



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

# Reports & Financial Statements 2023

For the Year Ended  
**31 December 2023**



# 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

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## INDEPENDENT ORDER OF ODD FELLOWS MANCHESTER UNITY FRIENDLY SOCIETY LIMITED

Registered under the Friendly Societies Act 1992

Register No. 223F

**REGISTERED OFFICE:**

Oddfellows House  
184-186 Deansgate  
Manchester  
M3 3WB

**DIRECTORS:**

**CHAIRMAN:**

D Webster, External Non-Executive Director  
B F Needham, Grand Master  
J L Mann, Deputy Grand Master  
D R Ogden, Immediate Past Grand Master  
A P Lockett, PGM  
D Jex, PPGM, Prov CS  
K Rose, Prov CS  
A Walker, PPGM  
S Martland, PPGM  
W S Connolly, External Non-Executive Director  
P Darragh, External Non-Executive Director  
M Perry, External Non-Executive Director  
J Midlane, External Non-Executive Director

**CHIEF EXECUTIVE AND  
SECRETARY OF THE ORDER:**

C J Nelson, FCCA, FCMA, DiploD

**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



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# Chairman's Report



I am delighted to present this report as Chairman of the Oddfellows Board and to spotlight our considerable achievements in 2023, despite the economic turbulence and geo-political conflicts that have ensued during the year.

Nightly news reports of the Israel – Hamas war and the ongoing Russian invasion of Ukraine remind us of the fragility of our lives in a global context and closer to home many of our citizens have faced severe hardship as a consequence of the toxic cocktail of high inflation, rising costs of living and an apparent stagnation of trust in decision makers at the highest level. Perhaps such ferocious headwinds have always been with us and only the prevalence of 24/7 news makes the picture more vivid to us, but 2023 has felt like a particularly bleak year, where compassion, tolerance and kindness were in short supply. And yet it is precisely those attributes which are at the core of the Oddfellows purpose and values.

Being distinctive has never been more vital and so the way we have risen to the challenges this year has been immensely impressive as our success is rooted in a belief in our communities, in friendship and in making mutuality meaningful. The Oddfellows identity is clear to us, even if the backdrop we have to operate in is clouded in uncertainty, and our values-led approach will be integral to the long term success of our Society. But in truth there is ample evidence across our entire organisation of the outstanding ways we translate those laudable aims into tangible benefits in our communities at a local level. At a time when levels of anxiety, uncertainty and feelings of social isolation and loneliness are acute, our Oddfellows support networks are crucial to the local communities we serve. During 2023 it has been my privilege to hear of the many ways the Oddfellows makes a positive difference in people's lives.

Organisations in every sector of our economy strive to be relevant in a changing contemporary marketplace. The High Street is littered with examples of businesses which have failed to remain relevant as consumer habits have changed, and in public services many of the long-cherished aspects of tax payer funded support systems have not kept pace with demand due to inadequate and unimaginative funding. Pressures on our NHS and on social care in the UK are well documented, but solutions remain elusive. Clearly the Oddfellows is not equipped to solve every systemic problem in that health ecosystem but we have the motivation to play our part at a local, granular level. And we undoubtedly do that. In my view the imperative for us as a Society is to be undaunted by the scale of the challenge and to remain true to our values, combining the roots of a mature organisation with the zest of a relevant contemporary mutual. That's what makes us unique, and it also gives us an edge in a congested financial services marketplace. So it is exceptionally pleasing to report on a year of encouraging business results, as well as seeing numbers of new fraternal members grow significantly, both of which feature in the Chief Executive's Operational Report as headline successes.

To conclude, I remain very proud and privileged to be Chairman of the Board of Oddfellows, I believe we have shone vividly amidst the greyness of 2023 and we are well placed to build on our success in years to come. But of course this is only made possible by the talent, commitment and resilience of our colleagues across the Society, in which we have huge confidence and to whom we owe tremendous gratitude. On behalf of the Oddfellows Board I am delighted to offer our collective thanks to all and to assure you of our determination to steer the Society in a way which exemplifies the very highest standards of governance, compliance, risk management and business expansion. Our vision for the Society's future is both relevant and authentic, and members can be assured that we aim to continue on a sustainable course to future success.

Finally may I extend my sincere thanks to fellow Directors of the Oddfellows, whose support, professionalism and guidance has been unrelenting in 2023.

A handwritten signature in dark ink, appearing to read 'D Webster', with a long, sweeping horizontal line underneath.

**D Webster**  
**Chairman**  
**4 April 2024**

# Chief Executive's Operational Report

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## Overview

2023 was a massively successful year for the Society's fraternal business and, with us putting on an average of 700 events per month, a mixture of face to face and on line, our social delivery was the best ever. Together with the Care & Welfare support given to members directly from Unity Office and all our Branches, including £200k of financial gains for our members from our dedicated Citizens Advice Line, means that 2023 was a year in which the Society's strapline of "Making Friends and Helping People" was something that we continued to live and breathe and not just words on the tin.

All functions of the Society, whether it be at Unity Office in Manchester, or our Branches, continued to put our members at the heart of everything we do. The availability of some flexible working for Unity Office 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, 2023 was yet another testing year in terms of achieving those goals we set out to achieve, which continue to be affected by external matters outside of our control. Following the increases in the UK Base Rate in 2022 from the all-time lows over 12 years, 2023 saw another five rate increases taking the rate from 3.25% at the end of 2022 to 5.25% at the end of 2023. The country continued to feel the pressure of the impact of the increased cost of living on everyday items as well as fuel and these matters affected each and every one of us, both as a Society as well as having an impact on our members and policyholders.

In terms of recruitment of new members on the fraternal side of the Society, we recruited an amazing 1,698 new members – the highest number recruited since 2007. Whilst overall Fraternal membership numbers reduced, for the two benefit packages open, there was a net gain of new members, over deaths and lapses. This fantastic achievement was the result of collaboration between the Departments at Unity Office in Manchester and all our Branches and really does demonstrate the successes that can be achieved by working together and conclusively shows that what we are offering members is both wanted and valued. We are and should be proud of what we achieved throughout the ups and downs of the last few years.

2023 saw the closure of our Liverpool Office and sadly, as a result, four members of staff based there left the organisation. We are delighted though that one of the team chose to stay with the Society and is now based in Manchester. The actual Office building in Liverpool was advertised for sale and the early part of 2024 will see the completion of that sale.

All our staff, those based in Manchester, and of course, all our Branch Secretaries, Social Organisers, Welfare Visitors, Care Coordinators and volunteers – all did an amazing job throughout 2023 and really did show that Oddfellows and Unity Mutual (the financial services brand of Oddfellows) are there for our members and policyholders through thick and thin.

Our 2023 Annual Movable Conference (AMC) which incorporates the Society's AGM was held in Eastbourne and saw 216 voting members elected from our network of Branches attend the Conference and join in the debates about the Society. Our Annual Conference is much more than business though and it gave over 350 members the chance to meet up and exchange ideas and enjoy the social side of our AMC as well as the business side. We continued in 2023 to live stream our Conference Sessions so that those members who could not attend the Conference for whatever reason could feel part of the process and the feedback received shows how valued that is for members.

The continued inclusion of online social events for members as part of our social offering means that many of our members now have a wider circle of Oddfellows friends as, of course, there are no geographical boundaries - they can meet anyone from anywhere in the country. 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 remains an important part of our offering, but equally so is the Care and Welfare service that is offered to our members and a service which is much valued by members. In 2023 nearly



# Chief Executive's Operational Report

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5,000 members contacted our Citizens Advice Support Line, dedicated for use by our members and were helped. This included financial gains for members of £204k, of which £172k related to welfare benefits. In terms of some key achievements in 2023, the Care Line at Unity Office, recorded 6,739 contacts (2022: 5,957) 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 2023, the number of contacts Branches and Unity Office made to members was 24,384 (2022: 23,177) which remains something to be very proud of.

220 (2022: 235) members took advantage of using the Society's Convalescent Benefit in 2023 which is part of the membership package whilst 77 (2022: 73) chose to have the support they needed in their own home. All the benefits that our members can access are so wide and varied, that 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. The way in which this service has continued throughout 2023 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 Society started the rollout of an adult safeguarding training programme in 2023 following the adoption of the Adult Safeguarding Policy. 90 Branches now have an Adult Safeguarding Lead, all of whom attended one of the six training sessions held in a variety of locations throughout 2023. In addition a Child Safeguarding Policy was finalised in 2023 and high level awareness training will be delivered in 2024.

Recruitment for 2023 really showed that the Society is still attractive in terms of what we offer and the results were amazing and epitomised the fantastic work done by the Branches with the support of Unity Office. As already indicated the recruitment in 2023 totalled 1,698 new members, the highest number recruited in any one year since 2007. There were 14 Branches in 2023 who each recruited over 30 new members including two Branches that recruited over 80 new members and all Branches are to be congratulated for their efforts.

The number of people enquiring about membership in 2023 was 4,311, which was an increase of over 16% when compared to 2022 where the number of enquiries were 3,699, with a conversion rate of over 13%. The Society's Friendship Month in September remains 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. 304 (2022: 244) new members were recruited during September with 802 (2022: 683) enquiries being made.

In addition to Friendship month in 2023, the Society ran several recruitment campaigns covering themes of retirement, losing a partner and moving areas – all lifestyle triggers that we know may result in people wanting to try something new and take steps to make new friends.

The campaigns were underpinned by educational and informative content to highlight our value as an organisation and encourage new enquiries. An active print and digital advertising programme incorporated member case studies and other unique content to add value. An example included a campaign to encourage people to take a 'Friendship MOT', developed in partnership with psychologist and later life coach, Dr Denise Taylor. The tool enables older adults to assess their friendship needs and check if they are being met.

In September 2023, I featured alongside Dr Taylor in a radio campaign talking about the MOT tool in the context of Oddfellows Friendship Month. We featured across 31 radio appearances reaching an audience of nearly 3.9 million people. I was immensely proud of reaching so many people who may benefit from the friendship and support that the Oddfellows can bring.

The Centre for Cancer Immunology at the University of Southampton received the second instalment of funding from the HA Andrews Memorial Fund, receiving £33k of the £100k total promised between 2022-2024. The Fund is contributing towards sponsoring a PhD student's studies. The student's work looks at a specific gene which it is believed can be manipulated to target cancer cells in a new vaccine. If successful, this could profoundly change outcomes for patients with cancer, particularly lung, breast, head and neck oesophageal and bladder cancers. Since its inception the Fund has donated more than £1.2m to medical research projects. In 2024, the Society will be requesting submissions in the search for the next research project to receive the funding from 2025.

A fundamental part of our Branch Development is to deliver a variety of online training, development and upskilling sessions covering a wide spectrum of topics. The webinars, hosted monthly, are available to all Branch staff and volunteers. Sessions are recorded and uploaded onto Oddspace (the Society's intranet) so that there's a library of content that Branches can dip in to as and when required.



# Chief Executive's Operational Report

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Topics in 2023 included:

- Cruse Loss and Bereavement;
- Member Benefits (including the launch of a suite of new promotional material);
- Getting ready for Friendship Month (various sessions);
- Scam Champions;
- Taking photos at events; and
- Volunteering – two sessions were held for Branch Secretaries and others within the Branches who recruit and support volunteers. These were held in June and October 2023 and focused on showcasing the new suite of resources and collateral available to support them in volunteer recruitment, support and recognition.

Monthly online open days continued throughout 2023 (via Zoom), enabling prospective members to find out more about the Society. The frequency of these events increased to weekly throughout the period of the Friendship Month campaign, and the conversion rate for open day attendees for 2023 was 35%, compared to 31% in the previous year. In addition, the Branch Development team (in collaboration with the Marcomms and Membership Teams at Unity Office) hosted an online, interactive event for members who had joined in the past year. The event was aimed at highlighting how they can make the most out of their membership. There are further events planned for 2024.

In 2023 we held two Weekend Seminars, in March and September where over 120 members attended to learn new skills and increase their understanding of topics such as Workshops for:

- Social Organisers;
- Welfare Visitors;
- Unity Mutual Products;
- Committee of Management, Chairman and Trustee responsibilities;
- Types of Meetings;
- The Society's Rules and Procedures;
- Media Promotions;
- Dementia Awareness; and
- The Society's Refer a Friend Scheme.

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 2024, there had already been 60 members registered to attend the March 2024 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 2024 and beyond to help secure their future in whatever form that needs to take to be able to flourish.

The Society's 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 if our products are competitive, 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.

2023 was a very challenging year for our LTB, mainly as a result of external pressures on the financial services sector, including the effects of inflation, rising interest rates and new emerging regulations.

The Financial Conduct Authority (FCA) introduced new regulation called Consumer Duty during the year which requires all financial services providers to ensure the customer receives the best possible outcome when buying a regulated product and throughout the lifetime of that contract.

Additionally, we are also required to report on potential vulnerabilities our policy holders may currently experience or may face in the future. The FCA believes that around 50% of us have some form of vulnerability during our lifetime whether physical, mental or financial.

So what does this all mean to you? Over the next 12 months we will be asking our policyholders for their help in gathering information and they will also see some changes as we look to enhance our support to them. Initially, our Unity Mutual website will signpost policyholders to a number of organisations who can help individuals facing challenging times. When the new website is launched, there will be a page dedicated to Consumer Duty which will include these signpost links.

# Chief Executive's Operational Report

Consumer Duty is at the heart of future financial services regulation for the FCA, so there will be changes in what we are required to report and we will update policyholders when appropriate.

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.

In terms of the service provided to our policyholders much work and effort was made to strive to continue to improve the service and customer contact:

- 26,396 calls were serviced in 2023 with a peak of 2,742 answered in the month of September.
- In terms of inbound calls there was a 70.35% increase in 2023 when compared to 2022.
- The average wait time was reduced by 24.8% with an average wait time for the year of 2.42 minutes. December 2023 actually showed an average of 1.10 minutes which was the lowest in all of 2023.
- 15,012 emails serviced by the administration team.
- 17,720 CTF customers used the CTF claims portal which is the Society's online service designed to support 18 year olds to provide instruction on maturing accounts.
- 5,159 customers were using the registered contact portal by end of 2023, providing online self-service options to support both customer and the business by reducing generic queries.
- 1,524 new product applications were processed by the dedicated administration team based in Unity Office.

The Society has had success with the integration of a number of transfer of engagements over the last 17 years with the last one completing in February 2021. During 2023 we have been in discussions with two other Societies with a view to them transferring their business to Oddfellows and it is hoped that these will complete before the end of 2024. 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 2024 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 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.

The efforts that are put in every year, by everyone involved in the Society, whether at Branches, the staff in Manchester 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, all our Staff and all my colleague Directors for their continued hard work, passion, support and enthusiasm during the year.



**C J Nelson**  
**Chief Executive Officer**  
**4 April 2024**

# Strategic Report

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## 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 2023, 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 Consumer Duty. This continues to be evidenced by:

- The Consumer Duty Champion actively promotes and raises the profile of delivering good customer outcomes throughout the Society's regulated business operations and ensures that the implications for customer outcomes 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.
- Management Information (MI) indicates that the Society consistently continues to focus on good 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 2023   | Management and mitigation   |
|--|---|---|
| <p><b>Solvency Risk</b></p> <p><i>This is the risk that the Society fails to meet its Solvency Capital Requirement</i></p> |  | <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"> <li>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;</li> <li>assessed by the Commercial Board through the annual Strategic Planning and Own Risk Solvency Assessment (ORSA) three years in advance; and</li> <li>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.</li> </ul> <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 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 2023   | Management and mitigation  |
|---|---|--|
| <b>Fraternal Strategy</b><br><br><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"> <li>• The Fraternal Strategic Plan is approved by the Society's Board;</li> <li>• Quarterly Fraternal Strategic Reports detailing progress against the plan are reviewed by the Fraternal Board and the Board;</li> <li>• Progress against key performance measurements is reported to the Fraternal Board on a quarterly basis. The Fraternal Board will agree actions as required; and</li> <li>• 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.</li> </ul>  |
| <b>Long Term Business (LTB) Strategy</b><br><br><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"> <li>• existing business;</li> <li>• transfers of engagement;</li> <li>• new business; and</li> <li>• regulatory compliance, including Consumer Duty.</li> </ul> <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"> <li>• The Annual LTB Business Plan is approved by the Commercial Board and the Board;</li> <li>• Monthly LTB Balanced Scorecard reports are produced and submitted to the Commercial Board detailing the progress against the LTB Business Plan and KPI's;</li> <li>• Frequent progress reports on the work undertaken to meet the new Consumer Duty requirements, including, customer journey and communications reviews, product reviews and fair value assessments for both open and closed products and updating product development, people and governance processes and policies;</li> <li>• 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.</li> </ul> |

# Strategic Report


| Risk   | Risk movement over 2023   | Management and mitigation  |
|--|---|--|
| <b>Reputational risk</b><br><br><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"> <li>• 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;</li> <li>• A Consumer Duty Champion, a Non-Executive Director whom is a member of the Commercial Board and ensures the delivery of good customer outcomes is central to all discussions, considerations and decisions made;</li> <li>• 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;</li> <li>• The Audit, Risk and Compliance Committee (ARCC) and Commercial Board receive and review quarterly Compliance &amp; Risk and Insurance reports covering compliance and risk activities / developments, policyholder feedback, complaints, breaches and other management information; and</li> <li>• 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.</li> </ul> |
| <b>Non-compliance with legal and regulatory requirements</b><br><br><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"> <li>• The annual Compliance &amp; Risk Report and Plan is approved by the Society's Audit, Risk and Compliance Committee (ARCC), the Commercial Board and the Board;</li> <li>• The quarterly Compliance &amp; Risk Reports detailing progress against the Compliance &amp; Risk Plan are reported to the ARCC, the Commercial Board and the Board; and</li> <li>• 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 &amp; Risk Officer to oversee the implementation of any recommendations.</li> </ul>  |



# Strategic Report

| Risk  | Risk movement over 2023   | Management and mitigation  |
|---|---|--|
| <b>Investment Strategy</b><br><br><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"> <li>• The LTB investment strategy is approved by the Board, the Commercial Board, the Chief Actuary and the With Profits Actuary;</li> <li>• Qualified external Investment Managers (IM) actively manage the agreed strategic asset allocation and achievement of investment targets;</li> <li>• IM performance is assessed on a quarterly basis by the Commercial Board; and</li> <li>• 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.</li> </ul> <p>Given the volatility in markets in 2023, 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 2023   | Management and mitigation  |
|---|---|--|
| <p><b>Climate change financial risk</b></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"> <li>• 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;</li> <li>• 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;</li> <li>• Exposure to climate change risks are reflected within the Society's scenario analysis to assess the potential impact on its solvency;</li> <li>• For several years, the Society has calculated the carbon emissions of its operations and offset these emissions by supporting climate change solutions in the UK and worldwide;</li> <li>• The Society works closely with its Investment Managers to monitor the ESG performance of its investment portfolio and how ESG issues are promoted;</li> <li>• 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</li> <li>• The Society has a strategy in place to ensure that all of its Investment and Branch properties meet the enhanced energy efficiency expectations which are expected to come into effect in stages over the next few years.</li> </ul> <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> |

# Strategic Report

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The Society's operates a Risk Management Framework, the components of that Framework, identify the possible risks pertinent to the Society and its assets and are recorded in our Risk Register. There are a number of primary risks and secondary risks which are measured and assessed to consider the overall impact of the risk. Further details on our risk governance can be found in the Directors' report within governance and operations.

- 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.

The Directors and Management have in place a number of key internal controls to mitigate the impact of our risks and these are both measured, monitored and reported to the Board, Sub Boards and Committees.

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

- ensuring that risks 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.

## Climate Change Risk Strategy

As a responsible mutual organisation, we are committed to doing the right thing for our members, policyholders and the environment in which we all live. The Society will continue to take a strategic approach to assessing the impact of climate change on the organisation and take steps to reduce its carbon emissions.

The Society made its first climate change disclosures in the Reports and Financial Statements for the year ended 31 December 2020 and has continued to report its responses to climate change aligned to the recommended Taskforce on Climate-related Financial Disclosures (TCFD) framework four key pillars: governance; strategy; risk management; and target setting.

The Society has prepared a separate report setting out its climate change considerations, which describes how it manages climate related risks and opportunities including the additional activities that the Society has undertaken during 2023, as well as the further steps that it intends to take over the next 12 months and beyond, which 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 accountability for climate related financial risks and opportunities and is one of the matters reserved as set out in 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.

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.

# Strategic Report

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## Strategy

The Society's process for identifying and assessing climate related risks and opportunities (shown in the report) is set out under Climate Risk Management as they relate to the business, materiality of the risk and opportunity, time horizons 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.

## 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 2024, the Society will continue to assess how climate related risks specifically impact other risk categories.

The Society's Own Risk and Solvency Assessment (ORSA), which considers the risks to which the Society 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 2024, 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.

The Society has undertaken its second annual Carbon Footprint Assessment to monitor the emissions from its operations and develop its strategy to reduce these emissions. Between 1 April 2022 and 31 March 2023, the Society's total location based carbon emissions across its operations, including its Manchester office and associated travel costs equated to 106.38 tonnes, (2022: 100.89 tonnes). Location based calculations reflect the average emissions intensity of grids on which energy consumption occurs. Market based calculations reflect the emissions from energy sources the Society has purposefully chosen and, as the Society switched to a renewable energy tariff in November 2022, this had the effect of reducing its emissions to 89.41 tonnes. The assessments are a valuable tool to give the Society a more accurate view of where it should focus its attention and resources to reduce its carbon emissions going forward.

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. For 2023, support was given to a variety of projects, including reducing emissions from deforestation and degradation, safe water initiatives as well as solar and wind power projects, reaching Carbon Neutral Plus status. Other changes, aimed at reducing its emissions included, upgrading all the lights in Oddfellows House which were already motion sensor lights to LEDs to reduce electricity consumption and renewing its renewable electricity tariff for the second year.

# Strategic Report

The UK Government is planning to introduce 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. During 2023, the Society has worked closely with its Property Managers to ensure that its properties have a valid EPC in place as well as meeting the current EPC requirements in place. Furthermore, it is supporting its Branches to understand the requirements and make any necessary improvements to meet these expectations.

## 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 2023, 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 ESG 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 2024 and beyond.

The charts below show the ESG performance of some of the Society's investment portfolios throughout 2023. 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:



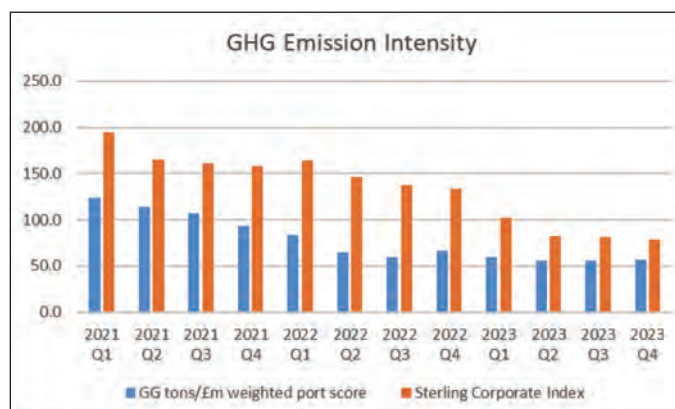
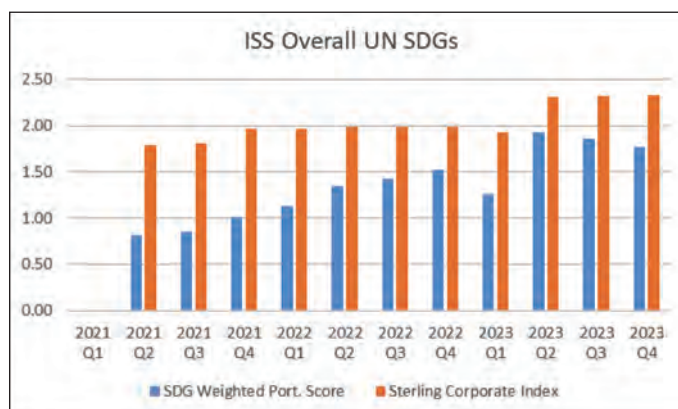
Source: Investec Wealth & Investment Limited

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.

Investing in ways that make a positive contribution to sustainable development is measured using the Sustainability Development Goals (SDGs) as a basis for measurement and our combined portfolios have consistently measured more positively in comparison to the Sterling Corporate Index. Our combined portfolios also measure more positively in achieving a lower Greenhouse Gas Emissions (GHG) intensity rating when compared to the benchmark. The improvement in the ESG scoring on our portfolios over the last 3 years is demonstrated in the graphs directly below.

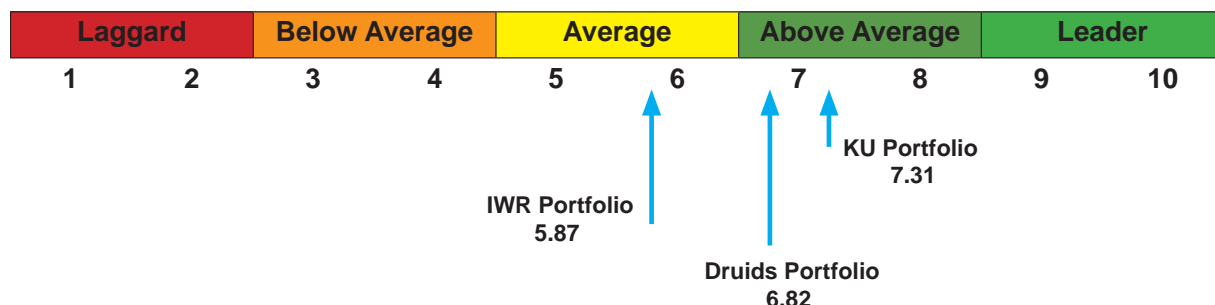




# Strategic Report

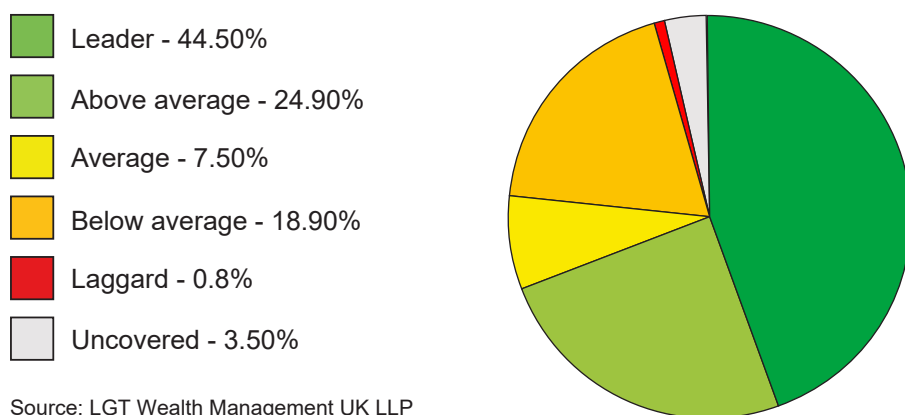
## LGT

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'.



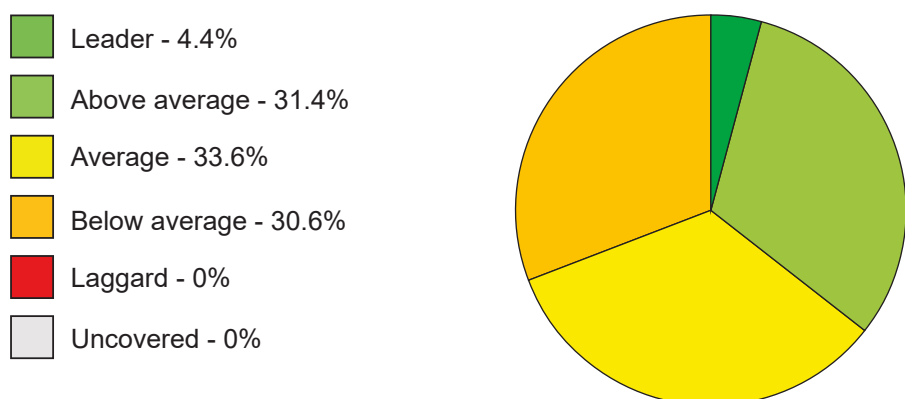
|         | Oddfellows Druids | Oddfellows KU | Oddfellows IWR |
|---------|-------------------|---------------|----------------|
| Q4 2022 | 6.83              | 7.21          | 5.71           |
| Q1 2023 | 6.84              | 7.23          | 5.74           |
| Q2 2023 | 6.91              | 7.27          | 5.67           |
| Q3 2023 | 6.75              | 7.12          | 5.71           |
| Q4 2023 | 6.82              | 7.13          | 5.87           |

The chart below shows the ESG rating of the Kingston Unity Fund. As at the end of 2023, 69.47% of the portfolio was in 'Leader' or 'Above average' category, equating to an overall ESG score of 7.13, largely maintaining the rating compared to the same period in 2022 at 67% and 7.21 respectively.



Source: LGT Wealth Management UK LLP

In terms of the International Wider Range Fund, the chart below shows 69.4% on average or above with an overall score of 5.87 compared to 83.35% at the end of 2022 (overall score 5.71).



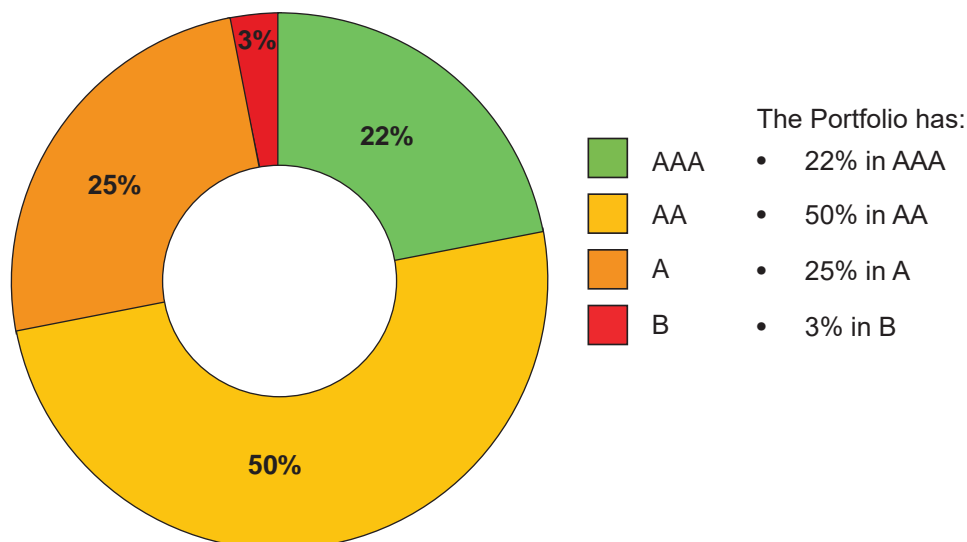
Source: LGT Wealth Management UK LLP

# Strategic Report

## Close Brothers

The rating Close Brothers utilises to measure the ESG performance of two of the Society's Fraternal Funds is the MSCI ESG score rating. It is designed to measure resilience to long term ESG risks and looks at the 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 97% of the Fund is rated as leader (AAA and AA) and average (A), compared to 91% 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 first launched an Employee Assistance Programme (EAP) in 2022 and this is now embedded into the Society's social framework. 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 space in the Office for 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 2023 the Society, via its Branch network, raised over £175k 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 £1.24m to the HA Andrews Memorial Fund to fund vital medical research in the UK. The Society has committed to donating £100k over three years, to support the Centre for Cancer Immunology, to fund vital research into treatment, the first two instalments having been made in 2022 and 2023. Further information on the focus of the Fund can be found on Page 21.

During 2023, the central Society and its Branches donated over £23k to the Disasters Emergency Committee to support vital humanitarian work in respect of the earthquake that occurred in Turkey/Syria during February 2023.

Each year, the Society is honoured to support a selection of 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 Aerospace Engineering, Computer Science with Cybersecurity, Chemistry and Physics and Philosophy.

# 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 2024. 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.

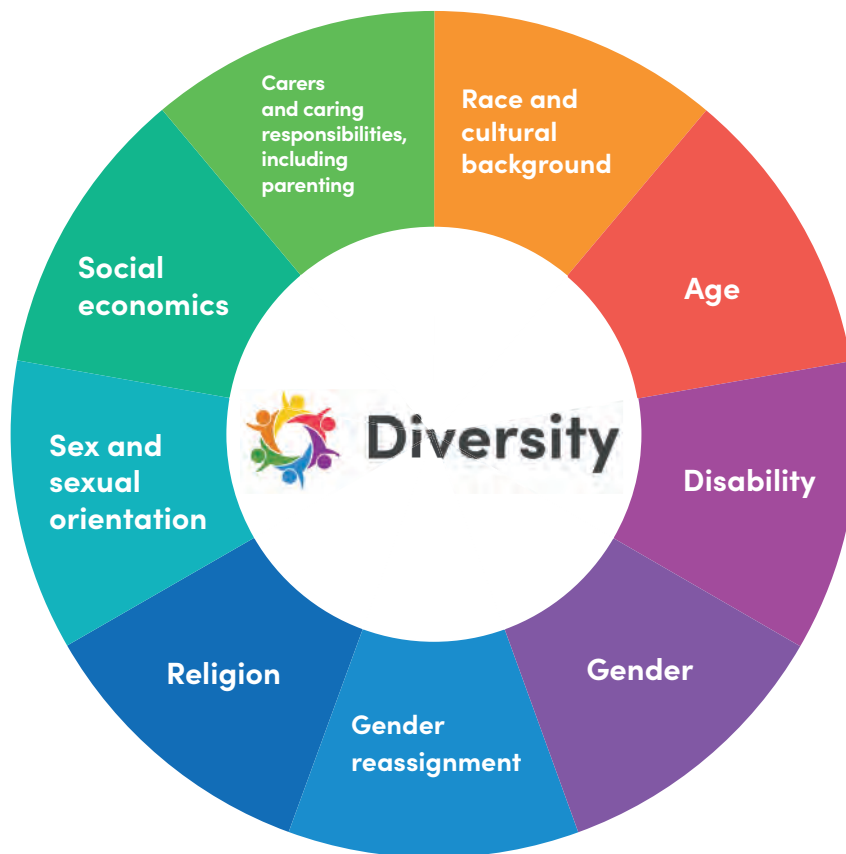
Embracing diversity of thought improves performance. Our aim is for the Society to be truly representative of all sections of society. All staff and volunteers, whether part-time, full-time or temporary, will have support to develop their full potential and utilise their unique talents. We believe this 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 and is embedded into the Society's framework. The Compliance & Risk Function act as the administration function for the DWG, coordinating meetings, recording actions, and providing anonymous staff feedback.

The DWG meet on a regular basis to discuss issues relating to the following characteristics on a rolling basis:



# Strategic Report

During 2023 the following meetings were undertaken and the following subjects were discussed:

- Gender re-assignment
- Age; and
- Socio-economic factors.

In addition, the DWG met to discuss the following specific issues:

- Gender Pay Gap Report;
- Regulatory proposals and the Society's formal response to them; and
- Age Friendly Employer Pledge 6 monthly review.

In response to regulatory proposals the DWG's main aim for 2024 will be to expand upon the work undertaken to date to produce a detailed Diversity and Inclusion Strategy inclusive of set aims and goals with which to work towards. The Society will continue to participate in the regulatory conversation surrounding DE&I, contributing to discussion and consultation papers where possible as well as continuing to participate to the Association of Financial Mutual's Mutual Diversity Alliance.

## 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 Oddfellows 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. As well as Diversity training and Dementia Awareness training for all staff.<br><br>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 Quiet Room at Unity Office. Updates to Staff Handbook to formalise areas such as maternity/paternity, carers support, stress management, etc.<br><br>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 Human Resource Function and 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 <a href="https://www.oddfellows.co.uk/about/diversity">https://www.oddfellows.co.uk/about/diversity</a> including a link the AFM's Mutual Diversity Alliance webpage.<br><br>Each year the Society report our Gender Pay Gap and Board and Senior Management Representation. |

# Strategic Report

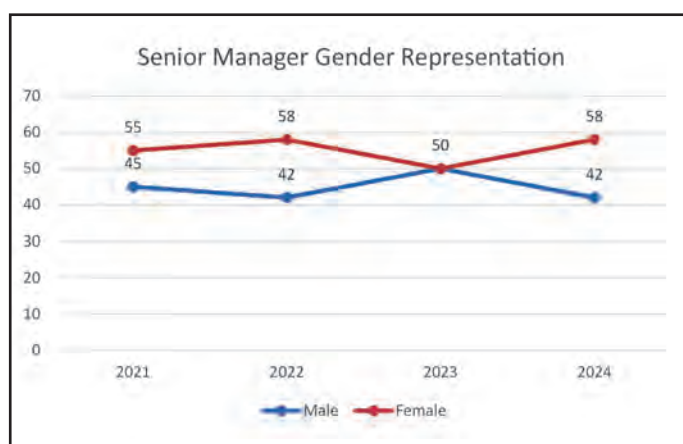
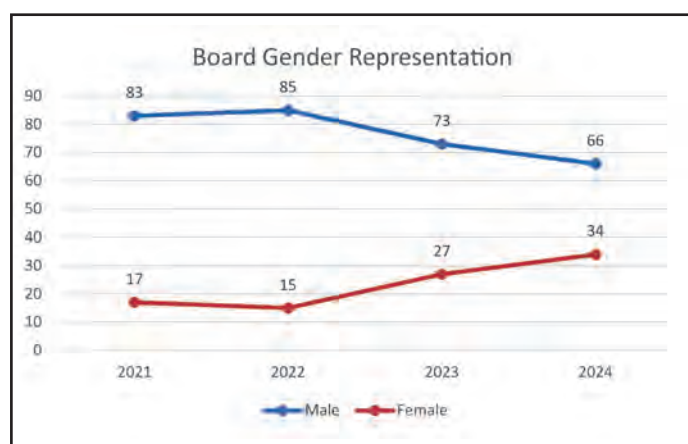
## Training and Workshops

In addition to the formal DWG sessions the group have established links with a series of third party webinar providers who regularly provide smaller bite sized sessions, as well as continuing to make use of the sessions provided by the AFM. DWG members have found these sessions useful as a way of increasing and updating their knowledge, including the following topics;

- Neurodiversity and Mental Health;
- Identifying and addressing our biases;
- From Awareness to Action: Promoting Wellbeing for Neurodivergent Employees;
- Taking Charge of your Mental Health: A Men's Health Week Webinar;
- Dyslexia and Assistive Technology: How to Thrive in a Neurodiverse World;
- Neurodiversity in Focus: Strategies for Workplace Stress; and
- Five ways to become a better transgender ally.

The Society's Care Department expanded upon this by providing Dementia Awareness Training over two sessions in October and November to all Unity Office staff.

## Gender Representation



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

The Society is proud of the progress it has made to ensure a better gender balance at Board and Senior Manager Level, increasing the female representation from 85%/15% (Male/Female) in January 2022 to 66%/34% in January 2024. The Society will continue to work towards achieving a more broadly representative Board that more closely represents its members, customers and wider community.

The Society has also published its annual Gender Pay Gap Report (which can be found on the website), which demonstrated our commitment to transparency and disclosing information, encouraging collaboration and co-operation and continuing to make our place of work an equitable place.

## 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. Its operational office is in Manchester and, as at 31 December 2023 had a network of some 99 Branches, throughout the United Kingdom. Despite the challenges faced by society as a whole throughout the last few years, our Society has 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. Following on from the return of face to face events in 2022, 2023 saw the Society continue to thrive in this regard. It is recognised that some members would still, for whatever reason, prefer some online events and, as such, throughout 2023 the Society maintained a mixture of face to face events and online events for those members for whom that was their preference. In 2023, the Society hosted over 700 events per month which is an amazing achievement.

# Strategic Report

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## **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 365,430 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. Following the lockdown period where face to face meetings were not possible, the Society returned to holding a physical AMC in 2022. The AMC in 2023 took place from 22-24 May with 216 registered voting Deputies taking part. In a similar way to 2022, the AMC in 2023 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. 2023 saw the continuance of the two training weekend seminars that are held each year for our Branches and members and it was great to see how positively those were received and the positive feedback from those 60 that attended the Seminar in March 2023 and 58 in September 2023. One of the Society's Directors is appointed as its Consumer Duty Champion and this role involves close liaison with the Society's management and staff to ensure that the principles of TCF, Conduct Risk and the requirements under the new Consumer Duty regime are adhered to as a matter of form throughout the Society's regulated business operations. The Consumer Duty Champion in 2023 was Mike Perry. 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 2023 was David Ogden.

## **Employee Engagement**

The Society had 59 staff at the end of 2023 (including contract staff) based in Manchester. Regular meetings are held between staff and their line managers, and the Society's management team meet with the Society's Executive Directors on a regular basis. Throughout 2023, these meetings were held on a face to face basis wherever possible. Throughout 2023 there were three issues of the Staff Newsletter to which staff were encouraged to contribute. 2023 saw the continuance of the 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 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 2022, these were carried out in December 2022 and January 2023 and for the year 2023 in December 2023 and January 2024. The previous quarterly staff surveys which had been done in partnership with an external Company "*Engagement Multiplier*" changed in the latter part of 2023 and were then designed in house. The surveys continue to include questions focused on the support and welfare of staff. Any matters that are flagged up in this process are reviewed and followed up as appropriate.

## **Community Engagement**

The Society supports many local and national charities and makes significant donations via its Branch network. In 2023, the amount of donations to charitable causes across the UK totalled £175k (2022: £185k). It also sponsors various organisations through its operational office in Manchester. The HA 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 2023 over £1.2m had been donated to various causes supporting medical research into illness such as Parkinson's, Prostate Cancer, Macular Degeneration etc. 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 £100k over three years and to date the first two instalments have been paid over to the charity.

## **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.



# Strategic Report

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## Current activities

### **Long Term Business (LTB)**

As at 31 December 2023 the Society's LTB had assets under management of approximately £350m (2022: £357m) which are ring-fenced from the Fraternal business of the Society and which consisted of 321,000 (2022: 340,000) saving, investment and insurance policies, of which 293,000 (2022: 311,000) were Child Trust Fund (CTF) accounts. All policies are managed under the Society's Unity Mutual brand and are administered by a dedicated team from the Society's head office in Manchester.

Investment performance for 2023 was positive on the back of rising financial markets and positive economic outlook, partly reversing the fall in values reported in 2022, and more in line with expected long term market returns underpinning our long term investment strategy.

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 are met.

We are focused on delivering the best customer service and outcomes to our members and in attracting new members to the Society and we have continued to invest in our employees' training and development as well as in our IT systems, to gain operational efficiencies and improve service delivery, in line with business demands and consumer duty regulations.

This has enabled us to meet our customer service level objectives for the year, and make better business decisions with detailed management information to track trends, measure wait times, and ensure other quantifiable measures of performance levels are being achieved.

Some of the areas we have focused on and made efficiencies in 2023 are highlighted below;

- Development of the registered contact portal to provide customers with a self-service platform. This will ensure when customers are in contact with us that the service is intuitive and customer friendly. As at the end of the year we had 6,290 customers using this service.
- Review of all open book products for new consumer duty regulations including fair value assessments ahead of deadline of July 2023

The Directors are pleased to advise that the Society continues to manage its operations effectively and in line with its regulatory requirements and in the best interests of its policyholders. Looking forward, the Directors are of the view that the Society is well placed to continue to grow and meet the long term needs of our customers.

### **Branch Development**

#### **A year of transformation, achievement and challenge**

2023 was a very busy and challenging but enjoyable year for the Branch Development Team (BDT) and a year that saw step change improvements in a number of areas of Branch development.

Branches across the network made real positive and tangible steps in their development which has demonstrated the fact that they now see development plans as part of their DNA – 90% of Branches now have a Development Plan in place. In addition, proactive engagement and focus from Branches in the recruitment of new members has been prevalent and has been evidenced by the highest number of new members made in a year since 2007. 50% of Branches are now covering Standard and Extra Benefit Membership deaths and lapses, which is a significant step in the right direction.

Throughout 2023, a key focus across the Branch network has been delivering a diverse range of face to face events, along with a regular and attractive online offering. 2023 saw over 8,500 events taking place across the nation, which equates to over 700 events per month – a 16% increase on 2022 figures.

2023 also saw a renewed focus on the online event offering to drive engagement and galvanise support from Branches, which will continue into 2024.

# Strategic Report

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Online open days continued throughout the year via Zoom, enabling prospective members to find out more about the Oddfellows from the comfort of their home.

In 2023, September's Friendship Month was a particular success with over 240 themed events taking place across the country that month. The BDT supported Branches with events planning, support and best practice. Branches showed great enthusiasm and provided positive feedback, with one Branch summing it up perfectly when they said *"Friendship Month highlights what we are all about and how friends are important in our lives."*

## Networks and support

Social Organiser (SO) recruitment was very buoyant in 2023. A number of Branches have recruited an SO for the first time, which is extremely positive and demonstrates continued engagement and an understanding of the value of the SO resource. The early part of the year saw the BDT trialing a new way of job advertising and promotion via Facebook and LinkedIn. Results throughout the year were exceptionally good in terms of calibre of candidate, time taken to recruit and cost to the Branch.

SOs staying connected and supporting each other across the Branch network has continued to go from strength to strength. The drop in sessions continue on a monthly basis – there are two sessions every month, one in the daytime and one in the evening, and this enables as many SOs as possible to attend. Highlights from the sessions plus relevant topical information is sent to all Branch SOs and Secretaries in the monthly *'What's New'* email. Also, the Drop Ins and WhatsApp groups have continued to prove a fantastic way to welcome and support new people. This included SOs buddying and mentoring new members of staff to great effect.

Branches working together and supporting each other to deliver events has continued apace in 2023 and this has been evidenced by events such as a member from Preston District hosting a Cheese and Wine (face to face event) for Ormskirk and Southport and also another online festive event later in the year to members and prospective members across the nation as part of the national online events. Throughout the year, we have seen many more examples of Branches working together, which is fantastic and has included day trips, walks and short breaks. A great example of this is the Vintage Coach Trip that Erewash Valley and Nottingham Trent Branches jointly hosted for members and guests.

## Training, development, skills and enhancement

A calendar of Webinar sessions covering a wide spectrum of topics was hosted throughout 2023. All sessions were recorded and uploaded onto Oddspace (the Society's intranet) to enable a library of content to be available from Branches to dip in as and when required. Session topics included:

- Cruse Loss and Bereavement;
- Getting ready for FM (various sessions);
- Marketing and planning;
- Member Benefits;
- Scam champions;
- Taking photos at events; and
- Volunteering.

In addition, and in collaboration with numerous departments, a new suite of volunteering resources and collateral was launched in May 2023 to Branches to support them in volunteer recruitment, support and recognition. The launch was supplemented with two well-attended webinar sessions for Branch Secretaries and others who recruit and support volunteers.

Two Weekend Seminars were held in March and September 2023. The Social Organiser workshop theme was *'Bringing the 5 reasons to join to life'* which was well received by the attendees.

## Partnerships

A key focus for 2023 has been the launch of refreshed promotional materials for Branches, Branch publications and social media to highlight the partnership offers available to members.

# Strategic Report

## Marketing and communications skills-based training

To support local Oddfellows Branches with their marketing and communications activities, a comprehensive range of targeted training was delivered throughout the year. This included:

- A face-to-face 'media promotions' workshop focusing on the use of different media to promote events at the two Weekend Seminars;
- An online telephone skills session;
- An online 'media relations – how to see success in the press' workshop ;
- An online 'photography using your phone' session, to support the capture of images for Facebook, media releases, and marketing materials; and
- Two in-person Facebook skills workshops and a particularly well-attended online 'Facebook Health Check'.

In addition, a package of six short training videos was created to support Branches with their customer service and conversion activities. Topics included maintaining member satisfaction, an overview of the communications an enquirer and new member receives, and hosting a taster event.

## Public relations activity – media coverage

Press cuttings consistently reached their height for the first time in several years in 2023 after a solid foundation was created in 2022. The average cuttings per month increased to 37.66 by the end of the year, from 34.41 the previous year. 131 cuttings were achieved by Branches using one of the six distributed PR templates in 2023 as follows:

- Template 1 – 24 cuttings – Events to spread the love of friendship this February.
- Template 2 – 17 cuttings – Friendship group's prescription to help beat retirement blues.
- Template 3 – 13 cuttings – Friendship group appeals to adventurous retirees.
- Template 4 – 35 cuttings – An invitation to fill your September with friendship.
- Template 5 – 25 cuttings – Letter to the Editor: Help to make local friendships.
- Template 6 – 17 cuttings – Stay social to stay well this winter urges local friendship group.

Support was also delivered on request throughout the year. No less than 46 requests for editorial/PR support by Branches were responded to in 2023, including the creation of 45 local media lists.

## Managing and building digital channels

### Social media – Facebook and Twitter

Branch Facebook pages are a vital marketing tool to share Society news and membership offerings, as well as a valuable recruitment tool at a local level through the creation of an inclusive online community. By the end of 2023, the number of live Branch Facebook pages was 80, compared to 75 at the end of 2022.

The annual Facebook review culminated in June 2023 and looked at all the 79 pages live at that time. 44 Branches scored either Good or Excellent, 22 were classed as Basic, and 13 required action. All Branches were provided with individualised feedback and offered support.

An online 'Facebook Health Check' training session was delivered for Branches during the feedback process.

The team continued to offer individual Facebook support to Branches throughout the year. There were also two face-to-face training workshops, with one held in London in July and repeated in November in Manchester.

Success on both Facebook and Twitter (now renamed X) is measured through engagement from users. The Society's Twitter/X channel, which is mainly used as a business to business engagement platform, increased during 2023, rising from 2.75 to 5.05 by the end of the year. Twitter/X 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 3.6 or more is considered a positive indication of the reach and engaging nature of our content – the scores were amended in May 2023 to ensure that they remain a fair engagement measure.

# Strategic Report

## E-marketing

Email marketing is an important tool to share news, useful information about benefits, and stay in touch with members. The Society has active marketing emails for approximately 19.72% of its adult memberships. This is an increase of 1.41% from 2022.

Member emails were sent to an average of 6,829 active member emails each month throughout 2023. These emails achieved open rates of 58.95% (2022: 55%); a level of engagement from those who receive them. Click through rates remain the same as the previous year at 15.96% on average. 'Good' working targets for standard monthly member emails are open rates of 40-50%, and click through rates of 25-40%.

Additional emails were sent throughout the year to targeted audiences including new members and to enquirers to invite them to online open days.

Work is underway to capture enquirers' email addresses and marketing preferences at the earliest stage, then should they opt-in to marketing and become a member, they are already subscribed to receive these useful communications.

## Website [www.oddfellows.co.uk](http://www.oddfellows.co.uk)

The Content Management System that the Society's website uses, Umbraco, was upgraded in 2023. This was a labour-intensive process but was a requirement to ensure systems remained secure and future-proofed. Work on the website was largely maintenance, however, some development projects took shape including the introduction of a new enquiry form, where those interested in membership can request a pack through a form that integrates with the Society's contact database. This was designed to help make the enquiry journey process and its analysis more seamless and efficient.

Other development projects focusing on improving experiences for the Society's website users will be tackled in 2024, supported by the recruitment of a new website and digital-focused position. In readiness, a research project was commissioned to understand the user experience of the Oddfellows website and produce recommendations for improvements to action during 2024 when resource is enhanced. This included a survey of current members to ascertain their views on the website and in-depth interviews with non-members.

The Society's website performance was varied in 2023 and the figures below are not a 100% accurate reflection of usage as approximately 24% of website user visits did not consent to Google Analytics tracking.

Target: *Increase online audience size and engagement*

Users:

2023 – 155,928

2022 – 144,401

Target: *Increase online member sign-ups*

Adult membership:

2023 – 381

2022 – 177

Target: *Online (archive) membership:*

2023 – 42

2022 – 40

Target: *Increase online third-party referrals*

[www.oddfellows.co.uk/benefits/offers](http://www.oddfellows.co.uk/benefits/offers) pages

2023 – 6,879 views

2022 – 7,036 unique visits

Target: *Increase number of online Refer a Friend referrals*

2023 – 30

2022 – 8

# Strategic Report

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Target: *Increase online renewals (adult memberships)*

2023 – 48

2022 – 35

Target: *Increase in online member area subscribers*

2023 – 4,574

2022 – 4,169

## Literature

A review of literature made available for Branches for their enquirers and members took place throughout the year. In addition, one national and several Branch photoshoots were arranged to capture a refreshed bank of images for marketing and promotional materials.

This resulted in updates to literature and the introduction of new information pieces, including a flyer further highlighting and clarifying member benefits and brochures explaining volunteering at the Oddfellows. A simplified overview sheet was made available to Branches to support them in ordering the correct literature.

## Recruitment

Recruitment saw a 26.4% increase in 2023, recruiting 1,698 new members to the Society, compared to 1,343 in 2022.

In addition to Friendship Month in September, three themed campaigns ran during the year – each focused on life experiences that 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 national print advertising, online advertising, podcasts, and digital advertising.

Work was undertaken to support data capture to better understand how people have heard about us and the channel through which they enquired and subsequently joined. This information will be used to support the enquirer experience and to tailor recruitment campaigns.

Recruitment through the Refer a Friend Scheme increased from 584 in 2022 to 759 in 2023. A guide to promoting the Scheme was created for Branches and a workshop about the Scheme was delivered at Weekend Seminar events. To enable Branches to monitor and recognise the support of members who have referred people they know, a monthly management information report was established, in collaboration with Membership Services.

## Conversion

Enquiries increased significantly from 3,716 in 2022 to 4,311 in 2023. This reflects the effectiveness of advertising messages and can be attributed to adjustments to marketing tactics within established marketing campaigns.

The overall conversion rate for 2023 was 13.1%\*, (2022: 13.4%).

To assist conversion, online open days continued to give people who enquired an opportunity to find out more and meet other like-minded people. The conversion rate for online open day attendees was 35%, compared to 31% in 2022.

## Member retention

The member retention rates at the end of 2023 were 86.62% (2022: 87.46%), a slight decrease in the year.

## 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

Global markets ended 2023 with a much-needed comeback after a brutal 2022 and exceeded expectations as a year dominated by soaring inflation and interest rates ended the year with equities and bonds rebounding strongly from a challenging 2022, and for the most part in 2023, supported by the combination of a solid economy, better than expected corporate earnings, falling inflation and an apparent end to rate hikes.

# Strategic Report

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There were bright spots and challenges for financial markets in 2023, but despite economic and political shocks earlier in the year, markets shook off these challenges, in particular the first quarter banking crisis which sparked fears of a credit crunch and despite ongoing volatility throughout the year, markets rallied strongly towards the end of the year with an 'everything rally' as recessionary fears were replaced by a growing confidence that an economic 'soft landing' could be achieved, along with interest rate cuts in 2024.

Whilst UK interest rates increased in the year from 3.5% to 5.25% where they have paused, inflation cooled quickly in 2023 with CPI falling from an annual 10.5% at the beginning of the year to 4% by the end of the year, with the direction of travel still expected to fall in 2024.

Global equities racked up impressive gains in the year, and most indices were close to or at their highs of the year by the end of December. Overseas markets saw the most gains, in particular the USA, although this was quite concentrated in large tech companies, led by the 'Magnificent Seven' where the AI revolution benefitted greatly to market valuations. Europe and Asia (excluding China) also saw solid gains, while the UK, whilst turning in a positive year, lagged, underperforming developed world peers.

As at 31 December 2023, the Society managed £534m (2022: £535.5m) of members' money, across its Insurance book and Unitised Funds. Our members' money is invested in a number of funds and asset classes which reflect the Society's Board investment strategy and appetite for risk.

The Group Consolidated Income and Expenditure on the Technical Account for Long Term Business shown on page 73 produced a surplus and a transfer to the Fund for Future Appropriations of £1.27m for the year (2022: £0.92m surplus).

The Group Consolidated Income and Expenditure on the Non Technical Account shown on Page 74 produced a deficit of £0.29m for the year (2022: £2.47m deficit).

The Group Consolidated Statement of Other Comprehensive Income shown on Page 76, shows a total comprehensive gain for the year of £0.8m (2022: £2.7m). The Group Consolidated Balance Sheet with net assets of £534m (2022: 536m) is shown on pages 69 and 70.

## Premium Income

A total of £1.5m (net) of insurance contracts was invested with the Society in 2023 (2022: £1.6m). A further £9.2m (2022: £9.2m) was invested in investment contracts.

## Claims

A total of £3.9m was paid in claims in 2023 (2022: £3.6m) which is in line with expectations.

## Operating expenses

A total of £3.7m of operating expenses was incurred in 2023 (2022: £3.7m). Expenses are monitored and controlled with adherence to the annual budgeting process and monthly MI.

## Investment Income

The value of investments rose on the back of a good performance in financial markets, partly reversing the fall in financial investments seen in 2022. Both bonds and equities produced healthy gains, reversing the fortunes of 2022 where both asset classes suffered the rare combination of losses.

The value of the Society's fixed interest investments rose as yields fell towards the end of the year. The Society's sensitivity to interest rate changes has been limited due to managing the duration risk of our long term liabilities and this is reflected in an increase in the value of our long term liabilities.

Total income from investments in the Technical Account amounted to a total gain of £24.8m (2022: Loss £18.6m) and in the Non Technical Account the total income from investments amounted to a gain of £12.1m (2022: Loss £16.1m), of which £10.5m (2022: £16.4m loss) was attributable to Branch investments in the various internally operated unitised funds (See Note 19).



# Strategic Report

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The Society regularly reviews its long term investment strategy and investment performance, and the Society has been able to maintain its strategy and a healthy level of solvency. The Society's Solvency Capital Ratio (SCR) as at 31 December 2023, stood at 360% (2022: 350% final).

## Liquidity strategy

Market volatility is becoming more mainstream in the financial markets, increasing the need for a robust liquidity strategy. There have been numerous changes in investment outlook during 2023, causing volatility 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 allocation to each asset class within a portfolio to both 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 Chief Actuary we adapt our investment strategy 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 our risk and offer an appropriate balance of risk and return.

## Supervision of Branches

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

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



**C J Nelson**  
**Chief Executive Officer**  
**4 April 2024**

# Directors' Report

The Directors present their Annual Report together with the Financial Statements for the year ended 31 December 2023. In producing this Report, the Directors have considered the AFM Corporate Governance Code which now operates on an 'Apply and Explain' basis (see pages 31-34).

## 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) to deliver good customer outcomes;
  - e) provide sufficient information at the right time for key stakeholders to make informed decisions; and
  - f) 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 that they deliver good customer outcomes 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, 8 and 12) 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 & 12:

- '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'.
- 'A firm must act to deliver good outcomes for customers'.

\*\*\* 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 Consumer Duty Champion regularly review the number and type of complaints received. The objective is to:

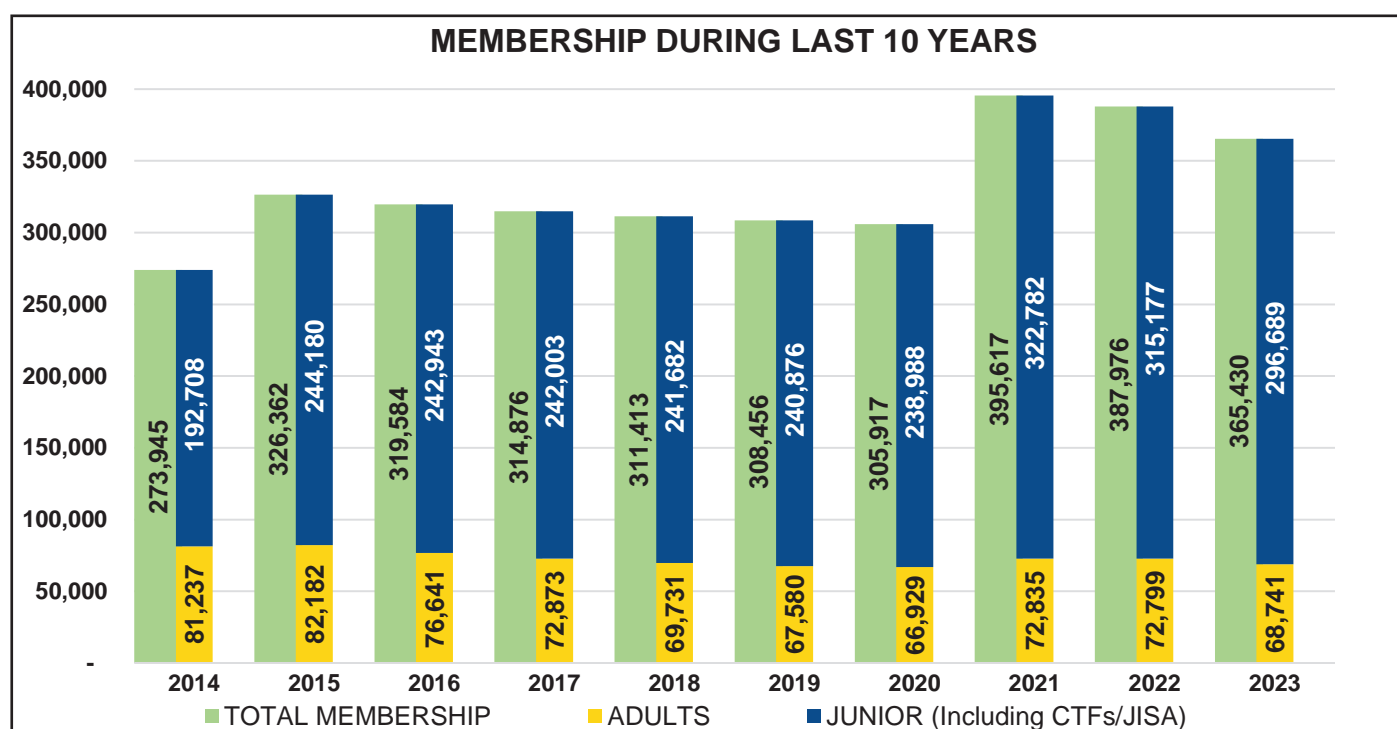
- ensure that complaints are properly dealt with and that appropriate corrective action has been taken to prevent complaints of the same or similar nature occurring again; and
- ensure that the Society's members are treated fairly.

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 20 regulated business complaints. Following appropriate investigation, seven were upheld, 12 refuted and one withdrawn. Of the 12 refuted complaints, two members decided to appeal to the Financial Ombudsman Service, one was rejected and one upheld, which we have referred to the Ombudsman for re-assessment on the basis that incorrect information had been taken into account on the original decision.

## Number of Members

The Society had 365,430 (387,976 in 2022) members as at 31 December 2023, of which 296,689 were Junior Members (293,983 being Child Trust Fund Members and 808 Junior ISAs).



## 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.

# Directors' Report

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The Board is committed to complying with best practice in Corporate Governance and for the year ended 31 December 2023 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.

In terms of the Oddfellows brand, the Society aims to be the lifestyle membership of choice for the over 50's and to help all of 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.

## Principle 2 – Board Composition

A biography for each Director can be found on pages 37 to 41 of this report and also on the website [www.oddfellows.co.uk](http://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 22 to 24 May 2023 where 15 Directors were elected. As at the end of the year there were eight Directors serving on the Board which comprised of the Chairman, the Chief Executive, the Finance Director, three Member Nominated Non-Executive Directors and two External Non-Executive Directors. The Society's governance structure includes two Sub Boards – the Commercial Board and the Fraternal Board, each of which deal with all the aspects relating to the Long Term Business and the Fraternal Business respectively. Each of the 15 Directors elected in 2023 serve on at least one of the Sub Boards and Committees and the list of who serves on which can be found on Page 43, as repeated on the Board and smaller meetings attendance record. 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.

# Directors' Report

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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, during 2023, the Audit, Risk & Compliance Committee (ARCC) included a Skilled Person, who brought specific skills and knowledge to the ARCC. The composition and remit of each of the Sub Boards and Committees are noted on pages 45 to 56. 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.

## **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. A skills and knowledge gap analysis was undertaken during 2023 to identify and address individual knowledge gaps. 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 45.

During 2023 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
- Consumer Duty and Culture.

The Society has not, in 2023, undertaken an externally facilitated evaluation of the Directors and Skilled Persons, however, this is a matter that is kept under regular review.

# Directors' Report

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## 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 43. The key strategic areas of focus in 2023 are included in the Strategic Report on pages 6 to 28.

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 45 to 54.

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

### **Audit Provision**

PKF Littlejohn LLP were appointed as the Society's External Audit provider with effect from March 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 2023 the Society continued to promote all its products, implemented new regulatory requirements known as Consumer Duty, which helps to enhance the good level of service and support provided 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 2023, 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.



# Directors' Report

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## **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 45 to 51).

## **Responsibilities**

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

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

## **Principle 5 – Remuneration**

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

The Remuneration Committee has a clearly defined terms of reference and is responsible for making recommendations to the Board concerning the remuneration strategy for the Executive and Non-Executive Directors. The Committee did not use the services of an external consultancy during 2023, 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.

# Directors' Report

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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 2023, 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 20.

## ***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 all provide an ESG score for the funds they manage. The Society has kept the relevant ESG ratings under review during 2023 and will continue to enhance its ESG strategy throughout 2024 (for further information on ESG reporting see pages 14 to 18).

For several years, the Society has committed to calculating its carbon footprint with the objective of measuring and monitoring its emissions and adopting a strategy of reducing those emissions overtime. 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. An updated carbon footprint assessment was undertaken in 2023. Emissions reported for the period 1 April 2022 to 31 March 2023 totalled 89.41 tonnes of CO<sub>2</sub> (down from 100.89 tonnes in 2022). Last year the Society attained Carbon Neutral Plus status by going beyond our measured footprint when offsetting our emissions. Despite seeing a reduction in emissions following the recent assessment, the Society has maintained its Carbon Neutral Plus status this year and supported a variety of projects involving restoration, conservation and reforestation across Brazil, India and Indonesia.

Improving the quality of people's lives through friendship, care and charitable support means a lot to the Society. In 2023 alone, Branches raised over £175k for a variety of local and national charities. Throughout 2023, over £23k was raised to support the Disasters Emergency Committee's Turkey-Syria Earthquake Appeal. This total was made up of contributions from a number of Oddfellows branches and members, including a £5,000 donation from the Society's central funds. The Society is extremely proud of the fact that since 1971, the Society has donated £1.24m to the HA Andrews Memorial Fund to fund vital medical research in the UK. From 2022 to 2024, the Society's HA Andrews Memorial Fund is supporting the Centre for Cancer Immunology to support ground-breaking research into immunology treatment to fight cancer. The three-year partnership will see the Oddfellows donate a total of £100k. The first donation of £33k was made in 2022, followed by an additional £33k in 2023.

## ***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. At the Annual Movable Conference (AMC) in May 2023, there were 216 registered voting Deputies representing the Society's 99 Branches. In addition, the 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 60 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 23.

## ***Customers***

Delivering good outcomes for customers has always been part of the history and ethos of the Society and the Consumer Duty 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.

# Directors' Report

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## **Suppliers and business partners**

The Society's websites ([www.oddfellows.co.uk](http://www.oddfellows.co.uk) and [www.unitymutual.co.uk](http://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 2023 were:

### **Barbara Needham**

Grand Master



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. she prepares 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 over 40 years. Barbara has served on the Group Conference Executive for 10 years, five of them as Secretary, a position she has recently relinquished. 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 for the benefit of 130 pupils. She enjoys photography, the outdoors in her campervan, and socialising with her family and friends.

### **John Mann**

Deputy Grand Master



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.

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.

John is now retired and enjoys spending time with his three daughters and seven grandchildren.

# Directors' Report

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## David Richard Ogden

Immediate Past Grand Master



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 16 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 at the 2020 electronic AGM. He was elected Grand Master at the electronic 2021 AMC and at the 2022 AMC in Scarborough, and has served one year as Immediate Past Grand Master, and Senior Independent Director. He is the Chairman of the Remuneration Committee, Manchester Unity Pension Scheme and Manchester Unity Housing Association.

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, which included a time as an Insurance Adviser, 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.

## Jane Nelson

Chief Executive Officer/Secretary of the Order/Executive Director



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.

In June 2022 she was elected as a Special Arbitrator for the Lady Grover's Fund which is a small Friendly Society which has been in existence since 1911 to help to meet the needs of Officers' families from the three services in times of illness and injury.



# Directors' Report

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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 and enjoys spending time with her family including her six grandchildren.

## **Tony Luckett**

MNED



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, and guardian twins, 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, serving as Chairman for four years (June 2018 to June 2022) 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 39 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 fourth term as Past President. In May 2023 Tony was elected to the National Board (Director) of the FMB, and has been appointed to the Property Steering Group, and is adviser on the Standards Committee.

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 2019-2022.

## **Debbie Jex**

MNED



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. She supports the Lodge's members as a volunteer Welfare Visitor and since 2003 she has also run the Jubilee Social Lodge.

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.

# Directors' Report

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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.

## **Dr Karen Rose** MNED



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 member 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



Alex has been a member of the Society for more than 25 years, serving on North Gloucestershire District Lodge's Committee of Management for 12 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 six years, managing its 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.



# Directors' Report

## **Sheila Martland** MNED



Sheila joined the Society as a National Member in 1997 and became a member of the Rose of England Lodge in the Ormskirk and Southport District. She passed through the chairs of the Lodges and then the District, first serving as Provincial Grand Master in 2011. She has served on the District Committee of Management for over 24 years, and as a Trustee for the past three years. She took her Purple Degree in 2009.

Sheila served on the LADGC Executive from 2005, serving as President in 2009. She has been the LADGC Secretary since 2019.

Sheila was elected to the Board as an MNED in 2023.

Sheila worked as a Secondary School Teacher for eight years in North Yorkshire and then moved into Youth Work for a further 34 years undertaking a number of roles in the London Borough of Greenwich and Wigan, latterly as a Service Manager in Children's Services.

She has also served as both a Primary and Secondary School Governor. Since 2020 Sheila has been a Director of the Unity Credit Union Board.

Sheila is enjoying retirement, keeping busy with her Oddfellows' duties and looking after her many animals.

## **Keith Ashcroft, BA (Hons), ACA** Finance Director



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



Bill joined the Board in May 2007 as an External Non-Executive Director. He was appointed Chairman of the Board in 2018 for a 2 year term which came to an end in June 2020. He is the Chair of the Commercial Board, and he serves on the Governance Committee and the Remuneration Committee, having chaired the latter two Committees prior to the changes brought about to the Society's governance arrangements 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.

# Directors' Report

## David Webster

Chairman of the Board



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 UKs largest independent hospices, founded in 1973 and now responsible for the palliative care of around 3,000 patients each year.

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

## Peter Darragh, Solicitor, BA, MA, PGDL

External Non-Executive Director



Peter joined Oddfellows' Audit Risk and Compliance Committee in 2021, taking on the Chairperson role in 2023. 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 in senior roles 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.

## Mike Perry

External Non-Executive Director



Mike was appointed to the Commercial and Main Board as an External Non-Executive in May 2023. He is also the Society's Consumer Duty Champion.

He has a proven track record in Financial Services, business start-up and turn around with an extensive understanding of risk profiling, key strategic corporate decisions within a regulated environment. Mike's skills include Business Development, Marketing, Corporate Governance, Corporate Planning, Operations, Finance, Risk and Budgeting.

Currently Mike holds two further Non-Executive Director roles with the Welsh Hospital Association and the STM Life Group (Gibraltar). He also runs a financial consultancy firm Mutual Respect.

Mike was the CEO at specialist insurer PG Mutual from 2011 and a board member of the Association of Financial Mutuals until his retirement at the end of 2021. Outside of work, Mike enjoys a round of golf, motorsport, socialising and walking in the Lake District with his wife, Sue.

## John Midlane, FCII

External Non-Executive Director



John was appointed to the Audit, Risk and Compliance Committee as an External Non-Executive Director in November 2023. John has spent all of his working life in Life Insurance, at Provident Mutual, Eagle Star, National Mutual, and latterly at Metropolitan Police Friendly Society Ltd (Met friendly) where he worked for 27 years, designing and delivering training courses on technical subjects. At Met friendly he was Compliance Officer, Data Protection Officer (registered at the Information Commissioner's Office (ICO)), Internal Audit Liaison, specialised in policyholder taxation, and worked closely with the Risk Officer, until his retirement in 2023.

# Directors' Report

John attained Fellowship of the Chartered Insurance Institute (CII) in 1986 and was awarded Chartered Insurer status in 1989. John was an Examiner for the CII from 1987 to 1999 (FPC and AFPC), and represented the Association of Financial Mutuals (AFM) at a series of meetings during 2016 with the Treasury, HMRC and industry trade bodies in the development of the Lifetime ISA, resulting in the legislation and Guidance now in force.

John was involved in the Investment and Life Assurance Group (ILAG) serving on the Workplace Protection Health & Wellbeing Group, and the Protection Practitioner Group until his retirement, and remains involved in the AFM serving on the Regulatory Compliance and Governance Committee.

Outside of work, John and his wife Lorna are members of the Romney Hythe and Dymchurch Railway Supporters Association, and are keen caravanners.

## Directors

During the year to 31 December 2023, three Main Board meetings were held. As at 31 December there were 15 Directors; two Executive Directors, 9 Member Elected Non-Executive Directors (MNED), and five 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)

Barbara Needham >\*♦  
 John Mann >+\*♦  
 David Ogden \*●~  
 Tony Lockett >+\*●~  
 Debbie Jex \*  
 Karen Rose \*~  
 Alex Walker \*  
 Sheila Martland \* (Elected May 2023)  
 David Randall (Retired May 2023)

### Executive

Jane Nelson >+\*♦  
 Keith Ashcroft >+●  
 Steve Code (Retired March 2023)  
 Ben Pears >+\*● (Director 1 April-30 November 2023)

### External Non-Executive

David Webster >♦~ (Chairman of the Board)  
 Bill Connolly >+♦~  
 Peter Darragh ●  
 Mike Perry >+  
 John Midlane ●  
 Rob Edwards (Resigned May 2023)

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

# Directors' Report

## Board Attendance

Attendance at 2023 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 |
| Barbara Needham | 3             | 3                 | 8                | 5 □ +             | 6               | 6                 |                                      |                   | 4                    | 4                 |                        |                   |
| John Mann       | 3             | 2 *               | 8                | 3 * ~             | 6               | 6                 |                                      |                   | 4                    | 4                 |                        |                   |
| David Ogden     | 3             | 1 □               | 8                | 1 +               | 6               | 6                 | 4                                    | 2 *               | 4                    | 1 □               | 5                      | 5                 |
| Jane Nelson     | 3             | 3                 | 8                | 8                 | 6               | 6                 | 4                                    | 2 +               | 4                    | 4                 |                        |                   |
| Tony Luckett    | 3             | 3                 | 8                | 8                 | 6               | 6                 | 4                                    | 4                 |                      |                   | 5                      | 5                 |
| Debbie Jex      |               |                   |                  |                   | 6               | 6                 |                                      |                   | 4                    | 1 □               |                        |                   |
| Karen Rose      |               |                   | 8                | 1                 | 6               | 6                 | 4                                    | 2 □               |                      |                   | 5                      | 3 *               |
| Alex Walker     | 3             | 1                 |                  |                   | 6               | 6                 | 4                                    | 2 □               |                      |                   |                        |                   |
| Sheila Martland |               |                   |                  |                   | 6               | 3 *               |                                      |                   | 4                    | 1                 |                        |                   |
| Keith Ashcroft  | 3             | 3 *               | 8                | 8 *               | 6               | 1 ●               | 4                                    | 4 *               | 4                    | 1                 |                        |                   |
| David Webster   | 3             | 3                 |                  |                   |                 |                   |                                      |                   | 4                    | 4                 | 5                      | 4 #               |
| Bill Connolly   | 3             | 3                 | 8                | 8                 | 6               | 1 ●               |                                      |                   | 4                    | 3 ~               | 5                      | 5                 |
| Mike Perry      | 3             | 2 *               | 8                | 5 *               |                 |                   |                                      |                   | 4                    | 1                 |                        |                   |
| John Midlane    |               |                   |                  |                   |                 |                   | 4                                    | 1 *               |                      |                   |                        |                   |
| Peter Darragh   |               |                   |                  |                   |                 |                   | 4                                    | 4                 |                      |                   |                        |                   |
| David Randall   |               |                   |                  |                   | 6               | 3 □               | 4                                    | 2 □               |                      |                   |                        |                   |
| Steve Code      | 3             | 1 □               | 8                | 3 □               |                 |                   |                                      |                   |                      |                   |                        |                   |
| Rob Edwards     |               |                   | 8                | 4 □               |                 |                   |                                      |                   |                      |                   |                        |                   |
| Ben Pears       | 3             | 2 ≈               | 8                | 7 ≈               | 6               | 1 ≈ ●             | 4                                    | 1 ≈               |                      |                   |                        |                   |

~ Holiday    # Business    > Sickness    ≈ Resigned

\* Newly appointed Director to the Board and/or Committee

□ Retired from Board or Committee May 2023

+ 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 meetings held over Zoom were the February and March Remuneration Committee meetings.

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

# Directors' Report

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## 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 2023, 11 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 (SID) up to his retirement from the Board of Directors in May 2023, when David Ogden was then appointed to the role of SID. Both David Randall and David Ogden, respectively, were available to members for unresolved concerns during the year. No matters were raised during 2023.

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 addition, a skills and knowledge gap analysis was also completed by each Director during 2023, to identify and address any individual knowledge gaps.

In accordance with that Scheme, each Director and Skilled Person undertook a self-assessment before the end of 2023, a process which highlights areas of strengths and areas for development, which can be appropriately addressed. During 2023, 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.

# Directors' Report

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 2023 where the Directors met without the presence of the Chairman.

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

- Anti Bribery
- Anti Money Laundering & Counter Terrorism Financing
- Conduct Risk
- Consumer Duty
- 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 2023 were:

|  |                |                                   |
|--|----------------|-----------------------------------|
| <b>Audit, Risk and Compliance Committee:</b> | Peter Darragh  | (Chairman)                        |
|  | David Ogden    | (MNED)                            |
|  | Tony Lockett   | (MNED)                            |
|  | John Midlane   | (External Non-Executive Director) |
|  | Keith Ashcroft | (Finance Director)                |

## Composition of the ARCC

The members of the Audit, Risk and Compliance Committee (ARCC) as at 31 December 2023 are as stated above.

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.



# Directors' Report

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## Meetings

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

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

- CEO;
- Finance Director
- 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 2023. Representations from the Internal Auditors were made at each meeting and representatives of the External Auditor attended, as required, at two of those meetings.

## Responsibilities of the ARCC

The ARCC has responsibilities in the following areas:

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

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

In 2023, 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.

# Directors' Report

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

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

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

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

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

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

The Chairman of 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 2023, 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 46 and 47. 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 March 2022 following a thorough tender process.

Audit planning and year end 2023 audit work was performed on site and remotely. 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.

# Directors' Report

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 undertaken in March 2024 and no concerns or issues were identified.

## 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 March 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.

## 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 2023.

## 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 2023 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. |

# Directors' Report

| Code Provision   | Explanation  |
|--|--|
| 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 Valuers 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.

## **Internal Audit of Unity Office**

The Internal Audit service for Unity Office 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, the Society's LTB Strategy 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 2023, 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 proved 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 2023. 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 2023.

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 2023, 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 recognised that the new approach was a step change, however, takes assurance from the fact that the internal audit work undertaken during 2022 and 2023 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 internal systems of controls and risk management environment.

# Directors' Report

## 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 2023.

|                          |                |   |
|--------------------------|----------------|---|
| <b>Commercial Board:</b> | Bill Connolly  | (Chairman) (Ext Non-Executive Director) |
|                          | Jane Nelson    | (Chief Executive Officer)               |
|                          | Keith Ashcroft | (Finance Director)                      |
|                          | Tony Lockett   | (MNED)                                  |
|                          | John Mann      | (MNED)                                  |
|                          | Mike Perry     | (External Non-Executive Director)       |

The members of the Commercial Board as at 31 December 2023 are as stated above.

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

The Commercial Board consists of at least seven members including the Chairman of the Commercial Board, the Chief Executive Officer, the Insurance Director (no Insurance Director since November 2023), the Finance Director, two Member Elected NEDs 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;
  - 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 and LTB 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 the LTB Funds which is determined in consultation with the Society's Chief Actuary.

# Directors' Report

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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 and the principles of Consumer Duty;
- assess the fair outcomes for policyholders taking into account any relevant historical provisions detailed in any relevant instrument of transfer;
- assess any future new product developments and, if supported by the With Profits assets, the impacts on the surplus of the funds;
- assess the impact of any planned management actions;
- assess management information, including any policyholder complaints;
- assess the performance of the With Profits Actuary at least annually;
- assess and consider the appropriateness of the costs and expenses incurred in running the funds;
- consider how bonus rates, smoothing and, if relevant, market value reductions have been calculated and applied;
- consider the relative interests of policyholders with and without guarantees;
- consider With Profits customer communications, such as annual reports, bonus statements, product literature and reports to With Profits policyholders;
- identify surplus and excess surplus and the merits of distribution/retention;
- provide advice and guidance on any other issues that With Profits policyholders might reasonably expect the Advisory Arrangement to be involved in; and
- review and update the Society's LTB Run-Off Plan.

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

## **Regulatory Bodies**

The Commercial Board continues to keep a watching brief on the regulatory frameworks. This includes the Solvency II environment, Consumer Duty regulation, 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.



# Directors' Report

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|                         |                 |                           |
|-------------------------|-----------------|---------------------------|
| <b>Fraternal Board:</b> | Barbara Needham | (Chairman)                |
|                         | Jane Nelson     | (Chief Executive Officer) |
|                         | John Mann       | (MNED)                    |
|                         | David Ogden     | (MNED)                    |
|                         | Tony Lockett    | (MNED)                    |
|                         | Debbie Jex      | (MNED)                    |
|                         | Karen Rose      | (MNED)                    |
|                         | Alex Walker     | (MNED)                    |
|                         | Sheila Martland | (MNED)                    |

The members of the Fraternal Board as at 31 December 2023 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.

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;
  - HA 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.

# Directors' Report

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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. Branch Internal Audits are carried out on a rolling basis, with the aim being that 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.

In 2021, 33 Branch internal audit visits were completed and then in 2022 a further 47 Branches were visited, all of which were reported to the Fraternal Board. During 2023, 51 visits were completed and now 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 2023 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 2023 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. Where there are similar themes emerging, the Fraternal Board seek to ensure that the Branches are guided to appropriate training that may be required. A good example of this is the Committee of Management/Trustee and Chairmanship training that is available.

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.

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.

|                              |                 |  |
|------------------------------|-----------------|--|
| <b>Governance Committee:</b> | John Mann       | (Chairman)   |
|                              | Barbara Needham | (MNED)   |
|                              | Jane Nelson     | (Chief Executive Officer)                            |
|                              | David Webster   | (Chairman of the Board) (Ext Non-Executive Director) |
|                              | Bill Connolly   | (External Non-Executive Director)                    |
|                              | Vicky Morley    | (Company Secretary)                                  |

The members of the Governance Committee as at 31 December 2023 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 2023:

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

# Directors' Report

The Governance Committee undertook reviews and reported back on the following matters during 2023:

- 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;
- Continue to monitor PRA Rules on Board Diversity and Succession Planning;
- Review of Directors and Senior Managers Succession Planning including overseeing the succession arrangements for the role of Secretary of the Order;
- 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.

Three members attended the training that was held on 11 October 2023, and by the deadline of 30 November 2023, two new MNED nominations had been received.

**Remuneration Committee:**

|               |                              |
|---------------|------------------------------|
| David Ogden   | (Chairman)                   |
| Tony Lockett  | (MNED)                       |
| David Webster | (Ext Non-Executive Director) |
| Bill Connolly | (Ext Non-Executive Director) |
| Karen Rose    | (MNED)                       |

The members of the Remuneration Committee as at 31 December 2023 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 2023, 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 Directors who report to her, 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.

# Directors' Report

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 2023:

|  | Salary   | Pension | Cash Allowance in lieu of pension | Taxable Benefits | Total    |          |
|--|----------|---------|-----------------------------------|------------------|----------|----------|
|  |          |         |                                   |                  | 2023     | 2022     |
| <b>Chief Executive Officer/ Secretary of the Order</b> | £217,627 | -       | £44,995                           | £10,776          | £273,398 | £263,252 |
| <b>Insurance Director (1 January - 31 March)</b>       | £62,401  | -       | £9,469                            | £4,228           | £76,098  | £231,274 |
| <b>Insurance Director (1 April - 30 November)</b>      | £72,652  | £39,088 | -                                 | -                | £111,740 | -        |
| <b>Finance Director</b>                                | £109,215 | £10,833 | -                                 | -                | £120,048 | £8,883   |
| <b>Total</b>   | £461,895 | £49,921 | £54,464                           | £15,004          | £581,284 | £503,409 |

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.

## Pension entitlements

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

| Position  | Accrued pension 31.12.23 (per annum) | Transfer value of accrued pension at 31.12.22 | Transfer value of accrued pension at 31.12.23 | Pension input amount over 2022 less Director's contributions | Pension input amount over 2023 less Director's contributions |
|---|--------------------------------------|---|---|--|--|
| <b>Chief Executive Officer/Secretary of the Order</b> | £83,109                              | £1,354,487                                    | £1,434,510                                    | Nil  | Nil  |

## Notes

- Mrs C J Nelson ceased accruing benefits in the Scheme and became a deferred pensioner on 31 March 2016. Therefore from this date onwards the pension input amounts and contributions are zero.
- The accrued pension is the deferred pension amount which the Director 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 value at 31.12.23 does include such an allowance, following the judgement in the Lloyds case.

# Directors' Report

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- All accrued pensions and transfer values include the value of the Director's AVC benefits, where applicable.
- The Pension input amount represents the value of the increase in excess of inflation (where inflation is measured as the annual increase in the Consumer Prices Index to the September before the financial year end) of the accrued deferred pension over the period, less Director contributions. The increase in benefits has been calculated using HMRC methodology and then multiplied by a factor of 20 which is in line with our understanding of the Directors' Disclosure regulations.
- 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 2023 to May 2024 is as detailed below:

- A base fee of £6,000 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 £5,160 pa is to be paid to the Chairman of the Main Board.
- An additional fee of £1,260 pa is to be paid to the Chairmen of the Commercial and Fraternal Boards.
- An additional fee of £1,260 pa is to be paid to the Chairmen of the Audit, Risk & Compliance and the Governance Committees.
- An additional fee of £633 pa is to be paid to the Chairman of the Remuneration Committee, the Senior Independent Director and the Society's Conduct Risk Champion.
- An additional fee of £1,032 pa is paid to any Non-Executive Director who sits on both Sub-Boards.
- An additional fee of £1,260 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 was paid for two years from the Effective Date, and ceased after May 2023. The excess of such fee over and above the standard fees paid to other members of the Oddfellows Commercial Board and ARCC was 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 2023:

| Director                 | Total Remuneration |        |
|--------------------------|--------------------|--------|
|                          | 2023               | 2022   |
| David Webster (Chairman) | 10,635             | 9,442  |
| Barbara Needham          | 10,121             | 8,500  |
| John Mann                | 8,844              | 5,905  |
| David Ogden              | 7,341              | 7,019  |
| Tony Lockett             | 7,954              | 7,259  |
| Debbie Jex               | 6,306              | 2,975  |
| Karen Rose               | 5,625              | 2,975  |
| Alex Walker              | 5,765              | 2,975  |
| Sheila Martland          | 3,500              | -      |
| David Randall            | 2,370              | 5,281  |
| Bill Connolly            | 6,360              | 4,700  |
| David Grant              | 1,082              | 10,610 |
| Robert Edwards           | 5,678              | 11,053 |
| Peter Darragh            | 7,715              | 9,453  |
| Richard Gough            | -                  | 2,200  |
| Colin Nugent             | -                  | 5,175  |
| Mike Perry               | 3,500              | -      |
| John Midlane             | 1,000              | -      |

## Notes

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

## Statement of Solvency

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

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

## Conflicts of Interest

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

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



# Directors' Report

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## Charitable Donations

### HA Andrews

The Centre for Cancer Immunology at the University of Southampton received the second instalment of £33k funding through the HA Andrews Memorial Fund, of the £100k total across three years (2022-2024). This followed a presentation of progress at the Society's Annual Conference (AMC) by Nur Zainal, a PhD student at the University whose studies are being sponsored by the Fund. Her work is looking into a specific gene which it is believed can be manipulated to target cancer cells in a new vaccine. If successful, this could profoundly change outcomes for patients with cancer, particularly lung, breast, head and neck oesophageal and bladder cancers.

### Helping others

In addition, Branches continued to support local and national charities and, in 2023, donated £175k (2022: £185k).

## 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.

## 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 2023 Main Board meeting. The Board conducted this review with information available to it; a detailed 2024 budget, 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 2024, the Society's Own Risk and Solvency Assessment (ORSA) and the Society's Medium Term Capital Management Plan which have been prepared in accordance with the requirements of the Solvency II directive.

The ORSA report considers the Society's base and reasonably forecast stressed scenarios and the resultant solvency capital requirements. The future liquidity and cash flow requirements have been considered as well as actions that are available to management.

The Board has determined that the two year period to December 2025 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 2028;
- The strategy and associated principal risks underpinning the Society's viability assessment 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 appropriateness of 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.

## Solvency

The Society's solvency has been consistently strong during 2023 despite recent headwinds in the financial markets which have remained volatile as inflation and higher interest rates have dominated market sentiment. Geopolitical factors have also served to create uncertainty in the markets, impacting negatively on valuations of most asset classes creating a challenge to the Society and its Investment Managers. We have navigated and continue to

# Directors' Report

navigate these factors, maintaining our strong Solvency and being able to maintain our long term investment strategy. As such we have not been a forced seller of investments, particularly equity investments. We actively consider our Solvency Capital Requirements to ensure we take appropriate actions if required. The positions on the Society's SCR cover ratio, on a quarterly basis during the year were:

|                   |      |
|-------------------|------|
| 31 December 2022  | 365% |
| 31 March 2023     | 342% |
| 30 June 2023      | 345% |
| 30 September 2023 | 358% |
| 31 December 2023  | 360% |

During 2023 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, which occurred in October 2023, with the next series maturity due in 2025.

## 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 is the property portfolio which consists of both residential and commercial properties, worth £26m (2022: £26m), out of overall LTB assets of £351m (2022: £357m). The Society actively manages the diversification of the portfolio by allowing all LTB funds to take partial investment in the fund as per the fund's investment strategy and asset thresholds.

Given the other investments in each of the LTB Funds, and the investments of the LTB overall, the illiquidity of the property portfolio as an asset class does not create any material concern.

## Governance and operations

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 principal risks and uncertainties posed to us, including the uncertainties and have the appropriate governance and controls in place to ensure the Society is able to meet its customer and regulatory obligations. As a regulated business we are focused in meeting the FCA's Consumer Duty expectations and complying with the Consumer Duty requirements which come into effect on 31st July 2024. From our assessments to date we have not identified anything of a material nature that will have an effect on the Society's Solvency or reputation that will affect its ability to operate as a Going Concern.

Taking all these matters into account, the Board have a reasonable expectation that the Society will be able to continue in operation and meet its liabilities as they fall due and continue as a going concern and therefore continue to adopt the going concern basis in preparing the Financial Statements.

# Directors' Report

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## Statement of Directors' responsibilities

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

In preparing these Financial Statements the Directors are required to:

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

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

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

## 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 2023, 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**  
**4 April 2024**

# Independent Auditor's Report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE INDEPENDENT ORDER OF ODD FELLOWS MANCHESTER UNITY FRIENDLY SOCIETY LIMITED

### Opinion

We have audited the financial statements of The Independent Order of Odd Fellows Manchester Unity Friendly Society Limited (the 'Society') and its subsidiary (the 'Group') for the year ended 31 December 2023 which comprise the Group Consolidated and Society Balance Sheets, the Group Consolidated and Society Income and Expenditure accounts, the Group Consolidated and Society Statements of other Comprehensive Income and notes to the financial statements, including significant accounting policies, excluding the elements of the capital statement in Note 14 calculated in accordance with the Solvency II regime which are marked "unaudited". The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 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 2023 and of the Group's and 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.

### 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.

### 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;
- validating that calculations applied in the forecasts are mathematically accurate and in line with management's forecasting method;
- reviewing and challenging key inputs and assumptions applied by management for reasonableness and agreeing them to supporting evidence;
- reviewing the Society's significant correspondence with regulators up to the date of signing our audit report to understand any developments regarding the Society's regulated permissions and activities;
- reviewing the Society's current capital position and Own Risk and Solvency Assessment (ORSA) reports submitted during and post year-end and evaluating the appropriateness of the stress test scenarios performed by the directors;
- assessing the completeness of the key risks considered by the Group and Society, which include solvency risk, fraternal risk, long-term business risk, reputational risk, 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.

# Independent Auditor's Report

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

## Our application of materiality

We determined the overall materiality for the Group to be £895,000 (2022: £769,000) which is 3% (2022: 3%) of the Fund for future appropriations. We set the Society's overall materiality at £886,050 (2022: £761,310), which is 99% of group overall materiality, recognising the importance of the Society to the Group. The Fund for future appropriation is selected as the most appropriate benchmark as it serves as a key measure of the Group's and Society's financial strength, as viewed by the users of the financial statements.

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 60% (2022: 50%) of our overall materiality. This is due to the heightened risk of the engagement in respect of the high degree of estimation applied in calculating certain material balances. The performance materiality is £537,000 (2022: £384,500) for the Group and £531,630 (2022: £380,655) for the Society.

We agreed with the Audit, Risk and Compliance Committee (the 'ARCC') that we would report to them all uncorrected audit differences in excess of £44,750 (2022: £38,450) for the Group and £44,303 (2022: £38,065) for the Society, as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## 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 made by the directors and considered future events that are inherently uncertain. These areas included:

- Expense and lapse assumptions used in the valuation of technical provisions;
- Completeness and accuracy of policyholder data used within the valuation of technical provisions; and
- Valuation of investment property.

We performed a combination of analytical procedures and substantive tests of details, including obtaining direct confirmations from third parties and engaging auditor's experts where we considered necessary, to address the risks of material misstatement for financial statement line items.

## 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

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|---|---|
| <p><b>Key audit matter</b></p> <p><b>Future expense assumptions used in the valuation of technical provisions</b></p> | <p>Significant judgement is required in the setting of key assumptions that underpin the valuation of the technical provisions ('TPs') and the Society appoints an actuarial consultant to assist in the determination of the TPs.</p> <p>We identified a significant risk in relation to the future expense assumptions used in determining the valuation of TPs. In addition, there is judgement required in relation to the impact of potential transfers of future business into the Society on forward-looking expense assumptions.</p> <p>Given that the use of an inappropriate assumption, whether through fraud or error, could result in a material misstatement, the technical provisions are deemed to be a key audit matter.</p> <p><b><i>Refer to Note 1(a) Significant Accounting policies, Note 1(b) Critical accounting estimates, and Note 14 Long term business to the financial statements.</i></b></p> <p><b><i>Technical provisions for the year ended 31 December 2023 are £338,475k (2022: £346,412k).</i></b></p>  |
| <p><b>How our scope addressed this matter</b></p>   | <p>In respect of the expense assumptions used within the technical provisions, we:</p> <ul style="list-style-type: none"> <li>• gained an understanding of the relevant internal controls put in place by management to manage the risks associated with setting the expense assumptions;</li> <li>• challenged the split of expenses between fund and product groups to ensure that this is consistent with the policy expense assumptions;</li> <li>• 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;</li> <li>• 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</li> <li>• agreed the actual expense base used in the assumption setting process through to the audited current year information to assess consistency.</li> </ul> |
| <p><b>Key observations</b></p>  | <ul style="list-style-type: none"> <li>• We deemed that the expense reserves included within the TPs for the Group and Society are reasonable; and</li> <li>• We considered that the assumptions have been subject to appropriate governance and appropriately included within the year end actuarial models.</li> </ul>  |



# Independent Auditor's Report

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| <p><b>Key audit matter</b></p> <p><b>Lapse assumptions used in the valuation of technical provisions</b></p> | <p>We identified a significant risk in relation to the lapse assumptions used in the valuation of the TPs, in particular the Child Trust Fund book. There is judgement required in the lapse rate estimation with regards to economic and market conditions, in particular the impact on policyholders as a result of high inflation and the increase in interest rates.</p> <p>The use of an inappropriate assumption, whether through fraud or error, could result in a material misstatement and as such, the technical provisions are deemed to be a key audit matter.</p> <p><b><i>Refer to Note 1(a) Significant Accounting policies, Note 1(b) Critical accounting estimates, and Note 14 Long term business to the financial statements.</i></b></p>   |
| <p><b>How our scope addressed this matter</b></p>  | <p>In respect of the lapse assumptions used within the technical provisions, we:</p> <ul style="list-style-type: none"> <li>• gained an understanding of the relevant internal controls implemented by management to manage the risks associated with setting the lapse assumptions;</li> <li>• tested a sample of the data used in the experience analysis by agreeing to source system and policyholder documentation;</li> <li>• compared lapse experience during 2023 with prior periods to confirm our understanding of the reasons for any changes and how they have been factored into the assumptions set with the support of our actuarial experts; and</li> <li>• challenged the overall appropriateness of the lapse assumptions used within the modelling of TPs with the support of our actuarial experts.</li> </ul> |
| <p><b>Key observations</b></p>   | <ul style="list-style-type: none"> <li>• We determined that the lapse assumptions selected by management are reasonable based on the analysis of the experience to date, market practice and the financial and regulatory requirements relevant to the Group and Society; and</li> <li>• We considered that the economic and non-economic assumptions have been subject to appropriate governance and appropriately included within the year-end actuarial models.</li> </ul>  |

# Independent Auditor's Report

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| <p><b>Key audit matter</b></p> <p><b>Completeness and accuracy of policyholder data used within the valuation of technical provisions</b></p> | <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 identified 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.</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 accuracy of the calculation at the year-end. This key audit matter is also considered to be a fraud risk.</p> <p><b><i>Refer to Note 1(a) Significant Accounting policies, Note 1(b) Critical accounting estimates, and Note 14 Long term business to the financial statements.</i></b></p>   |
| <p><b>How our scope addressed this matter</b></p>   | <p>In respect of the completeness and accuracy of policyholder data used within the valuation of TPs, we:</p> <ul style="list-style-type: none"> <li>• gained an understanding and tested the relevant controls implemented to support the preparation, maintenance and integrity of the actuarial data extracts;</li> <li>• gained an understanding of the relevant controls implemented to support the completeness and accuracy of data input into the policyholder insurance systems;</li> <li>• gained an understanding of the relevant controls over data security including access privileges and change management on the policyholder administration systems with the support of IT specialists;</li> <li>• reconciled the number of policyholders included in the 2023 data extract to the 2022 audited data and tested a sample of the policyholder movements to supporting documentation to assess whether the data is complete and accurate;</li> <li>• 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 TP calculation; and</li> <li>• 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.</li> </ul> |
| <p><b>Key observations</b></p>  | <ul style="list-style-type: none"> <li>• We determined based on our audit work that the data which is input into the actuarial model is complete and accurate.</li> </ul>  |

# Independent Auditor's Report

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|--|--|
| <b>Key audit matter</b><br><br><b>Valuation of investment property</b> | <p>There is heightened uncertainty in the UK property market as a result of high inflation and increased interest rates which has curtailed the frequency of sales. Given the aforementioned, the valuation of investment property requires significant judgements to be made by management and as such, we deemed the valuation of investment property to be a key audit matter.</p> <p><b><i>Refer to Note 1(a) Significant Accounting policies, Note 1(b) Critical accounting estimates, and Note 5 Land Buildings to the financial statements. Investment properties for the year ended 31 December 2023 are £84,272k (2022: £83,113k).</i></b></p>  |
| <b>How our scope addressed this matter</b>                             | <p>In respect of the valuation of investment property, we:</p> <ul style="list-style-type: none"><li>• gained an understanding of the relevant internal controls implemented by management to manage the risks associated with the valuation of the investment property portfolio;</li><li>• assessed the competence, capabilities and objectivity of the third-party valuation specialists;</li><li>• reconciled the fair value of the investment properties through to the external valuation report provided at the year-end date; and</li><li>• for a sample of commercial properties, we engaged an external property valuation expert 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.</li></ul> |
| <b>Key observations</b>  | <ul style="list-style-type: none"><li>• Based on our procedures performed, we considered that the key inputs and assumptions and the methodologies used in the valuation of investment property to be reasonable.</li></ul>  |

## 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.

## 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.

# Independent Auditor's Report

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## 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's 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.

## Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities, 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.

## 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.

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 the Group and Society's controls.
- We determined the principal laws and regulations relevant to the Group and Society in this regard to be those arising from:
  - o Friendly Societies Act 1992;
  - o Friendly Societies (Accounts and Related Provisions) Regulations 1994;
  - o AFM Corporate Governance Code;
  - o Financial Conduct Authority (FCA) Handbook; and
  - o Prudential Regulation Authority (PRA) Rulebook.
- 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:
  - o discussing with management any potential instances of non-compliance;
  - o inspecting correspondence with the FCA and PRA;
  - o reviewing legal and professional fees to understand the nature of the costs and the existence of any non-compliance with laws and regulations; and
  - o reviewing the minutes of meetings of those charged with governance.

# Independent Auditor's Report

- 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 expenses and lapse assumptions used in the valuation of TPs, completeness and accuracy of policyholder data used within the valuation of TPs and the valuation of investment property. Refer to the key audit matters for further details 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 the Technical Provisions and investment property were reasonable. Refer to the key audit matters for further details.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 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 two years, covering the years ended 31 December 2022 and 31 December 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or 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 ARCC.

## 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**  
**3<sup>rd</sup> Floor, One Park Row, Leeds LS1 5HN**

**5 April 2024**

# Group Consolidated Balance Sheet

|  |             | As at               |                     |
|--|-------------|---------------------|---------------------|
|  |             | 31/12/2023<br>£'000 | 31/12/2022<br>£'000 |
| <b>ASSETS</b>                                  | <b>Note</b> |                     |                     |
| <b>Investments</b>                             |             |                     |                     |
| Land and buildings                             | 5           | 84,412              | 83,253              |
| Other financial investments                    |             |                     |                     |
| Shares and other variable yield securities     | 6           | 76,431              | 68,266              |
| Debt and other fixed income securities         | 7           | 120,071             | 121,633             |
| Loans secured by mortgage                      | 8           | 183                 | 221                 |
| Cash held for Investment                       |             | 3,154               | 1,617               |
| <b>Assets held to cover linked liabilities</b> | 9           | 227,855             | 228,679             |
| <b>Debtors due within one year</b>             |             |                     |                     |
| Other debtors                                  | 10          | 1,245               | 1,432               |
| <b>Other assets</b>                            |             |                     |                     |
| Tangible assets                                | 11          | 4,537               | 4,370               |
| Inventories                                    |             | 40                  | 33                  |
| Other cash at banks and in hand                |             | 7,934               | 19,248              |
| <b>Prepayments and accrued income</b>          |             |                     |                     |
| Accrued income                                 |             | 1,657               | 1,618               |
| Prepayments                                    |             | 357                 | 659                 |
| <b>Pension scheme asset</b>                    | 16          | 5,916               | 4,560               |
|  |             | <u>533,792</u>      | <u>535,589</u>      |



# Group Consolidated Balance Sheet

|   |             | As at               |                     |
|---|-------------|---------------------|---------------------|
|   |             | 31/12/2023<br>£'000 | 31/12/2022<br>£'000 |
| <b>LIABILITIES</b>  | <b>Note</b> |                     |                     |
| <b>Reserves</b>   |             |                     |                     |
| Reserves provided for, by the rules and other specific purposes | 12          | 2,534               | 2,490               |
| <b>Fund for future appropriations</b>                           | 13          | 29,965              | 27,950              |
| <b>Technical provisions</b>                                     |             |                     |                     |
| Long term business provision                                    | 14          | 120,441             | 128,756             |
| Claims outstanding  |             | 1,475               | 1,340               |
| <b>Technical provisions for linked liabilities</b>              | 14          |                     |                     |
| Insurance contracts   |             | 1,993               | 1,949               |
| Investment contracts  |             | 214,566             | 214,367             |
| <b>Liabilities to investing branches</b>                        |             | 139,615             | 133,942             |
| <b>Creditors and accruals due within one year</b>               | 15          | 2,948               | 4,709               |
| <b>Creditors, amounts falling due after more than one year</b>  | 15          | 19,000              | 19,000              |
| <b>Deferred income</b>  |             | 1,255               | 1,086               |
|   |             | <u>533,792</u>      | <u>535,589</u>      |

These Financial Statements of the Independent Order Fellows Manchester Unity Friendly Society Ltd. Registered number 223F were approved by the Board on 4 April 2024 and were signed on its behalf by:



**C J Nelson**  
Chief Executive Officer/Secretary of the Order

# Society Balance Sheet

|  |      | As at               |                     |
|--|------|---------------------|---------------------|
| ASSETS   | Note | 31/12/2023<br>£'000 | 31/12/2022<br>£'000 |
| <b>Investments</b>                             |      |                     |                     |
| Land and buildings                             | 5    | 84,412              | 83,253              |
| Other financial investments                    |      |                     |                     |
| Shares and other variable yield securities     | 6    | 76,431              | 68,266              |
| Debt and other fixed income securities         | 7    | 120,071             | 121,633             |
| Loans secured by mortgage                      | 8    | 183                 | 221                 |
| Cash held for investment                       |      | 3,154               | 1,617               |
| <b>Assets held to cover linked liabilities</b> | 9    | 227,855             | 228,679             |
| <b>Debtors due within one year</b>             |      |                     |                     |
| Other debtors                                  | 10   | 1,213               | 1,399               |
| <b>Other assets</b>                            |      |                     |                     |
| Tangible assets                                | 11   | 4,537               | 4,370               |
| Other cash at banks and in hand                |      | 7,930               | 19,239              |
| <b>Prepayments and accrued income</b>          |      |                     |                     |
| Accrued income                                 |      | 1,656               | 1,618               |
| Prepayments                                    |      | 356                 | 657                 |
| <b>Pension scheme asset</b>                    | 16   | 5,916               | 4,560               |
|  |      | <u>533,714</u>      | <u>535,512</u>      |

# Society Balance Sheet

|   |             | As at               |                     |
|---|-------------|---------------------|---------------------|
|   |             | 31/12/2023<br>£'000 | 31/12/2022<br>£'000 |
| <b>LIABILITIES</b>  | <b>Note</b> |                     |                     |
| <b>Reserves</b>   |             |                     |                     |
| Reserves provided for, by the rules and other specific purposes | 12          | 2,534               | 2,490               |
| <b>Fund for future appropriations</b>                           | 13          | 29,890              | 27,873              |
| <b>Technical provisions</b>                                     |             |                     |                     |
| Long term business provision                                    | 14          | 120,441             | 128,756             |
| Claims outstanding  |             | 1,475               | 1,340               |
| <b>Technical provisions for linked liabilities</b>              | 14          |                     |                     |
| Insurance contracts   |             | 1,993               | 1,949               |
| Investment contracts  |             | 214,566             | 214,367             |
| <b>Liabilities to investing branches</b>                        |             | 139,615             | 133,942             |
| <b>Creditors and accruals due within one year</b>               | 15          | 2,945               | 4,706               |
| <b>Creditors, amounts falling due after more than one year</b>  | 15          | 19,000              | 19,000              |
| <b>Deferred income</b>  |             | 1,255               | 1,089               |
|   |             | <u>533,714</u>      | <u>535,512</u>      |

These Financial Statements of the Independent Order Fellows Manchester Unity Friendly Society Ltd. Registered number 223F were approved by the Board on 4 April 2024 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         |                     |
|---|-------------|---------------------|---------------------|
|   |             | 31/12/2023<br>£'000 | 31/12/2022<br>£'000 |
| <b>TECHNICAL ACCOUNT: Long Term Business</b>                  | <b>Note</b> |                     |                     |
| Earned premiums, net of reinsurance                           |             | 1,504               | 1,570               |
| Annual management charges for investment contracts            |             | 3,112               | 3,421               |
| Investment Income   | <b>17</b>   | 10,179              | 6,373               |
| Unrealised gains/(losses) on investments                      |             | 14,638              | ( 24,971 )          |
| Total technical income  |             | 29,433              | ( 13,607 )          |
| Claims paid   |             | ( 3,868 )           | ( 3,641 )           |
| Change in Long-Term Business Provision                        |             |                     |                     |
| Decrease in non-linked investment contract liabilities        |             | 1,803               | 3,001               |
| (Increase)/Decrease in insurance contract liabilities         |             | ( 4,189 )           | 16,534              |
| Change in Long-Term Business Provision                        |             | ( 2,386 )           | 19,535              |
| Change in technical provision for linked liabilities          |             |                     |                     |
| (Increase)/Decrease in linked investment contract liabilities |             | ( 17,881 )          | 2,549               |
| (Increase)/Decrease in insurance contract liabilities         |             | ( 43 )              | 165                 |
| Net change in technical provisions for linked liabilities     |             | ( 17,924 )          | 2,714               |
| Operating expenses  |             | ( 3,703 )           | ( 3,683 )           |
| Investment expenses and charges                               |             | ( 286 )             | ( 360 )             |
| Tax   | <b>18</b>   | -                   | ( 43 )              |
| Transfer to Funds for Future Appropriations                   | <b>13</b>   | ( 1,266 )           | ( 915 )             |
| Balance on the Long Term Business Technical Account           |             | -                   | -                   |

# Group Consolidated Income and Expenditure Accounts

| NON TECHNICAL ACCOUNT  | Note | Years ended         |                     |
|--|------|---------------------|---------------------|
|  |      | 31/12/2023<br>£'000 | 31/12/2022<br>£'000 |
| Investment income  | 17   | 7,371               | 7,002               |
| (Losses)/gains on realisation of investments                                   |      | ( 1,156 )           | 1,691               |
| Unrealised gains/(losses) on investments                                       |      | 5,875               | ( 24,779 )          |
| Unrealised gains/(losses) on owner-occupied property                           |      | -                   | ( 485 )             |
| Other income   |      | 2,622               | 2,414               |
| Investment expenses and charges  |      | ( 318 )             | ( 332 )             |
| Finance charges  |      | ( 625 )             | ( 594 )             |
| Investment return to investing branches  | 19   | ( 10,481 )          | 16,427              |
| Operating expenses   |      | ( 3,610 )           | ( 3,433 )           |
| Non-contractual benefits   |      | ( 241 )             | ( 201 )             |
| Pension scheme benefits  | 16   | 321                 | ( 174 )             |
| Transfer to the reserves provided for by the rules and other specific purposes | 12   | ( 44 )              | ( 10 )              |
| Excess of expenditure over income  | 13   | ( 286 )             | ( 2,474 )           |

All the amounts above are in respect of continuing operations.

# Society Income and Expenditure Accounts

| NON TECHNICAL ACCOUNT  | Note | Years ended         |                     |
|--|------|---------------------|---------------------|
|  |      | 31/12/2023<br>£'000 | 31/12/2022<br>£'000 |
| Investment income  | 17   | 7,371               | 7,002               |
| (Losses)/gains on realisation of investments                                   |      | ( 1,156 )           | 1,691               |
| Movement in unrealised gains/(losses) on investments                           |      | 5,875               | ( 24,779 )          |
| Movement in unrealised (losses) on owner-occupied property                     |      | -                   | ( 485 )             |
| Other income   |      | 2,574               | 2,371               |
| Investment expenses and charges  |      | ( 318 )             | ( 332 )             |
| Finance charges  |      | ( 625 )             | ( 594 )             |
| Investment return to investing branches  | 19   | ( 10,481 )          | 16,427              |
| Net operating expenses   |      | ( 3,560 )           | ( 3,412 )           |
| Non-contractual benefits   |      | ( 241 )             | ( 201 )             |
| Pension scheme benefits  | 16   | 321                 | ( 174 )             |
| Transfer to the reserves provided for by the rules and other specific purposes | 12   | ( 44 )              | ( 10 )              |
| Excess of (expenditure over income)  | 13   | <u>( 284 )</u>      | <u>( 2,496 )</u>    |

All the amounts above are in respect of continuing operations.

**Note:** The inclusion of OSSSL 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 71.



# Statement of other Comprehensive Income

## Group Consolidated Statement of other Comprehensive Income

|   |    | Years ended         |                     |
|---|----|---------------------|---------------------|
|   |    | 31/12/2023<br>£'000 | 31/12/2022<br>£'000 |
| (Deficit) on Non Technical Account                    |    | ( 286 )             | ( 2,474 )           |
| Reserves provided for by the rules and other specific | 12 | 44                  | 10                  |
| Pension Scheme Actuarial gains                        | 16 | 1,035               | 5,194               |
| Total comprehensive gain for the year                 |    | <u>793</u>          | <u>2,730</u>        |

## Society Statement of other Comprehensive Income

|   |    | Years ended         |                     |
|---|----|---------------------|---------------------|
|   |    | 31/12/2023<br>£'000 | 31/12/2022<br>£'000 |
| (Deficit) on Non Technical Account                    |    | ( 284 )             | ( 2,496 )           |
| Reserves provided for by the rules and other specific | 12 | 44                  | 10                  |
| Pension Scheme Actuarial gains                        | 16 | 1,035               | 5,194               |
| Total comprehensive gain for the year                 |    | <u>795</u>          | <u>2,708</u>        |

# Notes to the Financial Statements

## 1a SIGNIFICANT 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 notes to the accounts show the Group and Society position separately, only where there is a difference between the Group and Society figures.

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 2023. 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 2023 the total sum of those debts and liabilities is £76,494 (2022: £78,164).

### 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 surplus or deficit of the Society, fund or other entity that issues the contract.

# Notes to the Financial Statements

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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/earned 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 contract 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 2023 are included in the Financial Statements whether or not they have been settled. All claims notified but not settled as at 31 December 2023 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 current value which is the equivalent of 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 stated at its revalued amount, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and impairment and is included under Tangible Assets on the Balance Sheet.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income and Expenditure account.

The decrease of an asset's carrying amount as a result of a revaluation shall be recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. If a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised as a charge in the Income and Expenditure account.

Properties are professionally revalued at least every three years, 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.

## 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 2023.

# Notes to the Financial Statements

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## 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 are valued as part of the Long Term Business annual investigation as at 31 December, pursuant to Solvency II rules, as adopted in the UK.

Copies of the Actuaries' reports on the appropriate assets and liabilities of all long term insurance funds of the Society may also be inspected at the Registered Office.

## Debtors

Debtors are stated at their net realisable value after allowing for bad and doubtful debts.

## Creditors

As under normal accruals accounting principles, creditors, loans, bank overdrafts and borrowings are recognised at the contractually agreed amounts.

## Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Society becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value.

## 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 2023, 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. 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.

## Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits, with an original maturity term of three months or less at the date of placement. Cash categorised as held for investment comprises cash held on deposit, with an original maturity term of greater than three months. 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 £2,549k (2022: £2,361k). Amounts due from Branches at 31 December 2023 in respect of goods and services was £97k (2022: £96k). Balances are settled within normal credit terms and there is no provision for doubtful debts related to these amounts. Investments held on behalf of Branches, are consolidated with Fraternal Unity funds and other non-linked investments on the Balance Sheet in 'Other financial investments'.

## Re-presentation of Group Consolidation Income and Expenditure Accounts - Technical Account

A presentation change has been made to the Technical Account, recognising the Annual management charges for investment contracts disclosed separately on the face of the Income and Expenditure Account, where previously they were reflected in the movement in Linked Investment Contract Liabilities. This better reflects the income generated by the Society of its investment contract business.

## 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.

### 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.



# Notes to the Financial Statements

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

Monetary assets and liabilities in foreign currencies are expressed in sterling at the exchange rates ruling at 31 December 2023. 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

|                                   | 2023<br>£'000 | 2022<br>£'000 |
|-----------------------------------|---------------|---------------|
| Gross contracted service salaries | 2,620         | 2,553         |
| Social security costs             | 271           | 284           |
| Pension costs                     | 331           | 347           |
|                                   | <u>3,222</u>  | <u>3,184</u>  |

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

|                                   | 2023      | 2022      |
|-----------------------------------|-----------|-----------|
| Directors                         | 12        | 13        |
| Clerical                          | 59        | 58        |
| Printing, production and dispatch | 4         | 4         |
|                                   | <u>75</u> | <u>75</u> |

# Notes to the Financial Statements

## 4 AGGREGATE AMOUNT OF DIRECTORS' EMOLUMENTS

|                                       | 2023<br>£'000 | 2022<br>£'000 |
|---------------------------------------|---------------|---------------|
| Gross salaries                        | 556           | 477           |
| Pension Contributions                 | 50            | -             |
| Cash in lieu of pension contributions | 54            | 101           |
| Benefits and allowances               | 15            | 21            |
|                                       | <u>675</u>    | <u>599</u>    |
|                                       | 2023<br>£'000 | 2022<br>£'000 |
| Highest paid Director                 | 273           | 263           |
| Directors emoluments:                 |               |               |
| Up to £15,000                         | 16            | 16            |
| £70,000 to £80,000                    | 1             | -             |
| £110,000 to £120,000                  | 1             | -             |
| £120,000 to £130,000                  | 1             | 1             |
| £260,000 to £270,000                  | -             | 1             |
| £270,000 to £280,000                  | 1             | -             |

## 5 LAND AND BUILDINGS

|                                 | Occupied<br>properties | Investment<br>properties | 2023<br>£'000 | 2022<br>£'000 |
|---------------------------------|------------------------|--------------------------|---------------|---------------|
|                                 | £'000                  | £'000                    | £'000         | £'000         |
| Valuation as at 1 January       | 140                    | 83,113                   | 83,253        | 86,146        |
| Additions at cost               | -                      | 7,535                    | 7,535         | 7,353         |
| Disposals                       | -                      | ( 3,352 )                | ( 3,352 )     | ( 4,460 )     |
| Realised gains                  | -                      | 450                      | 450           | 1,028         |
| Movement in unrealised (losses) | -                      | ( 3,474 )                | ( 3,474 )     | ( 6,814 )     |
| Valuation as at 31 December     | <u>140</u>             | <u>84,272</u>            | <u>84,412</u> | <u>83,253</u> |

Freehold and leasehold investment properties were valued at 31 December 2023 by CB Richard Ellis Limited, Chartered Surveyors of The Chancery, Spring Gardens, Manchester M2 1EW. The Directors have considered this valuation and consider it to remain appropriate.

Property owned by the Society for sponsorship activities was last valued at 31 December 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 2023 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 2023 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

|                                       | <b>Listed Equities</b> |               |
|---------------------------------------|------------------------|---------------|
|                                       | <b>2023</b>            | <b>2022</b>   |
|                                       | <b>£'000</b>           | <b>£'000</b>  |
| Valuation as at 1 January             | 68,266                 | 78,463        |
| Additions at cost                     | 13,573                 | 14,052        |
| Disposals                             | ( 11,535 )             | ( 15,268 )    |
| Realised (losses)/gains               | ( 109 )                | 1,629         |
| Movement in unrealised gains/(losses) | 6,236                  | ( 10,610 )    |
| Valuation as at 31 December           | <u>76,431</u>          | <u>68,266</u> |

Listed equities, (quoted on the London Stock Exchange) were valued at 31 December 2023 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 LLP of 14 Cornhill, London EC3V 3NR.

## 7 DEBT AND OTHER FIXED INCOME SECURITIES

|                                       | <b>United Kingdom</b> | <b>Non-Government</b> | <b>2023</b>    | <b>2022</b>    |
|---------------------------------------|-----------------------|-----------------------|----------------|----------------|
|                                       | <b>Government</b>     | <b>Bonds</b>          | <b>£'000</b>   | <b>£'000</b>   |
|                                       | <b>Bonds</b>          | <b>£'000</b>          | <b>£'000</b>   | <b>£'000</b>   |
| Valuation as at 1 January             | 46,434                | 75,199                | 121,633        | 150,738        |
| Additions at cost                     | 7,559                 | 14,814                | 22,373         | 36,004         |
| Disposals                             | ( 9,767 )             | ( 19,117 )            | ( 28,884 )     | ( 32,526 )     |
| Realised (losses)                     | ( 1,093 )             | ( 3,052 )             | ( 4,145 )      | ( 2,374 )      |
| Movement in unrealised gains/(losses) | 1,628                 | 7,466                 | 9,094          | ( 30,209 )     |
| Valuation as at 31 December           | <u>44,761</u>         | <u>75,310</u>         | <u>120,071</u> | <u>121,633</u> |

Listed bonds were valued as at 31 December 2023 by Investec Wealth & Investment Limited of 30 Gresham Street, London, EC2V 7QN and LGT LLP of 14 Cornhill, London EC3V 3NR.

## 8 LOANS SECURED BY MORTGAGE

|                               | <b>2023</b>  | <b>2022</b>  |
|-------------------------------|--------------|--------------|
|                               | <b>£'000</b> | <b>£'000</b> |
| Outstanding as at 1 January   | 221          | 214          |
| Advances                      | -            | 20           |
| Repayments                    | ( 43 )       | ( 15 )       |
| Interest earned               | 5            | 2            |
| Outstanding as at 31 December | <u>183</u>   | <u>221</u>   |

# Notes to the Financial Statements

## 9 ASSETS HELD TO COVER LINKED LIABILITIES

|                                  | Cash at Bank<br>£'000 | Unit Trusts<br>£'000 | Total<br>£'000 |
|----------------------------------|-----------------------|----------------------|----------------|
| Non Profit Fund                  | 413                   | 6,476                | 6,889          |
| Ex-Nottingham Fund               | -                     | 48,470               | 48,470         |
| Schoolteacher's Fund             | -                     | 71,541               | 71,541         |
| Druids Fund                      | -                     | 27,741               | 27,741         |
| Kingston Unity Fund              | -                     | 63,813               | 63,813         |
| Equity Fund                      | -                     | 1,207                | 1,207          |
| Corporate Bond Fund              | -                     | 208                  | 208            |
| Money Fund                       | 258                   | -                    | 258            |
| UK Index Fund                    | -                     | 7,728                | 7,728          |
| Valuation as at 31 December 2023 | 671                   | 227,184              | 227,855        |
| Valuation as at 31 December 2022 | 655                   | 228,024              | 228,679        |

Linked business investments were valued as at 31 December 2023 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 £11,296k (2022: £12,363k).

## 10 DEBTORS

|                     | Group         |               | Society       |               |
|---------------------|---------------|---------------|---------------|---------------|
|                     | 2023<br>£'000 | 2022<br>£'000 | 2023<br>£'000 | 2022<br>£'000 |
| Trade debtors       | 1,012         | 1,076         | 980           | 1,043         |
| Tax to be recovered | 233           | 356           | 233           | 356           |
|                     | 1,245         | 1,432         | 1,213         | 1,399         |

## 11 TANGIBLE ASSETS

### Group Tangible Assets

|                  | Office & Computer Equipment<br>£'000 | Owner-Occupied Premises<br>£'000 | Motor Vehicles<br>£'000 | Total<br>£'000 |
|------------------|--------------------------------------|----------------------------------|-------------------------|----------------|
| 1 January 2023   | 2,484                                | 4,046                            | 62                      | 6,592          |
| Additions        | 154                                  | 170                              | -                       | 324            |
| Disposals        | -                                    | -                                | ( 38 )                  | ( 38 )         |
| 31 December 2023 | 2,638                                | 4,216                            | 24                      | 6,878          |
| Depreciation:    |                                      |                                  |                         |                |
| 1 January 2023   | 2,126                                | 41                               | 55                      | 2,222          |
| Charge           | 153                                  | -                                | -                       | 153            |
| Disposals        | -                                    | -                                | ( 34 )                  | ( 34 )         |
| 31 December 2023 | 2,279                                | 41                               | 21                      | 2,341          |
| Net Book Value:  |                                      |                                  |                         |                |
| 31 December 2023 | 359                                  | 4,175                            | 3                       | 4,537          |
| 31 December 2022 | 358                                  | 4,005                            | 7                       | 4,370          |

# Notes to the Financial Statements

## Society Tangible Assets

|                  | Office &<br>Computer<br>Equipment<br>£'000 | Owner-<br>Occupied<br>Premises<br>£'000 | Motor<br>Vehicles<br>£'000 | Total<br>£'000 |
|------------------|--|---|----------------------------|----------------|
| 1 January 2023   | 2,484                                      | 4,046                                   | 62                         | 6,592          |
| Additions        | 154  | 170                                     | -                          | 324            |
| Disposals        | -  | -                                       | ( 38 )                     | ( 38 )         |
| 31 December 2023 | 2,638                                      | 4,216                                   | 24                         | 6,878          |
| Depreciation:    | 2,126                                      | 41                                      | 55                         | 2,222          |
| 1 January 2023   | 153  | -                                       | -                          | 153            |
| Charge           | -  | -                                       | ( 34 )                     | ( 34 )         |
| 31 December 2023 | 2,279                                      | 41                                      | 21                         | 2,341          |
| Net Book Value:  |  |   |                            |                |
| 31 December 2023 | 359  | 4,175                                   | 3                          | 4,537          |
| 31 December 2022 | 358  | 4,005                                   | 7                          | 4,370          |

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:               | 2023<br>£'000 | 2022<br>£'000 |
|-------------------------------------|---------------|---------------|
| Balance at 1 January                | 2,490         | 2,480         |
| Transfer from Non Technical Account | 44            | 10            |
| Balance at 31 December              | 2,534         | 2,490         |

# 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 2023.

| Movement in the year:                              | 2023<br>£'000 | 2022<br>£'000 |
|--|---------------|---------------|
| Balance at 1 January                               | 27,950        | 24,315        |
| Transfer from Long Term Business Technical Account | 1,266         | 915           |
| (Deficit) on Non Technical Account                 | ( 286 )       | ( 2,474 )     |
| Net Pension Scheme Actuarial gain                  | 1,035         | 5,194         |
| Balance as at 31 December                          | <u>29,965</u> | <u>27,950</u> |

### Society Fund For Future Appropriations

| Movement in year:                                  | 2023<br>£'000 | 2022<br>£'000 |
|--|---------------|---------------|
| Balance at 1 January                               | 27,873        | 24,260        |
| Transfer from Long Term Business Technical Account | 1,266         | 915           |
| (Deficit) on Non Technical Account                 | ( 284 )       | ( 2,496 )     |
| Net Pension Scheme actuarial gain                  | 1,035         | 5,194         |
| Balance at 31 December                             | <u>29,890</u> | <u>27,873</u> |

## 14 LONG TERM BUSINESS

### (a) Capital Statement

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.

|                  | <b>Total life insurance<br/>£'000</b> | <b>Other activities<br/>£'000</b> | <b>Total<br/>£'000</b> |
|------------------|---------------------------------------|-----------------------------------|------------------------|
| 31 December 2023 | 8,357                                 | 21,533                            | 29,890                 |
| 31 December 2022 | 7,091                                 | 20,782                            | 27,873                 |

## Movement in capital resources

|  | <b>Total Life insurance<br/>2023<br/>£'000</b> | <b>Total Life insurance<br/>2022<br/>£'000</b> |
|--|--|--|
| <b>Total available capital resources at 1 January</b>                  | 7,091  | 6,176  |
| <i>Change in assets</i>  |  |  |
| Net premiums, claims, expenses and other items                         | ( 31,624 )                                     | ( 15,883 )                                     |
| Investment income  | 10,179   | 6,373  |
| Realised and unrealised losses on investments                          | 14,638   | ( 24,971 )                                     |
| <b>Total change in assets</b>  | <b>( 6,807 )</b>                               | <b>( 34,481 )</b>                              |
| <i>Change in liabilities</i>   |  |  |
| Change in provision for linked liabilities                             | 243  | ( 20,619 )                                     |
| Change in long term business provision                                 | ( 8,315 )                                      | ( 14,778 )                                     |
| <b>Total change in liabilities</b>                                     | <b>( 8,072 )</b>                               | <b>( 35,397 )</b>                              |
| <b>Total available capital resources at 31 December (unrestricted)</b> | 8,357  | 7,091  |
| Ring Fenced Restriction (Capital in KU only available to the KU Fund)  | (1,014 )                                       | ( 1,130 )                                      |
| <b>Total available capital resources 31 December (restricted)</b>      | <b>7,343</b>                                   | <b>5,961</b>                                   |

## Analysis of liabilities at 31 December 2023

|   | <b>Total Life insurance<br/>£'000</b> |
|---|---------------------------------------|
| With-profit liabilities                               | 79,584                                |
| Non-profit insurance business                         | 17,781                                |
| Non-profit investment contracts                       | 23,076                                |
| Unit-linked   | 216,559                               |
| <b>Total provisions included in the Balance Sheet</b> | <b>337,000</b>                        |

## Analysis of liabilities at 31 December 2022

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

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 (unaudited)

In line with Solvency II requirements as adopted in the UK, the Society calculates its Solvency Capital Requirement (SCR) using the Standard Formula. All disclosures in respect of the SCR are unaudited.

As at 31 December 2023 the Society's SCR and corresponding eligible own funds were as follows:

|                      | 2023    |
|----------------------|---------|
| Eligible Own Funds   | £352.2m |
| SCR                  | £97.9m  |
| Coverage (unrounded) | 360%    |

Eligible own funds comprises reserves, inclusion of branch assets less liabilities to investing branches and other liability and matching adjustments.

## 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 2023 were as follows:

### Class of Business

Annuities  
UL CTF (DFS, NFS, SFS) and  
UL JISA / ISA (UIEF)  
Limited Claims  
All other policies  
KU Non-CTF (under 17)  
KU Non-CTF (17 and over)  
KU CTF (under 17)  
KU CTF (17 and over)

### Mortality tables

70% IML IFL922 - 3 years  
  
10% AM/FC00  
60% AM/FC00  
60% AM/FC00  
100% ELT 16  
84% AM/FC00  
41% ELT 16  
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)

|   | 2023<br>£'000  | 2022<br>£'000  |
|---|----------------|----------------|
| Balance at 1 January                              |                |                |
| Long Term Business provision                      | 128,756        | 149,375        |
| Provisions for linked liabilities                 | 216,316        | 231,094        |
| Premiums Received from policyholders              | 1,504          | 1,570          |
| Contributions for investment contracts            | 9,241          | 9,326          |
| Total payments to policyholders                   | ( 3,868 )      | ( 3,641 )      |
| Withdrawals from investment contracts             | ( 33,473 )     | ( 19,000 )     |
| Annual management charge for investment contracts | 3,112          | 3,422          |
| Other policy and investment movements             | 15,412         | ( 27,074 )     |
|   | <u>337,000</u> | <u>345,072</u> |
| Balance at 31 December                            |                |                |
| Long Term Business provision                      | 120,441        | 128,756        |
| Provisions for linked liabilities                 | 216,559        | 216,316        |
|   | <u>337,000</u> | <u>345,072</u> |

Within the changes in technical provisions is a £1.7m decrease (2022: £1m 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 2023 were £351m (2022: £357m).

## 15 CREDITORS AND ACCRUALS

|  | Group         |               | Society       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2023<br>£'000 | 2022<br>£'000 | 2023<br>£'000 | 2022<br>£'000 |
| Amounts falling due within one year          |               |               |               |               |
| Trade creditors                              | 156           | 248           | 155           | 246           |
| Other creditors and accruals                 | 2,786         | 4,368         | 2,784         | 4,367         |
| Tax creditor                                 | 6             | 93            | 6             | 93            |
|  | <u>2,948</u>  | <u>4,709</u>  | <u>2,945</u>  | <u>4,706</u>  |
| Amounts falling due after more than one year |               |               |               |               |
| Loan facilities                              | <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 2023 were £0.484m (2022: £0.493m). 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 surplus of £4.560m to a surplus of £5.916m over the accounting period. This was largely due to higher than expected asset returns over the year. The actuarial gain of £0.031m comprise of a gain of £0.608m due to changes in the Scheme's cash communication factors, a loss of £0.345m due to changes in economic assumptions and a loss of

# Notes to the Financial Statements

£0.232m as a result of allowing for known inflation over the period. The assumptions loss is largely as a result of the decrease in discount rate over the year, however this was partly offset by a decrease in future inflation expectations.

## Calculation methodology

As in previous years, the results are based on a roll-forward of the projected benefit cashflows from the most recent triennial valuation. By using a cashflow-based approach, we ensure financial basis changes are allowed for accurately.

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 (allowing for a slight lag in available inflation information). 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 2023 which is consistent with the loading adopted as at 31 December 2022. 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 2023.

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 2023 and have been based on the participant information used in the valuation as at 31 March 2021.

| Census Date                                       | 31/03/2021 |
|---|------------|
| <b>Active Participants</b>                        |            |
| Number  | 59         |
| Average Annual Pensionable Salary                 | £26,900    |
| Average Age                                       | 54         |
| <b>Participants with Deferred Benefits</b>        | 32         |
| Number  | £4,800     |
| Average Annual Deferred Benefits at census date   |            |
| <b>Participants Receiving Benefits</b>            |            |
| 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             | 22.6  | 25.4    |
| 65 in 15 years | 23.7  | 26.7    |

## Income & Expenditure

|   | 2023<br>£'000 | 2022<br>£'000 |
|---|---------------|---------------|
| Current service cost                                    | 212           | 485           |
| Net interest cost on net defined benefit liability      | ( 232 )       | 2             |
| Defined benefit cost recognised in Income & Expenditure | ( 20 )        | 487           |
| Administration costs incurred during the period         | 183           | 180           |
| Employer contribution                                   | ( 484 )       | ( 493 )       |
| Cost recognised in Income & Expenditure                 | ( 321 )       | 174           |

## Other Comprehensive Income (OCI)

|   |                |                  |
|---|----------------|------------------|
| Actuarial (gain)/loss arising during period             | ( 31 )         | ( 9,415 )        |
| Return on plan assets (greater)/less than discount rate | ( 1,004 )      | 4,221            |
| Remeasurement effects recognised in OCI                 | ( 1,035 )      | ( 5,194 )        |
| <b>Total Defined Benefit Cost</b>                       | <b>163</b>     | <b>667</b>       |
| Cost recognised in Income & Expenditure                 |                |                  |
| Remeasurement effects recognised in OCI                 | ( 1,035 )      | ( 5,194 )        |
| <b>Total defined benefit cost</b>                       | <b>( 872 )</b> | <b>( 4,527 )</b> |

## Assumptions Used to Determine Defined Benefit Cost

|  | 2023  | 2022  |
|--|-------|-------|
| 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) | 3.55% | 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% |

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

## Development of Net Balance

### Sheet Position

|  | 2023<br>£'000 | 2022<br>£'000 |
|--|---------------|---------------|
| Defined benefit obligation (DBO)         | ( 18,641 )    | ( 18,395 )    |
| Fair value of assets (FVA)               | 24,557        | 22,955        |
| <b>Defined benefit surplus/(deficit)</b> | <b>5,916</b>  | <b>4,560</b>  |



# Notes to the Financial Statements

## Reconciliation to the Balance Sheet

|  | 2023<br>£'000 | 2022<br>£'000 |
|--|---------------|---------------|
| Net defined benefit liability at end of prior period           | 4,560         | ( 460 )       |
| Current service cost   | ( 212 )       | ( 485 )       |
| Net interest on net defined benefit liability                  | 232           | ( 2 )         |
| Remeasurement effects recognised in OCI                        | 1,035         | 5,194         |
| Employer contributions   | 484           | 493           |
| Administration costs incurred during the period                | ( 183 )       | ( 180 )       |
| Net defined benefit asset/(liability) at end of current period | 5,916         | 4,560         |

## Assumptions and Dates Used for Measurements

|                           | 2023  | 2022  |
|---------------------------|-------|-------|
| Discount rate             | 4.50% | 4.75% |
| Price inflation (RPI)     | 3.35% | 3.55% |
| Price Inflation (CPI)     | 2.65% | 2.80% |
| Expected return on assets | 4.50% | 4.75% |
| Rate of salary increase   | 4.35% | 4.55% |

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) | 3.20% | 3.35% |
| • pension increases for post 2006 benefits (RPI capped at 2.5% pa) | 2.15% | 2.20% |
| Pension increases for deferred benefits                            | 2.65% | 2.80% |

## Change in Defined Benefit Obligation (DBO)

|                                   |         |           |
|-----------------------------------|---------|-----------|
| DBO at end of prior period        | 18,395  | 27,433    |
| Current service cost              | 212     | 485       |
| Interest cost on the DBO          | 851     | 500       |
| Remeasurement of the DBO          | ( 31 )  | ( 9,415 ) |
| Scheme participants contributions | 153     | 157       |
| Benefits paid from Scheme assets  | ( 939 ) | ( 765 )   |
| DBO at end of current period      | 18,641  | 18,395    |

## Change in Scheme Assets

|   | 2023<br>£'000 | 2022<br>£'000 |
|---|---------------|---------------|
| Fair value of assets at end of prior period             | 22,955        | 26,973        |
| Interest income on Scheme assets                        | 1,083         | 498           |
| Return on plan assets (less)/greater than discount rate | 1,004         | ( 4,221 )     |
| Employer contributions                                  | 484           | 493           |
| Scheme participants' contributions                      | 153           | 157           |
| Benefits paid   | ( 939 )       | ( 765 )       |
| Administrative costs paid                               | ( 183 )       | ( 180 )       |
| Fair value of assets at end of current period           | 24,557        | 22,955        |

## Scheme Asset Information

|                                      | Target<br>Allocation<br>Range | Allocation<br>Percentage<br>31/12/23 | Allocation<br>Percentage<br>31/12/22 |
|--------------------------------------|-------------------------------|--------------------------------------|--------------------------------------|
| Equity securities*                   | 35.00%                        | 37.12%                               | 51.88%                               |
| Debt securities                      | 65.00%                        | 62.76%                               | 47.00%                               |
| Real estate/property                 | 0.00%                         | 0.00%                                | 0.0%                                 |
| Cash                                 | 0.00%                         | 0.12%                                | 0.44%                                |
| Other                                | 0.00%                         | 0.00%                                | 0.68%                                |
| Total                                | 100.00%                       | 100.00%                              | 100.0%                               |
| Fair value of Society assets (£'000) |                               | £24,557                              | £22,955                              |

\*Includes Diversified Collective Investments and absolute return funds.

# Notes to the Financial Statements

## 17 INVESTMENT INCOME

|  | 2023<br>£'000 | 2022<br>£'000 |
|--|---------------|---------------|
| Technical account: Long Term Business:     |               |               |
| Investment Property                        | 1,839         | 1,526         |
| Shares and other variable yield securities | 8,077         | 3,830         |
| Debt and other fixed income securities     | 2,737         | 2,559         |
| Bank and building society interest         | 38            | 9             |
| (Losses) on Realisation of Investments     | ( 2,512 )     | ( 1,551 )     |
|  | <u>10,179</u> | <u>6,373</u>  |

Non Technical Account:

|  |              |              |
|--|--------------|--------------|
| Land & Buildings Income                    | 4,091        | 4,047        |
| Less: Land & Buildings Expenditure         | ( 340 )      | ( 426 )      |
| Shares and other variable yield securities | 1,847        | 2,026        |
| Debt and other fixed income securities     | 1,299        | 1,260        |
| Branch loan interest                       | 474          | 95           |
|  | <u>7,371</u> | <u>7,002</u> |

## 18 TAXATION

| (a) Analysis of the tax charge for the year is | 2023<br>£'000 | 2022<br>£'000 |
|--|---------------|---------------|
| <b>Corporation tax</b>                         | -             | -             |
| Current year policyholder tax (credit)         | -             | 17            |
| Prior year policyholder charge/(credit)        |               |               |
| <b>Deferred tax</b>                            |               |               |
| Timing differences, origination and reversal   | -             | 11            |
| Prior year charge                              | -             | 15            |
| <b>Total tax charge/(credit)</b>               | -             | 43            |

The tax charge for the group is £nil (2022: credit of £43k).

The applicable UK corporation tax rate is 23.5% for the subsidiary (2022: 19%), due to the increase of the UK corporation tax rate from 19% to 25% which was effective from 1 April 2023. An average rate for the period of 23.5% is applicable to the subsidiary.

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% (2022: 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 2023, the group did not hold any provisions for uncertain tax positions.

# Notes to the Financial Statements

| (b) Reconciliation of total tax (credit)/charge                | <b>Society<br/>2023<br/>£'000</b> | <b>Society<br/>2022<br/>£'000</b> |
|--|-----------------------------------|-----------------------------------|
| <b>(Deficit)/surplus of income over expenditure before tax</b> | ( 284 )                           | ( 2,496 )                         |
| <b>Tax on result</b>   | ( 67 )                            | ( 474 )                           |
| Factors affecting tax charge:                                  |                                   |                                   |
| Accounting profit not subject to policyholder tax              | 67                                | 474                               |
| Items taxed on a different basis                               | -                                 | 43                                |
| <b>Total tax charge/(credit) for the year</b>                  | -                                 | 43                                |

| (c) Analysis of deferred tax asset/(provision) | <b>Society<br/>2023<br/>£'000</b> | <b>Society<br/>2022<br/>£'000</b> |
|--|-----------------------------------|-----------------------------------|
| Fixed Asset Timing differences                 | ( 2 )                             | ( 2 )                             |
| Deferred tax provision on unrealised gains     | ( 19 )                            | ( 1 )                             |
| Deferred tax asset on acquisition expenses     | 16                                | 27                                |
| Losses recognised                              | 212                               | 183                               |
| <b>Total recognised deferred tax asset</b>     | 207                               | 207                               |
| <b>Unrecognised deferred tax assets</b>        | 1,017                             | 1,168                             |
| <b>Total tax charge for the year</b>           | 1,224                             | 1,375                             |

| (d) Movement in recognised deferred tax asset/(provision)              | <b>Society<br/>2023<br/>£'000</b> | <b>Society<br/>2022<br/>£'000</b> |
|--|-----------------------------------|-----------------------------------|
| <b>Provision at start of the period</b>                                | 207                               | 233                               |
| Deferred tax (charge)/credit to Technical Account – Long-term business | -                                 | ( 26 )                            |
| Deferred tax charge to Non Technical Account                           | -                                 | -                                 |
| <b>Provision at end of the period</b>                                  | 207                               | 207                               |

Taxation services are provided by PwC LLP and their remuneration for services in 2023 was £37k excluding VAT (2022: £37k).

## 19 INVESTMENT RETURN TO INVESTING BRANCHES

|  | <b>2023<br/>£'000</b> | <b>2022<br/>£'000</b> |
|--|-----------------------|-----------------------|
| Investment income                                    | ( 5,639 )             | ( 5,396 )             |
| Losses/(gains) on realisation of investments         | 1,489                 | ( 1,145 )             |
| Movement in unrealised (gains)/losses on investments | ( 6,331 )             | 22,968                |
|  | <u>( 10,481 )</u>     | <u>16,427</u>         |

## 20 LONG TERM BUSINESS - CHANGE IN OTHER TECHNICAL PROVISIONS

|   | <b>2023<br/>£'000</b> | <b>2022<br/>£'000</b> |
|---|-----------------------|-----------------------|
| Continuing Long Term Business (Note 14) | <u>( 8,072 )</u>      | <u>( 35,397 )</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:

|                                     | 2023<br>£'000 | 2022<br>£'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 £108k (2022: £90k).

## 22 AUDITOR'S REMUNERATION

|                                      | 2023<br>£'000 | 2022<br>£'000 |
|--------------------------------------|---------------|---------------|
| Audit related assurance services     | 240           | 218           |
| Total (exclusive of Value Added Tax) | <u>240</u>    | <u>218</u>    |

## 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 2023 and 31 December 2023, 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 £415,349 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 2023 totalled £20k (2022: £21k).

# 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 2023 (2022: £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 2022 and 2023. The majority of the Society's instruments are valued based on quoted market information or

| Fair value measurement at 31 December 2023                 |                |                |               |                |
|--|----------------|----------------|---------------|----------------|
|  | Level 1        | Level 2        | Level 3       | Total          |
|  | £'000          | £'000          | £'000         | £'000          |
| <b>Financial Assets</b>                                    |                |                |               |                |
| Shares and other variable yield securities                 | 76,431         | -              | -             | 76,431         |
| Debt and other fixed income securities                     | 120,071        | -              | -             | 120,071        |
| Assets held to cover linked liabilities                    | 227,855        | -              | -             | 227,855        |
| Investment properties                                      | -              | -              | 84,412        | 84,412         |
| <b>Total</b>   | <b>424,357</b> | <b>-</b>       | <b>84,412</b> | <b>508,769</b> |
| <b>Financial liability</b>                                 |                |                |               |                |
| Investment contracts at fair value through profit and loss | -              | 237,642        | -             | 237,642        |
| <b>Total</b>   | <b>-</b>       | <b>237,642</b> | <b>-</b>      | <b>237,642</b> |

| Fair value measurement at 31 December 2022                 |                |                |               |                |
|--|----------------|----------------|---------------|----------------|
|  | Level 1        | Level 2        | Level 3       | Total          |
|  | £'000          | £'000          | £'000         | £'000          |
| <b>Financial Assets</b>                                    |                |                |               |                |
| 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         |
| <b>Total</b>   | <b>418,578</b> | <b>-</b>       | <b>83,253</b> | <b>501,831</b> |
| <b>Financial liability</b>                                 |                |                |               |                |
| Investment contracts at fair value through profit and loss | -              | 239,177        | -             | 239,177        |
| <b>Total</b>   | <b>-</b>       | <b>239,177</b> | <b>-</b>      | <b>239,177</b> |

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 2023.

# 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 28.

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 2023  | With-profit business | Non-profit business | Unit-linked    | Other          | Total          |
|---|----------------------|---------------------|----------------|----------------|----------------|
|   | £'000                | £'000               | £'000          | £'000          | £'000          |
| <b>Assets</b>   |                      |                     |                |                |                |
| Land and buildings  | 17,274               | 8,793               | -              | 58,345         | 84,412         |
| Shares and other variable yield securities                      | 2,751                | 1,400               | 226,976        | 72,279         | 303,406        |
| Debt and other fixed income securities                          | 58,192               | 29,622              | 208            | 32,257         | 120,279        |
| Loans secured by mortgage                                       | 24                   | 12                  | -              | 147            | 183            |
| Other debtors   | -                    | -                   | -              | 1,213          | 1,213          |
| Tangible assets   | -                    | -                   | -              | 4,537          | 4,537          |
| Cash at bank and in hand  | 1,316                | 670                 | 671            | 9,098          | 11,755         |
| Other assets  | 707                  | 360                 | -              | 6,862          | 7,929          |
| <b>Total assets</b>   | <b>80,264</b>        | <b>40,857</b>       | <b>227,855</b> | <b>184,738</b> | <b>533,714</b> |
| <b>Liabilities</b>  |                      |                     |                |                |                |
| Reserves provided for, by the rules and other specific purposes | -                    | -                   | -              | 2,534          | 2,534          |
| Insurance contract provision                                    | 40,321               | 17,781              | 1,993          | -              | 60,095         |
| Investment contract provision                                   | 39,264               | 23,076              | 214,566        | -              | 276,906        |
| Claims outstanding  | 1,475                | -                   | -              | -              | 1,475          |
| Unearned premiums   | -                    | -                   | -              | -              | -              |
| Other liabilities   | -                    | -                   | -              | 192,704        | 192,704        |
| <b>Total liabilities</b>  | <b>81,060</b>        | <b>40,857</b>       | <b>216,559</b> | <b>195,238</b> | <b>533,714</b> |



# Notes to the Financial Statements

## Asset price risk

| 31 December 2022  | With-profit business | Non-profit business | Unit-linked    | Other          | Total          |
|---|----------------------|---------------------|----------------|----------------|----------------|
|   | £'000                | £'000               | £'000          | £'000          | £'000          |
| <b>Assets</b>   |                      |                     |                |                |                |
| 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          |
| <b>Total assets</b>   | <b>81,717</b>        | <b>44,436</b>       | <b>228,679</b> | <b>180,680</b> | <b>535,512</b> |
| <b>Liabilities</b>  |                      |                     |                |                |                |
| 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        |
| <b>Total liabilities</b>  | <b>85,660</b>        | <b>44,436</b>       | <b>216,317</b> | <b>189,099</b> | <b>535,512</b> |

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 2023                             |                |               |               |              |               |                |
|--|----------------|---------------|---------------|--------------|---------------|----------------|
| 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          |
| <b>GIB</b>                                   | 14,803         | -             | -             | -            | -             | 14,803         |
| <b>Non-Linked (exc GIB)</b>                  | 43,379         | 22,072        | 13,322        | 7,044        | 10,663        | 96,480         |
| <b>Unit Linked</b>                           | 120,428        | 53,168        | 65,302        | 2,221        | 4,015         | 245,134        |
| <b>Total</b>                                 | <b>178,610</b> | <b>75,240</b> | <b>78,624</b> | <b>9,265</b> | <b>14,678</b> | <b>356,417</b> |

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

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.

# Notes to the Financial Statements

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

The equity price sensitivity considers the changes in prices of UK and other equities as defined under Solvency II. This is a change in equity prices of  $\pm 36.10\%$  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 2023        | Expenses  |          | Equity prices |           | Interest rates |          | Property values |           |
|-------------------------|-----------|----------|---------------|-----------|----------------|----------|-----------------|-----------|
|                         | Increase  | Decrease | Increase      | Decrease  | Increase       | Decrease | Increase        | Decrease  |
| Change in LTB Own Funds | ( 4,129 ) | 4,129    | 7,173         | ( 7,173 ) | ( 1,470 )      | 1,793    | 6,604           | ( 6,604 ) |

| 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 ) |

## 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:

| <b>31 December 2023</b>                    |   |   |   |
|--|---|---|---|
|  | <b>Amounts not<br/>subject to<br/>credit risk</b> | <b>Amounts<br/>subject to<br/>credit risk</b> | <b>Balance Sheet<br/>carrying value</b> |
|  | <b>£'000</b>                                      | <b>£'000</b>                                  | <b>£'000</b>                            |
| Shares and other variable yield securities | 76,431  | -   | 76,431                                  |
| Debt and other fixed income securities     | -   | 120,071                                       | 120,071                                 |
| Assets held to cover linked liabilities    | 227,855   | -   | 227,855                                 |
| Loans secured by mortgage                  | -   | 183   | 183                                     |
| Cash at banks and in hand                  | -   | 11,084  | 11,084                                  |
| <b>Total</b>                               | <b>304,286</b>                                    | <b>131,338</b>                                | <b>435,624</b>                          |

| <b>31 December 2022</b>                    |   |   |   |
|--|---|---|---|
|  | <b>Amounts not<br/>subject to<br/>credit risk</b> | <b>Amounts<br/>subject to<br/>credit risk</b> | <b>Balance Sheet<br/>carrying value</b> |
|  | <b>£'000</b>                                      | <b>£'000</b>                                  | <b>£'000</b>                            |
| 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                                  |
| <b>Total</b>                               | <b>296,945</b>                                    | <b>142,710</b>                                | <b>439,655</b>                          |

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 2023.

# Notes to the Financial Statements

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

| Credit rating                                 |       |               |               |               |                |                |
|---|-------|---------------|---------------|---------------|----------------|----------------|
| 31 December 2023                              |       |               |               |               |                |                |
|   | AAA   | AA            | A             | Below A       | Unrated        | Total          |
|   | £'000 | £'000         | £'000         | £'000         | £'000          | £'000          |
| Shares and other variable yield securities    | -     | -             | -             | -             | 76,431         | 76,431         |
| Debt and other fixed income securities        | -     | 46,979        | 19,229        | 23,433        | 30,430         | 120,071        |
| Assets held to cover linked liabilities       | -     | -             | 671           | -             | 227,184        | 227,855        |
| Loans secured by mortgage                     | -     | -             | -             | -             | 183            | 183            |
| Cash at banks, building societies and in hand | -     | -             | 7,717         | 23            | 3,344          | 11,084         |
| <b>Total</b>                                  | -     | <b>46,979</b> | <b>27,617</b> | <b>23,456</b> | <b>337,572</b> | <b>435,624</b> |

| 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         |
| <b>Total</b>                                  | -     | <b>48,077</b> | <b>32,315</b> | <b>22,997</b> | <b>336,266</b> | <b>439,655</b> |

No credit rating exposures were exceeded during the year ended 31 December 2023 or 2022.







