ul style="list-style-type: none"> • gained an understanding and tested 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; • gained an understanding of the relevant controls over data security including access privileges and change management on the policyholder insurance systems, with the support of IT specialists; • reconciled the number of policyholders included in the 2022 data extract to the 2021 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	<p>We determined based on our audit work that the data which is input into the actuarial model is materially complete and accurate.</p>

Independent Auditor's Report

Valuation of Investment Property

Refer to Note 1(a) Accounting policies, (1b) Critical accounting estimates

Refer to Note 2 Accounting policies (a) Critical accounting estimates and (i) Financial assets, and 'Note 5 Land and Buildings.

Key audit matter	<p>Following on from the pandemic, certain industries and geographies continue to be impacted by new ways of living.</p> <p>We have identified a key audit matter relating to the valuation of the investment property balance, due to the heightened uncertainty around the valuation inputs and the lower frequency of sales which provide reliable market benchmarks. Due to the judgemental nature of the balance, we identified the manipulation of investment property valuation as an area of potential fraud.</p>
How our scope addressed this matter	<p>In respect of the valuation of investment property, we performed the following procedures:</p> <ul style="list-style-type: none"> • gained an understanding of the relevant internal controls put in place by management to manage the risks associated with the valuation of the investment property portfolio; • assessed the competency, capability and objectivity of the third-party valuation specialists; • reconciled the fair value of the investment properties through to the external valuation report provided at the year-end date; and • engaged an external property valuation specialist to assess the work of management's valuation specialists and challenge the assumptions and methodologies used in the valuation process using published information sources to assess whether they are within a reasonable range.
Key observations	<p>Based on our procedures performed on the valuation methodology of investment property, we are satisfied that the valuation is reasonable.</p>

Independent Auditor's Report

7. Other information

The other information comprises the information included in the Reports and Financial Statements, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Reports and Financial Statements. Our opinion on the group and Society 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.

8. 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.

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

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 material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Friendly Societies Act 1992 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society, or returns adequate for our audit have not been received from branches not visited by us; or
- the Society financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

10. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the group and Society 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 group and Society 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.

11. 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.

Independent Auditor's Report

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:

- We obtained an understanding of the group and Society and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, review of board minutes and performing walkthroughs of group and Society controls.
- We determined the principal laws and regulations relevant to the group and Society in this regard to be those arising from:
 - Friendly Societies Act 1992;
 - Friendly Societies (Accounts and Related Provisions) Regulations 1994;
 - AFM Corporate Governance Code;
 - Financial Conduct Authority (FCA) Handbook; and
 - Prudential Regulation Authority (PRA) Handbook
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and Society with those laws and regulations. These procedures included, but were not limited to:
 - discussing with management any potential instances of non-compliance;
 - inspecting correspondence with the PRA and FCA;
 - reviewing the legal and professional fees to understand the nature of the costs and the existence of any non-compliance with laws and regulations; and
 - reviewing the minutes of meetings of those charged with governance.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, the potential for management bias in relation to the expense assumptions used in the valuation of Technical Provisions, completeness and accuracy of policyholder data used within the valuation of Technical Provisions and the valuation of investment property. We refer you to the key audit matter for further detail on how we addressed this.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. Supported by our external experts, we assessed whether the valuation of Technical Provisions was reasonable. We refer you to the key audit matter for further detail.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

12. Other matters which we are required to address

We were appointed by the ARCC on 29 March 2022 to audit the financial statements for the period ending 31 December 2022 and subsequent financial periods. Our total uninterrupted period of engagement is 1 year, covering the period ended 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the Society and we remain independent of the group and the Society in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Independent Auditor's Report

13. 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.



Martin Watson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
3rd Floor, One Park Row,
Leeds LS1 5HN

3 April 2023

Group Consolidated Balance Sheet

		As at	
		31/12/2022	31/12/2021
		£'000	Restated £'000
ASSETS	Note		
Investments			
Land and buildings	5	83,253	86,146
Other financial investments			
Shares and other variable yield securities	6	68,266	78,463
Debt and other fixed income securities	7	121,633	150,738
Loans secured by mortgage	8	221	214
Cash Held for Investment		1,617	2,037
Assets held to cover linked liabilities	9	228,679	238,920
Debtors due within one year			
Other debtors	10	1,432	1,612
Other assets			
Tangible assets	11	4,370	5,174
Inventories		33	30
Other cash at banks and in hand		19,248	21,718
Prepayments and accrued income			
Accrued income		1,618	1,539
Prepayments		659	677
Pension scheme asset	16	4,560	-
		<u>535,589</u>	<u>587,268</u>

Group Consolidated Balance Sheet

		As at	
		31/12/2022	31/12/2021
		£'000	Restated £'000
LIABILITIES	Note		
Reserves			
Reserves provided for, by the rules and other specific purposes	12	2,490	2,480
Fund for future appropriations	13	27,950	24,315
Technical provisions			
Long term business provision	14	128,756	149,375
Claims outstanding		1,340	1,229
Technical provisions for linked liabilities	14		
Insurance contracts		1,949	2,114
Investment contracts		214,367	228,980
Liabilities to investing branches		133,942	155,512
Creditors and accruals due within one year	15	4,709	2,740
Creditors, amounts falling due after more than one year	15	19,000	19,000
Deferred income		1,086	1,063
Pension scheme liability	16	-	460
		<u>535,589</u>	<u>587,268</u>

These Financial Statements of the Independent Order Fellows Manchester Unity Friendly Society Ltd. Registered number 223F were approved by the Board on 3 April 2023 and were signed on its behalf by:



C J Nelson
Chief Executive Officer/Secretary of the Order

Society Balance Sheet

		As at	
		31/12/2022	31/12/2021
ASSETS	Note	£'000	Restated £'000
Investments			
Land and buildings	5	83,253	86,146
Other financial investments			
Shares and other variable yield securities	6	68,266	78,463
Debt and other fixed income securities	7	121,633	150,738
Loans secured by mortgage	8	221	214
Cash held for investment		1,617	2,037
Assets held to cover linked liabilities	9	228,679	238,920
Debtors due within one year			
Other debtors	10	1,399	1,592
Other assets			
Tangible assets	11	4,370	5,174
Other cash at banks and in hand		19,239	21,711
Prepayments and accrued income			
Accrued income		1,618	1,539
Prepayments		657	675
Pension scheme asset		4,560	-
		<u>535,512</u>	<u>587,209</u>

Society Balance Sheet

		As at	
		31/12/2022	31/12/2021
		£'000	Restated £'000
LIABILITIES	Note		
Reserves			
Reserves provided for, by the rules and other specific purposes	12	2,490	2,480
Fund for future appropriations	13	27,873	24,260
Technical provisions			
Long term business provision	14	128,756	149,375
Claims outstanding		1,340	1,229
Technical provisions for linked liabilities	14		
Insurance contracts		1,949	2,114
Investment contracts		214,367	228,980
Liabilities to investing branches		133,942	155,512
Creditors and accruals due within one year	15	4,706	2,736
Creditors, amounts falling due after more than one year	15	19,000	19,000
Deferred income		1,089	1,063
Pension scheme liability	16	-	460
		<u>535,512</u>	<u>587,209</u>

These Financial Statements of the Independent Order Fellows Manchester Unity Friendly Society Ltd. Registered number 223F were approved by the Board on 3 April 2023 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	
		31/12/2022	31/12/2021
		£'000	Restated £'000
TECHNICAL ACCOUNT: Long Term Business	Note		
Earned premiums, net of reinsurance		1,570	2,260
Investment Income	17	6,373	13,042
Unrealised (losses)/gains on linked investments		(2,258)	28,361
Unrealised (losses) on non-linked investments		(22,714)	(5,132)
Total technical income		(18,599)	36,271
Claims paid		(3,641)	(4,041)
Gross change in Long-Term Business Provision			
Decrease in non-linked investment contract liabilities		3,047	5,184
Decrease/(Increase) in insurance contract liabilities		16,534	(526)
Net Change in Long-Term Business Provision		19,581	4,658
Gross Changes in technical provision for linked liabilities			
Decrease(Increase) in linked investment contract liabilities		5,925	(35,032)
Decrease in insurance contract liabilities		165	3
Net change in technical provisions for linked liabilities		6,090	(35,029)
Operating expenses		(3,683)	(4,106)
Investment expenses and charges		(360)	(448)
Tax	18	(43)	224
Other technical (expenses)/income		-	(47)
Transfer (to)/from Funds for Future Appropriations	13	(915)	258
Balance on the Long Term Business Technical Account		-	-

Group Consolidated Income and Expenditure Accounts

NON TECHNICAL ACCOUNT	Note	Years ended	
		31/12/2022 £'000	31/12/2021 £'000
Investment income	17	7,002	6,196
Gains on realisation of investments		1,691	3,344
Movement in unrealised (losses)/gains on investments		(24,779)	9,582
Movement in unrealised (loss) on owner occupied property		(485)	-
Other income		2,414	2,114
Investment expenses and charges		(332)	(359)
Finance Charges		(594)	(581)
Investment return to investing branches	19	16,427	(15,663)
Net operating expenses		(3,433)	(2,670)
Non-contractual benefits		(201)	(178)
Pension scheme benefits	16	(174)	(326)
Transfer to the reserves provided for by the rules and other specific purposes	12	(10)	(8)
Excess of (expenditure over income)/income over expenditure	13	(2,474)	1,451

All the amounts above are in respect of continuing operations.

Society Income and Expenditure Accounts

NON TECHNICAL ACCOUNT	Note	Years ended	
		31/12/2022 £'000	31/12/2021 £'000
Investment income	17	7,002	6,196
Gains on realisation of investments		1,691	3,344
Movement in unrealised (losses)/gains on investments		(24,779)	9,582
Movement in unrealised (losses) on owner occupied property		(485)	-
Other income		2,371	2,081
Investment expenses and charges		(332)	(359)
Finance Charges		(594)	(581)
Investment return to investing branches	19	16,427	(15,663)
Net operating expenses		(3,412)	(2,623)
Non-contractual benefits		(201)	(178)
Pension scheme benefits	16	(174)	(326)
Transfer to the reserves provided for by the rules and other specific purposes	12	(10)	(8)
Excess of (expenditure over income)/income over expenditure	13	(2,496)	1,465

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 73.

Statement of other Comprehensive Income

Group Consolidated Statement of other Comprehensive Income

		Years ended	
		31/12/2022 £'000	31/12/2021 £'000
(Deficit)/surplus on Non Technical Account		(2,474)	1,451
Reserves provided for by the rules and other specific	12	10	8
Pension Scheme Actuarial gains	16	5,194	4,869
Total comprehensive gain for the year		<u>2,730</u>	<u>6,328</u>

Society Statement of other Comprehensive Income

		Years ended	
		31/12/2022 £'000	31/12/2021 £'000
(Deficit)/Surplus on Non Technical Account		(2,496)	1,465
Reserves provided for by the rules and other specific	12	10	8
Pension Scheme Actuarial gains	16	5,194	4,869
Total comprehensive gain for the year		<u>2,708</u>	<u>6,342</u>

Notes to the Financial Statements

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 6 to 29.

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.

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 2022. 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 Society will guarantee the debts and liabilities of the above subsidiary undertakings. As at 31 December 2022 the total sum of those debts and liabilities is £78,164 (2021: £59,408).

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.

Notes to the Financial Statements

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 2022 are included in the Financial Statements whether or not they have been settled. All claims notified but not settled as at 31 December 2022 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. Unrealised gains and losses attributable to, and movements in the fair value of, linked investment contracts are included in 'Unrealised gains/(losses) on linked investments' and 'Changes in technical provisions for linked liabilities' respectively, as income or expense in the Technical account.

Leases

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

Notes to the Financial Statements

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.

Notes to the Financial Statements

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 2022.

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 2022 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 2022, 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 2022, 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.

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.

Notes to the Financial Statements

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 £2,361k (2021: £2,070k). Amounts due from Branches at 31 December 2022 in respect of goods and services was £96k (2021: £83k). 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 69.

Prior Year Restatements

1. Understatement of the Long Term Business technical provision.

During the half year 2022 valuation it was identified that the extraction criteria did not cover all data and this resulted in certain incorrect inclusions and exclusions in the data extracts provided. These were also present during the calculation of technical provisions disclosed in the 2021 Report and Financial Statements, leading to an understatement in the value of those technical provisions calculated for the Long Term Business provision.

A review of the data extraction process along with the data mapping for the liability data has been undertaken so to provide confidence that inaccuracies in the liability data extracts have been eliminated.

The aggregated changes to the relevant line items in the comparative figures disclosed in the 2021 Reports and Financial Statements are noted below:

Income and Expenditure Accounts	2021 disclosure (£'000)	Restatement (£'000)	2021 Disclosure after restatement (£'000)
Technical Account: Long term business			
Transfer (to)/from FFA	(1,127)	1,385	258
Change in long term business provision Decrease in investment contract liabilities	6,570	(1,385)	5,184

Society Balance Sheet	2021 disclosure (£'000)	Restatement (£'000)	2021 Disclosure after restatement (£'000)
Liabilities			
Fund for future appropriations ("FFA")	25,645	(1,385)	24,260
Long Term Business Provision	147,944	1,431	149,375
Technical Provisions for linked liabilities	231,140	(46)	231,094

Group Consolidated Balance Sheet	2021 disclosure (£'000)	Restatement (£'000)	2021 Disclosure after restatement (£'000)
Liabilities			
Fund for future appropriations ("FFA")	25,700	(1,385)	24,315
Long Term Business Provision	147,944	1,431	149,375
Technical Provisions for linked liabilities	231,140	(46)	231,094

Notes to the Financial Statements

2. Restatement of Cash Equivalents

Historically the Society has included all cash term deposits regardless of the term to maturity as cash or cash equivalents.

Cash equivalents are defined in FRS 102.7.2 as 'short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value'. As such cash term deposits with a maturity of three months or less will normally be classified as a cash equivalent with maturities greater than three months being classified as investments. The 2022 Report and Financial Statements has classified cash term deposits with a maturity of greater than three months as cash held for investment and restated the 2021 prior year comparative.

The aggregated changes to the relevant line items in the comparative figures disclosed in the 2021 Reports and Financial Statements are noted below:

Group Consolidated Balance Sheet Assets	2021 disclosure (£'000)	Restatement (£'000)	2021 Disclosure after restatement (£'000)
Cash held for investment	-	2,037	2,037
Other cash at bank and in hand	23,755	(2,037)	21,718

Society Balance Sheet Assets	2021 disclosure (£'000)	Restatement (£'000)	2021 Disclosure after restatement (£'000)
Cash held for investment	-	2,037	2,037
Other cash at bank and in hand	23,748	(2,037)	21,711

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.

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.

Notes to the Financial Statements

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 2022. 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

	2022 £'000	2021 £'000
Gross contracted service salaries	2,553	2,350
Social security costs	284	239
Pension costs	347	352
	<u>3,184</u>	<u>2,941</u>

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

	2022	2021
Directors	13	12
Clerical	58	60
Printing, production and dispatch	4	4
	<u>75</u>	<u>76</u>

Notes to the Financial Statements

4 AGGREGATE AMOUNT OF DIRECTORS' EMOLUMENTS

	2022 £'000	2021 £'000
Gross salaries	477	350
Cash in lieu of pension contributions	101	86
Benefits and allowances	21	21
	<u>599</u>	<u>457</u>
	2022 £'000	2021 £'000
Highest paid Director	263	244
Directors emoluments:		
Up to £10,000	16	13
£210,000 to £220,000	-	1
£230,000 to £240,000	1	-
£240,000 to £250,000	-	1
£260,000 to £270,000	1	-

5 LAND AND BUILDINGS

	Occupied properties	Investment properties	2022 £'000	2021 £'000
	£'000	£'000	£'000	£'000
Valuation as at 1 January	115	86,031	86,146	70,953
Transfer of Engagements	-	-	-	12,565
Additions at cost	-	7,353	7,353	509
Disposals	-	(4,460)	(4,460)	(4,347)
Realised gains	-	1,028	1,028	799
Movement in unrealised gains/(losses)	25	(6,839)	(6,814)	5,667
Valuation as at 31 December	<u>140</u>	<u>83,113</u>	<u>83,253</u>	<u>86,146</u>

Freehold and leasehold investment properties were valued at 31 December 2022 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. The value includes development costs of £1.5m payable in 2023.

Property owned by the Society for sponsorship activities was last valued at 31 December 2022 by Graham & Sibbald LLP, Chartered Surveyors of 72-75 Marylebone High Street, London, W1U 5JW. 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 2022 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 2022 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.

Notes to the Financial Statements

6 SHARES AND OTHER VARIABLE YIELD SECURITIES

	Listed Equities	
	2022 £'000	2021 £'000
Valuation as at 1 January	78,463	70,906
Transfer of Engagements	-	7,210
Additions at cost	14,052	14,951
Disposals	(15,268)	(25,209)
Realised gains	1,629	3,087
Movement in unrealised (losses)/gains	(10,610)	7,518
Valuation as at 31 December	<u>68,266</u>	<u>78,463</u>

Listed equities, (quoted on the London Stock Exchange) were valued at 31 December 2022 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.

7 DEBT AND OTHER FIXED INCOME SECURITIES

	United Kingdom Government Bonds £'000	Non-Government Bonds £'000	2022 £'000	2021 £'000
Valuation as at 1 January	68,484	82,254	150,738	112,377
Transfer of Engagements	-	-	-	32,125
Additions at cost	16,388	19,616	36,004	64,985
Disposals	(21,907)	(10,619)	(32,526)	(50,661)
Realised (losses)/gains	(1,244)	(1,130)	(2,374)	671
Movement in unrealised (losses)	(15,287)	(14,922)	(30,209)	(8,759)
Valuation as at 31 December	<u>46,434</u>	<u>75,199</u>	<u>121,633</u>	<u>150,738</u>

Listed bonds were valued as at 31 December 2022 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

	2022 £'000	2021 £'000
Outstanding as at 1 January	214	253
Transfer of Engagements	-	45
Advances	20	-
Repayments	(15)	(86)
Interest earned	2	2
Outstanding as at 31 December	<u>221</u>	<u>214</u>

Notes to the Financial Statements

9 ASSETS HELD TO COVER LINKED LIABILITIES

	Cash at Bank £'000	Unit Trusts £'000	Total £'000
Non Profit Fund	403	6,216	6,619
Nottingham Fund	-	46,091	46,091
Schoolteacher's Fund	-	76,762	76,762
Druids Fund	-	27,492	27,492
Kingston Unity Fund	-	63,331	63,331
Equity Fund	-	1,121	1,121
Corporate Bond Fund	-	189	189
Money Fund	252	-	252
UK Index Fund	-	6,822	6,822
Valuation as at 31 December 2022	655	228,024	228,679
Valuation as at 31 December 2021	652	238,268	238,920

Linked business investments were valued as at 31 December 2022 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 £12,363k (2021 restated: £7,826).

10 DEBTORS

	Group		Society	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade debtors	1,076	1,284	1,043	1,264
Tax to be recovered	356	328	356	328
	1,432	1,612	1,399	1,592

11 TANGIBLE ASSETS

Group Tangible Assets

	Office & Computer Equipment £'000	Owner Occupied Premises £'000	Motor Vehicles £'000	Total £'000
1 January 2022	2,383	4,791	62	7,236
Additions	101	-	-	101
Disposals	-	(260)	-	(260)
Unrealised loss	-	(485)	-	(485)
31 December 2022	2,484	4,046	62	6,592
Depreciation:				
1 January 2022	1,967	41	54	2,062
Charge	159	-	1	160
31 December 2022	2,126	41	55	2,222
Net Book Value:				
31 December 2022	358	4,005	7	4,370
31 December 2021	416	4,750	8	5,174

Notes to the Financial Statements

Society Tangible Assets

	Office & Computer Equipment £'000	Owner Occupied Premises £'000	Motor Vehicles £'000	Total £'000
1 January 2022	2,383	4,791	62	7,236
Additions	101	-	-	101
Disposals	-	(260)	-	(260)
Unrealised loss	-	(485)	-	(485)
31 December 2022	2,484	4,046	62	6,592
Depreciation:				
1 January 2022	1,967	41	54	2,062
Charge	159	-	1	160
31 December 2022	2,126	41	55	2,222
Net Book Value:				
31 December 2022	358	4,005	7	4,370
31 December 2021	416	4,750	8	5,174

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
- Liverpool Office £230,000 – Based on the value as at the date of transfer of the Schoolteachers Friendly Society

The property in Manchester was last valued at 31 December 2022. The property in Liverpool was last valued at 31 December 2020. 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:	2022 £'000	2021 £'000
Balance at 1 January	2,480	2,471
Transfer from Non Technical Account	10	9
Balance at 31 December	2,490	2,480

Notes to the Financial Statements

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 2022.

Movement in the year:	2022	2021
	£'000	Restated £'000
Balance at 1 January	24,315	18,253
Transfer from/(to) Long Term Business Technical Account	915	(258)
(Deficit)/Surplus on Non Technical Account	(2,474)	1,451
Net Pension Scheme Actuarial gain/(loss)	5,194	4,869
Balance as at 31 December	<u>27,950</u>	<u>24,315</u>

The balance at the accounting date arises as follows:

	2022	2021
	£'000	Restated £'000
Technical Account: Long Term Business	7,091	6,176
Non Technical Account	20,859	18,139
Balance as at 31 December	<u>27,950</u>	<u>24,315</u>

Society Fund For Future Appropriations

Movement in year:	2022	2021
	£'000	Restated £'000
Balance at 1 January	24,260	18,184
Transfer from/(to) Long Term Business Technical Account	915	(258)
(Deficit)/surplus on Non Technical Account	(2,496)	1,465
Net Pension Scheme actuarial gain	5,194	4,869
Balance at 31 December	<u>27,873</u>	<u>24,260</u>

The balance at the accounting date arises as follows:

	2022	2021
	£'000	Restated £'000
Technical Account: Long Term Business	7,091	6,176
Non Technical Account	20,782	18,084
Balance as at 31 December	<u>27,873</u>	<u>24,260</u>

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.

Notes to the Financial Statements

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 2022	7,091	20,782	27,873
31 December 2021 Restated	6,176	18,084	24,260

Movement in capital resources

	Total Life insurance 2022 £'000	Total Life insurance 2021 Restated £'000
Total available capital resources at 1 January	6,176	6,434
<i>Change in assets</i>		
Premiums less claims and expenses	(15,883)	(13,611)
Investment income	7,925	10,490
Realised and unrealised losses on investments	(26,523)	25,782
Kingston Unity fund as at 31 December	-	110,902
Total change in assets	(34,481)	133,563
<i>Change in liabilities</i>		
Change in provision for linked liabilities	(20,619)	13,560
Change in long term business provision	(14,778)	6,780
Kingston Unity fund as at 31 December	-	113,480
Total change in liabilities	(35,397)	133,820
Total available capital resources at 31 December (unrestricted)	7,091	6,176
Ring Fenced Restriction (Capital in KU only available to the KU Fund)	(1,130)	(1,880)
Total available capital resources 31 December (restricted)	5,961	4,296

Analysis of liabilities at 31 December 2022

	Total Life insurance £'000
With-profit liabilities	84,321
Non-profit insurance business	19,625
Non-profit investment contracts	24,810
Unit-linked	216,316
Total provisions included in the Balance Sheet	345,072

Analysis of liabilities at 31 December 2021

	Total Life insurance £'000
With-profit liabilities	99,754
Non-profit insurance business	25,799
Non-profit investment contracts	23,822
Unit-linked	231,094
Total provisions included in the Balance Sheet	380,469

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

Notes to the Financial Statements

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 its Solvency Capital Requirement (SCR) using Standard Formula. All disclosures in respect of Solvency II are unaudited.

As at 31 December 2022 the Society's estimated SCR and corresponding eligible own funds were as follows:

	Unaudited 2022
Eligible Own Funds	£347.09m
SCR	£104.01m
Coverage (unrounded)	350%

Note, the SCR is an estimate and is unaudited. The Solvency II return will be submitted by the revised Regulatory deadline of 8 April 2023.

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.

Notes to the Financial Statements

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 2022 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.

Notes to the Financial Statements

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

	2022	2021 Restated
	£'000	£'000
Balance at 1 January		
Long Term Business provision	149,375	91,603
Provisions for linked liabilities	231,094	155,046
	<u>345,072</u>	<u>380,469</u>
Changes in technical provisions	(35,397)	133,820
	<u>345,072</u>	<u>380,469</u>
Balance at 31 December		
Long Term Business provision	128,756	149,375
Provisions for linked liabilities	216,316	231,094
	<u>345,072</u>	<u>380,469</u>

Within the changes in technical provisions is a £988 increase (2021 Restated: £7,433 increase) 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 2022 were £357m (2021: £387m).

15 CREDITORS AND ACCRUALS

	Group		Society	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade creditors	248	252	246	251
Other creditors and accruals	4,368	2,452	4,367	2,449
Tax creditor	93	36	93	36
	<u>4,709</u>	<u>2,740</u>	<u>4,706</u>	<u>2,736</u>
Amounts falling due after more than one year	<u>19,000</u>	<u>19,000</u>	<u>19,000</u>	<u>19,000</u>

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. The Scheme has been closed to new members since 1 April 2020.

Total employer contributions in the accounting period ended 31 December 2022 were £0.493m (2021: £0.495m). 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, from a deficit of £0.460m to a surplus of £4.560m over the accounting period. This was largely due to an increase in discount rate over the year which was partially offset by lower than expected asset returns; this has resulted in an improved funding position overall. The actuarial gain of £9.415m comprise of a gain of £10.770m due to changes in economic assumptions and a loss of £1.355m as a result of allowing for known inflation over the period. The assumptions loss is largely as a result of the increase in discount rate over the year and to a lesser degree changes in future inflation expectations.

Notes to the Financial Statements

Calculation methodology

As in previous years the results are based on a roll-forward of cashflows from the most recent triennial valuation. The year end liabilities have been calculated using a roll-forward approach, with appropriate adjustments for changes in mean terms over the period.

Within the roll-forward calculations since the most recent triennial valuation, the impact of actual inflation since that valuation has been taken into account by making allowance for actual inflation up to two months prior to the year-end date. This is consistent with the approach taken at the previous year end.

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 2022 which is consistent with the loading adopted as at 31 December 2021. This allowance is assumed to suitably reflect the 20 November 2020 High Court ruling on equalising historic transfer value payments from the Scheme

Scheme 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. 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.

Description of funding arrangements

The Scheme's statutory funding objective is to reach a 100% funding level on a technical provisions basis. In aid of this, the Trustee has set normal and deficit reduction contribution rates as set out in the Schedule of Contributions dated December 2021.

Date of the most recent comprehensive actuarial valuation

The most recent comprehensive actuarial valuation was carried out by the Trustee of the Scheme as at 31 March 2021 for funding purposes. The Society has employed an independent actuary to approximately update that actuarial valuation allowing for differences between the actuarial assumptions used by the Scheme for funding purposes and those adopted by the Society to measure the DBO, as well as adjusting for benefit accrual and benefits paid from Scheme between 31 March 2021 and 31 December 2022.

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 2022 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
Average Age	54
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

Notes to the Financial Statements

Mortality

The mortality tables used for males and females are 98% and 92% respectively of SAPS 3 "All" tables (S3PXA) based on members' years of birth, projected in line with CMI 2020 projections from 2013 with a 1.5% pa long term trend rate and an initial addition to mortality improvements of 0.25% pa.

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	22.5	25.3
65 in 15 years	23.6	26.6

Income & Expenditure

	2022 £'000	2021 £'000
Current service cost	485	570
Net interest cost on net defined benefit liability	2	61
Defined benefit cost recognised in Income & Expenditure	487	631
Administration costs incurred during the period	180	190
Employer contribution	(493)	(495)
Cost recognised in Income & Expenditure	174	326

Other Comprehensive Income (OCI)

	(9,415)	(2,683)
Actuarial (gain)/loss arising during period		
Return on plan assets (greater)/less than discount rate	4,221	(2,186)
Remeasurement effects recognised in OCI	(5,194)	(4,869)

Total Defined Benefit Cost

	667	821
Cost recognised in Income & Expenditure		
Remeasurement effects recognised in OCI	(5,194)	(4,869)
Total defined benefit cost	(4,527)	(4,048)

Assumptions Used to Determine Defined Benefit Cost

	2022	2021
Discount rate	1.85%	1.30%
Price inflation (RPI)	3.60%	3.15%
Price Inflation (CPI)	3.15%	2.70%
Expected return on assets	1.85%	1.30%
Rate of salary increase	4.60%	4.15%
Pension increases for in-payment benefits:		
• pension increases for pre-1997 benefits (in excess of GMPs) nil		nil
• pension increases for 1997 – 2006 benefits (RPI capped at 5% pa)	3.40%	3.05%
• pension increases for post 2006 benefits (RPI capped at 2.5% pa)	2.20%	2.10%
Pension increases for deferred benefits	3.15%	2.70%

¹These 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

	2022 £'000	2021 £'000
Defined benefit obligation (DBO)	(18,395)	(27,433)
Fair value of assets (FVA)	22,955	26,973
Defined benefit surplus/(deficit)	4,560	(460)

Notes to the Financial Statements

Reconciliation to the Balance Sheet

	2022 £'000	2021 £'000
Net defined benefit liability at end of prior period	(460)	(5,003)
Current service cost	(485)	(570)
Net interest on net defined benefit liability	(2)	(61)
Remeasurement effects recognised in OCI	5,194	4,869
Employer contributions	493	495
Administration costs incurred during the period	(180)	(190)
Net defined benefit asset/(liability) at end of current period	4,560	(460)

Assumptions and Dates Used for Measurements

	2022	2021
Discount rate	4.75%	1.85%
Price inflation (RPI)	3.55%	3.60%
Price Inflation (CPI)	2.80%	3.15%
Expected return on assets	4.75%	1.85%
Rate of salary increase	4.55%	4.60%

Pension increases for in-payment benefits:

• pension increases for pre-1997 benefits (in excess of GMPs)	nil	nil
• pension increases for 1997 – 2006 benefits (RPI capped at 5% pa)	3.35%	3.40%
• pension increases for post 2006 benefits (RPI capped at 2.5% pa)	2.20%	2.20%
Pension increases for deferred benefits	2.80%	3.15%

Change in Defined Benefit Obligation (DBO)

	27,433	29,803
DBO at end of prior period		
Current service cost	485	570
Interest cost on the DBO	500	382
Remeasurement of the DBO	(9,415)	(2,683)
Scheme participants contributions	157	158
Benefits paid from Scheme assets	(765)	(797)
DBO at end of current period	18,395	27,433

Change in Scheme Assets

	2022 £'000	2021 £'000
Fair value of assets at end of prior period	26,973	24,800
Interest income on Scheme assets	498	321
Return on plan assets (less)/greater than discount rate	(4,221)	2,186
Employer contributions	493	495
Scheme participants' contributions	157	158
Benefits paid	(765)	(797)
Administrative costs paid	(180)	(190)
Fair value of assets at end of current period	22,955	26,973

Scheme Asset Information

	Target Allocation Range	Allocation Percentage 31/12/22	Allocation Percentage 31/12/21
Equity securities*	50.0%	51.88%	31.47%
Debt securities	42.5%	47.00%	66.99%
Real estate/property	7.5%	0.0%	0.0%
Cash	0.0%	0.44%	1.16%
Other	0.0%	0.68%	0.38%
Total	100.0%	100.0%	100.0%
Fair value of Society assets (£'000)		£22,955	£26,973

*Includes Diversified Collective Investments and absolute return funds.

Notes to the Financial Statements

17 INVESTMENT INCOME

	2022 £'000	2021 £'000
Technical account: Long Term Business:		
Investment Property	1,526	1,552
Shares and other variable yield securities	3,830	6,048
Debt and other fixed income securities	2,559	2,883
Bank and building society interest	9	7
	<u>7,924</u>	<u>10,490</u>
(Losses)/gain on Realisation of Investments	(1,551)	2,552
	<u>6,373</u>	<u>13,042</u>
Non Technical Account:		
Land & Buildings Income	4,047	3,803
Less: Land & Buildings Expenditure	(426)	(413)
Shares and other variable yield securities	2,026	1,720
Debt and other fixed income securities	1,260	1,083
Branch loan interest	95	3
	<u>7,002</u>	<u>6,196</u>

18 TAXATION

(a) Analysis of the tax charge for the year is	2022 £'000	2021 £'000
Corporation tax		
Current year policyholder tax (credit)	-	(49)
Prior year policyholder charge/(credit)	17	(21)
Deferred tax		
Timing differences, origination and reversal	11	(180)
Prior year charge	15	26
Total tax charge/(credit)	43	(224)

The tax charge for the group is £43k (2021: credit of £224k).

The applicable UK corporation tax rate is 19% for the subsidiaries (2021: 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% (2021: 20%). Deferred tax in the Society has been measured using the effective rate of 20% that is expected to apply in the period.

At 31 December 2022, the group did not hold any provisions for uncertain tax positions.

Notes to the Financial Statements

(b) Reconciliation of total tax (credit)/charge	Society 2022 £'000	Society 2021 £'000
(Deficit)/surplus of income over expenditure before tax	(2,496)	1,465
Tax on result	(474)	278
Factors affecting tax charge:		
Accounting profit not subject to policyholder tax	474	(278)
Items taxed on a different basis	43	(224)
Total tax charge/(credit) for the year	43	(224)

(c) Analysis of deferred tax asset/(provision)	Society 2022 £'000	Society 2021 £'000
Fixed Asset Timing differences	1	1
Deferred tax provision on unrealised gains	(1)	(11)
Deferred tax asset on acquisition expenses	27	36
Losses recognised	183	207
Total recognised deferred tax asset	207	233
Unrecognised deferred tax assets	1,168	161
Total tax charge for the year	1,375	394

(d) Movement in recognised deferred tax asset/(provision)	Society 2022 £'000	Society 2021 £'000
Provision at start of the period	233	79
Deferred tax (charge)/credit to Technical Account – Long-term business	(26)	154
Deferred tax charge to Non-Technical Account	-	-
Provision at end of the period	207	233

Taxation services are provided by PwC LLP and their remuneration for services in 2022 was £37k excluding VAT (2021 : £22k).

19 INVESTMENT RETURN TO INVESTING BRANCHES

	2022 £'000	2021 £'000
Investment income	(5,396)	(4,668)
(Gain) on realisation of investments	(1,145)	(2,814)
Movement in unrealised losses/(gains) on investments	22,968	(8,181)
	<u>16,427</u>	<u>(15,663)</u>

20 LONG TERM BUSINESS - CHANGE IN OTHER TECHNICAL PROVISIONS

	2022 £'000	2021 £'000 Restated
Continuing Long Term Business (Note 14)	<u>(35,397)</u>	<u>133,820</u>

Notes to the Financial Statements

21 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

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

	2022 £'000	2021 £'000
Land and buildings: Within one year	-	-
Other: Between one to five years	7	7
	<u>7</u>	<u>7</u>

Other financial commitments payable within one year not provided for in the accounts amounted to £90k (2021: £26k).

22 AUDITOR'S REMUNERATION

	2022 £'000	2021 £'000
Audit related assurance services	210	333
Other assurance services	-	-
Total (exclusive of Value Added Tax)	<u>210</u>	<u>333</u>

2022 amounts are payable to PKF Littlejohn LLP, (2021 Deloitte LLP).

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 2022 and 31 December 2022, 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 £333,738 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 2022 totalled £21k (2021: £19k).

Notes to the Financial Statements

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 2022 (2021: £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 below 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 2021 and 2022.

Fair value measurement at 31 December 2022				
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial Assets				
Shares and other variable yield securities	68,266	-	-	68,266
Debt and other fixed income securities	121,633	-	-	121,633
Assets held to cover linked liabilities	228,679	-	-	228,679
Investment properties	-	-	83,253	83,253
Total	418,578	-	83,253	501,831
Financial liability				
Investment contracts at fair value through profit and loss	-	239,177	-	239,177
Total	-	239,177	-	239,177

Fair value measurement at 31 December 2021 - Restated				
	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	-	252,848	-	252,848
Total	-	252,848	-	252,848

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 79.

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 2022.

Notes to the Financial Statements

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 6 to 29.

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 2022	With-profit business	Non-profit business	Unit-linked	Other	Total
	£'000	£'000	£'000	£'000	£'000
Assets					
Land and buildings	17,056	9,274	-	56,923	83,253
Shares and other variable yield securities	2,583	1,402	227,836	64,281	296,102
Debt and other fixed income securities	59,106	32,139	189	30,388	121,822
Loans secured by mortgage	26	13	-	182	221
Other debtors	-	-	-	1,399	1,399
Tangible assets	-	-	-	4,370	4,370
Cash at bank and in hand	2,225	1,208	654	17,423	21,510
Other assets	721	400	-	5,714	6,835
Total assets	81,717	44,436	228,679	180,680	535,512
Liabilities					
Reserves provided for, by the rules and other specific purposes	-	-	-	2,490	2,490
Insurance contract provision	34,286	19,626	1,949	-	55,861
Investment contract provision	50,034	24,810	214,368	-	289,212
Claims outstanding	1,340	-	-	-	1,340
Other liabilities	-	-	-	186,609	186,609
Total liabilities	85,660	44,436	216,316	189,099	535,512

Notes to the Financial Statements

31 December 2021 Restated	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	55,108	23,822	228,980	-	307,910
Claims outstanding	1,229	-	-	-	1,229
Other liabilities	-	-	-	203,031	203,031
Total liabilities	100,937	48,235	231,140	206,897	587,209

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.

Notes to the Financial Statements

31 December 2022						
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	17,585	-	-	-	-	17,585
Non-Linked (exc GIB)	44,250	28,643	13,493	8,552	11,308	106,246
Unit Linked	82,302	88,819	62,108	19,468	3,560	256,257
Total	144,137	117,462	75,601	28,020	14,868	380,088

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

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 $\pm 10\%$ change in the expense assumption alongside a $\pm 1\%$ 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.

Notes to the Financial Statements

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 $\pm 36.10\%$ 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 $\pm 25\%$ 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 2022	Expenses		Equity prices		Interest rates		Property values	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Change in LTB Own Funds	(4,517)	4,517	7,294	(7,294)	(1,436)	1,798	6,627	(6,627)

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)

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 2022			
	Amounts not subject to credit risk	Amounts subject to credit risk	Balance Sheet carrying value
	£'000	£'000	£'000
Shares and other variable yield securities	68,266	-	68,266
Debt and other fixed income securities	-	121,633	121,633
Assets held to cover linked liabilities	228,679	-	228,679
Loans secured by mortgage	-	221	221
Cash at banks and in hand	-	20,856	20,856
Total	228,679	210,976	439,655

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

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 2022. The Society's exposure to credit risk is summarised as:

Credit rating						
31 December 2022						
	AAA	AA	A	Below A	Unrated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Shares and other variable yield securities	-	-	-	-	68,266	68,266
Debt and other fixed income securities	-	48,077	14,484	22,816	36,256	121,633
Assets held to cover linked liabilities	-	-	654	-	228,025	228,679
Loans secured by mortgage	-	-	-	-	221	221
Cash at banks, building societies and in hand	-	-	17,177	181	3,498	20,856
Total	-	48,077	32,315	22,997	336,266	439,655

Notes to the Financial Statements

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

No credit limits were exceeded during the year ended 31 December 2022.

