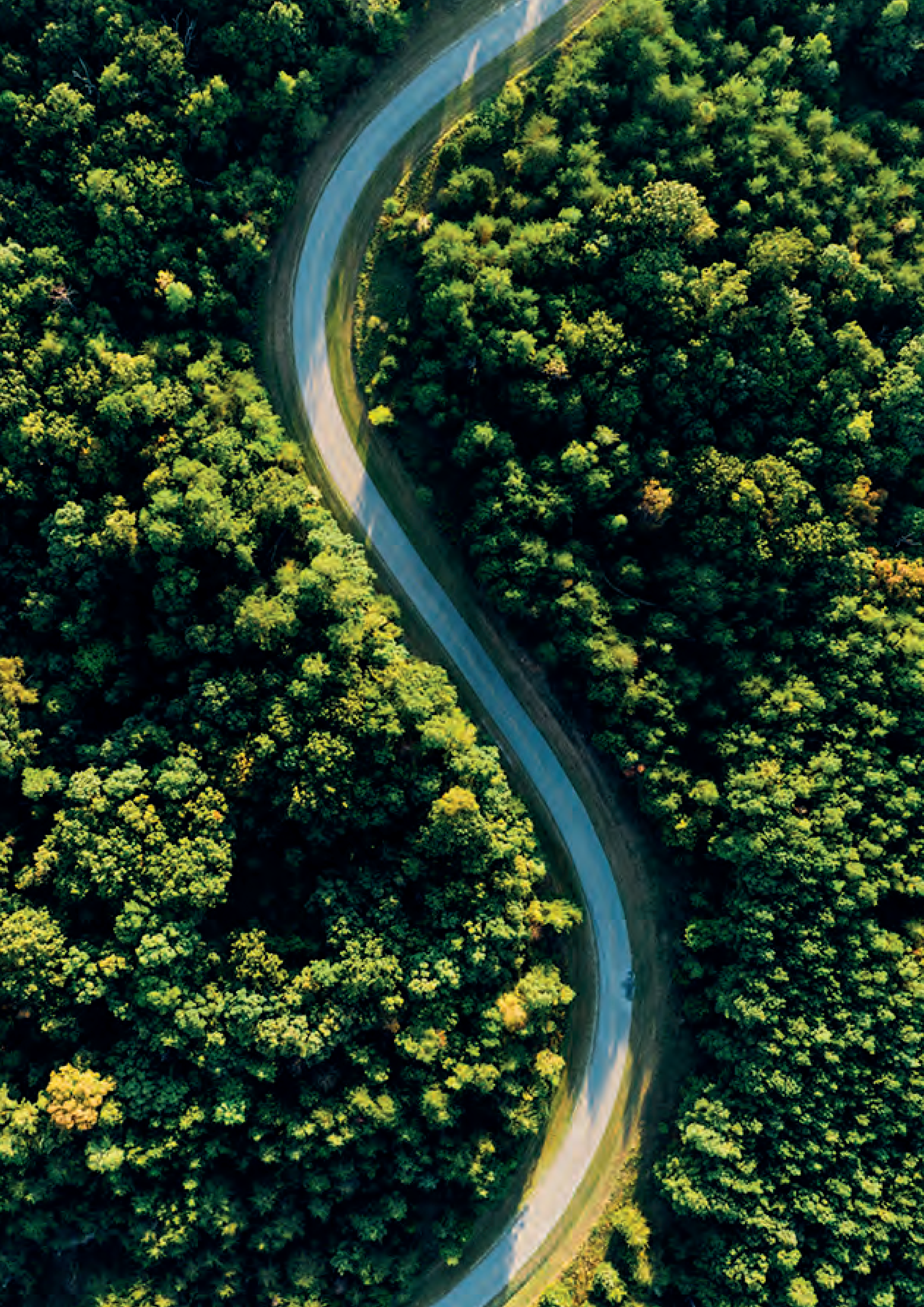
The Oddfellows since 1810
making friends, helping people

Oddfellows' climate change journey

Climate change disclosures

Year Ended 31 December 2023



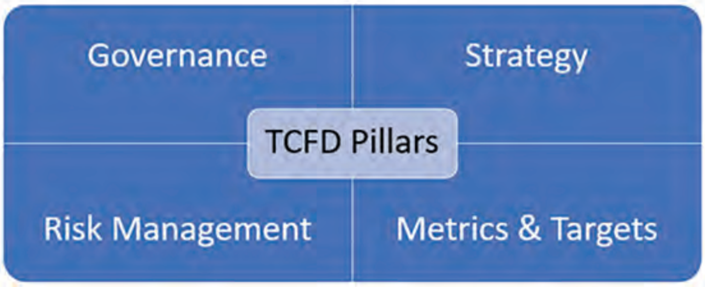
Foreword

Welcome to the third issue of the Society's report on its Climate Change Journey!

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. As part of that commitment, we recognise our role in terms of reducing our impact on climate change, including the emissions arising out of our own activities i.e. running the Society, as well as monitoring the climate change journeys from companies that the Society invests in.

As you are aware from our earlier reports, Climate Change is now a focus of our Regulators in terms of them formulating their expectations of how it should be managed and what disclosures should be made by the firms they regulate.

The Society made its first climate change disclosure in the Reports and Financial Statements for the year ended 31 December 2021 and has continued to report its response to climate change aligned to the Task Force on Climate-related Financial Disclosures' (TCFD) four key pillars:



In the Society's Reports and Financial Statements for the year ended 31 December 2023, under the Strategic Report, you will see a high level summary of where we are as a Society, in terms of our journey on Climate Change. This document is to provide you with more information about what we have done, and what is on the horizon.

As with previous versions, this report remains aligned to the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations. We have made good progress since 2021 and have again had our Office carbon emissions assessed and the results of that assessment are included in this document. As we continue to evolve our own approach over the coming months and years, I am sure we will build on those aspirations by continuing to look for opportunities and manage the risks that climate change presents. We believe our members and policyholders are best served by a steady pragmatic approach to reduction and mitigation.

Chief Executive Officer

Governance

This section describes the Senior Management and Directors approach to manage and oversee climate change financial risks and opportunities.

The Society's Main Board (Board) retains ultimate responsibility for climate-related financial risks and opportunities, including the development and delivery of the Society's climate strategy.

The Society's governance approach to climate change financial risks and opportunities begins with the Board's strategy and flows down to all levels of the organisation. Put simply, it deals with:

- the formal delegation of responsibility for the execution of the Board's strategy;
- the oversight of the metrics and targets used to measure risk and progress; and
- the formal implementation of checks and balances to ensure that the Society remains firmly on track and within its risk appetite.

The Board has, in turn, assigned Senior Management responsibility to the CEO, who is responsible for executing the strategy and managing the climate-related risks and opportunities and reporting.

Senior Management regularly report to 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.

Climate related responsibilities have also been delegated to the Commercial Board. An example of this is their role to consider the development of sustainable features within our product proposition and capital management.

The Board will also continue to review its Risk Appetite Statement (see Risk Management - page 7) to ensure that the Society's appetite for climate change risk is suitably formalised. Further work will be undertaken to enhance our climate scenario analysis to better understand the impact of physical and transition risks in future potential scenarios. The analysis will focus on the outcomes of different transition paths to a low carbon economy and the balance sheet impacts for the Society of each of those. The first transition path is based around taking early action to transition to a low carbon economy; the second is delayed action i.e. action to transition is not taken until 2030, however, transition to a low carbon economy occurs; the third is a path where no transition occurs.

Strategy

This section describes the climate related risks and opportunities the Society has identified over the short, medium and long term and how they are taken into account as part of the Society's strategy.

Ultimate responsibility for the development and delivery of the Society's strategy for managing climate change risks and opportunities lies with the Board.

The Board's role is to ensure that risks – especially climate change risks – are appropriately understood and managed and that opportunities consistent with the Society's strategy are also identified and pursued.

The table below sets out the key climate related financial risks and opportunities as they relate to the Society, the timescales over which these risks and opportunities could impact us. Short term: 2 to 5 years, medium term: 5 to 10 years and long term: over decades. Potential materiality (rated as low, medium and high impact on capital) and the action taken to mitigate or develop the risks and opportunities.

Risk and opportunities	Time horizon	Materiality	Mitigating actions
Financial losses from investments from the costs of adjusting to a low carbon economy.	Medium to long term	Medium	Continuous engagement with Investment Managers to understand the impact on investment strategy and monitor ESG performance of funds.
Financial and reputational implications of failing to meet minimum EPC requirements in a timely manner.	Short to medium term	Medium	Early engagement with Property Managers to understand the new EPC requirements, address data issues and agree and implement strategy. Up to date EPC's for all residential and commercial properties (including those owned by Branches) have been or are being obtained and a program of improvement work in relation to our commercial properties is in place.
Broadening of customers product preferences to sustainable or 'greener' options.	Short to medium term	Medium	Consideration of greener or sustainable products will be kept under review in line with the Society's product strategy.
Operational disruption as a result of the physical impact of climate change on utilities, supply chain and distribution network	Short to medium term	Low	Operational resilience and disaster recovery testing, processes and procedures in place.

In addition to the risks and opportunities in the table on the previous page, further opportunities may arise from the transition to a low carbon economy, including:

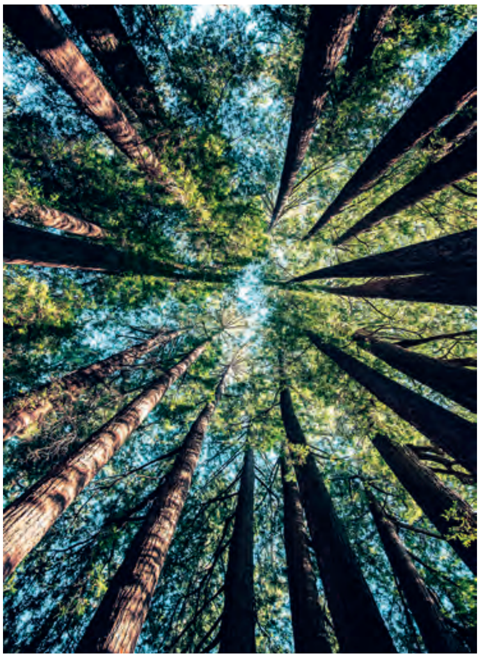
- launching new sustainable products to meet the expectations of our customers;
- investing in ESG or green funds; and
- reducing operational costs via energy efficiency and increasing awareness over the long term.

We also work closely with our Investment Managers to monitor the funds, particularly the way in which the high carbon producing companies in which we invest are transitioning to lower carbon energy. As it is particularly important for us to understand how they are preparing to steer the portfolios to reduce our carbon footprint, whilst continuing to produce the anticipated yield and returns.

To date, the Society has adopted a steady approach of pragmatic solutions to reduce its carbon emissions, which are set out in this report. However, we recognise our role in helping the UK transition to a low carbon economy and our aim is to reduce the equivalent carbon emissions of our activities to net zero by 2050 in line with UK Government requirements.

Net Zero is the balance between the amount of carbon produced and the amount removed from the atmosphere. We reach net zero when the amount we add is no more than the amount removed. This is not the same as zero emissions, which means that no carbon or other greenhouse gases are released at all. Net zero means that carbon gases are still being emitted, but the emissions are offset through action taken.

Risk management



This section summarises how processes for identifying, assessing and managing climate related risks are integrated into the Society's risk management.

Effective risk management is the ability to identify, assess and manage the risks to which the Society is or could be exposed.

Over time the Society has evolved its polices, tools and processes to ensure robust risk management in line with the expectations of stakeholders and the requirements of our Regulators. The Risk Management Framework ensures that the Society's exposure to risk is managed within the risk appetite agreed by the Board and consists of our risk policies, our risk appetite statements, our risk register and associated reports.

Climate change risk has been identified as a principal risk and has been integrated into the Society's risk management framework. Further information in the way in which this risk is mitigated and managed is set out in the Financial Reports and Statements.

The Society considers climate-related risks in terms of:

- ***Transition risk*** is the risk associated with transitioning to a lower 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.

- ***Physical risk*** which is split into acute (i.e. one off climate events) and chronic (i.e. gradual long term changes in weather patterns) which could impact assets for example property damaged or destroyed by extreme weather events. For the Society, it means we are reviewing our property portfolio to ensure that all buildings are suitable as discussed in detail under Metrics and Targets. The Society's current policies include limited amount of life underwriting which may, over time, result in minor exposure to climate change.

As described in the strategy section above, we recognise climate change as a cross cutting risk, which, over time, could impact other areas of our operations. Therefore, during 2024, we will further analyse our understanding of the impact of climate change across our primary risk categories.

In addition, our Own Risk and Solvency Assessment (ORSA), is a forward looking assessment of the risks to which the Society and our stakeholders are exposed to and explores mitigating factors and actions. The goal is to ensure that the Society is able to continue serving its members and policyholders from a position of financial strength. Our most recent ORSA (agreed by the Commercial Board in December 2023) contains our scenario analysis of climate change risks, considering how investment returns and expenses may be impacted and actions for consideration.

As highlighted above, further analysis will focus on the outcomes of different transition paths to a low carbon economy and the balance sheet impacts for the Society of each.

Metrics and targets

This section summarises the metrics and targets used by the Society to assess and manage climate-related risks and opportunities in line with its strategy and risk management process.

The Society utilise a range of metrics to measure, monitor and assess progress against the targets in place to manage and mitigate the financial impact of climate change on the organisation. However, we recognise that as our approach develops, these metrics and targets are also likely to evolve over time.

Own operations

For the third consecutive year, the Society has undertaken a carbon footprint assessment. Carbon footprint is a measure of the impact of an organisations activities on the environment in terms of the greenhouse gas produced. It is measured in units of carbon dioxide (CO_2e) and is made up of two parts, direct emissions and indirect emissions.

The purpose of the assessment is to measure, monitor, reduce and/or offset the greenhouse gas emissions produced and the first report which assessed the total emissions arising from our operations for the period 2020/2021 served as a baseline for comparing further reporting of emissions.

Therefore, to continue to monitor the emissions from our operations and to help to give the Society a more accurate view of where we should focus our attention and resource to reduce these emissions going forward, the assessment was also completed in 2022 and again in 2023 and will be done again in 2024.

The assessment accounts for all quantified Greenhouse Gas emissions over which we have operational control, in line with the Greenhouse Gas Protocol Corporate Standard and addresses in particular:

- Scope 1: covers direct emissions – arising from fuel consumption, being natural gas used to heat the offices, and petrol burned by company cars;
- Scope 2: covers indirect emissions – arising from electricity consumption for running the office; and
- Scope 3: covers indirect emissions – arising from the use of purchased goods or services such as paper consumption, car and rail travel and outsourcing activities. (It also includes financed emissions i.e. investments – however, financed emissions did not form part of the carbon footprint assessment).

Between 1 April 2022 and 31 March 2023, the Society's total location based carbon emissions across its operations equated to 106.4 tonnes of CO_2e and the market based total was 89.4 tonnes. Location based calculations reflect the average emissions intensity of grids on which energy consumption occurs, whereas market based calculations reflect the emissions from energy sources that the Society has purposefully chosen. Therefore, the Society's strategy of switching to a renewable energy tariff for our Manchester office in November 2022 had the effect of reducing emissions to 89.41 tonnes.

Scope	GHG Protocol Emission Category	Emission Source	Location-Based (tCO_2e)	Market-Based (tCO_2e)
1	On-site fuel use	Natural Gas	10.45	10.45
	Company owned vehicles	Company vehicles	0.79	0.79
Scope 1 Total			**11.24**	**11.24**
2	On-site Consumption of purchased electricity, heat steam and cooling	Electricity	51.12	42.87
Scope 2 Total			**51.12**	**42.87**
3.1	1. Purchased goods and services	Paper	0.46	0.46
3.3	3. Fuel- and energy related activities (not included in scope 1 or scope 2)	Scopes 1 and 2 WTT	14.23	8.31
		Transmission & Distribution	5.79	2.99
3.6	6. Business travel (not included in scope 1 or scope 2)	Grey Fleet	20.03	20.03
		Rail	1.69	1.69
		Hire Cars	0.47	0.47
		Taxi	0.36	0.36
3.7	7. Employee commuting	Home-working	0.98	0.98
Scope 3 Total			**44.02**	**35.29**
Tonnes of CO_2e			**106.38**	**89.41**
Tonnes of CO_2e per employee			**1.77**	**1.49**

The table above sets out in detail, our total emissions for the period 1 April 2022 to 31 March 2023 aligned with the Greenhouse Gas Protocol classification methodology.

This total represents an overall reduction in emissions of 11.37% from 2022, mainly due to the impact of switching to a renewable energy tariff at the end of 2022 and reduction in paper usage.

The Society has seen an increase in emissions in relation to travel (grey fleet) and site gas, as shown in the table below. However, we expect to see a slight reduction in emissions from the use of site gas in our next assessment (1 April 2023 to 30 March 2024) as a result of the closure of our Liverpool office (in September 2023) and centralising all our operations into our Manchester office. The use of site gas and associated emissions was attributed to heating the Liverpool office.

For comparison, the table below sets out our total emissions per activity for the periods 2020/21,2021/22 and 2022/2023 (with 2020/2021 recorded emissions being our baseline year):

Element	2020/21	2021/22	2022/23	% change on baseline year (2020/21)	% change on previous year
Site Electricity (Location-based)	56.64	56.22	55.80	-1.5%▼	-0.7%▼
Site Electricity (Market-based)	*	74.65	45.28	n/a	-39.3%▼
Site Gas	10.03	10.22	10.45	4.2%▲	2.3%▲
Company Car Travel	0.19	0.99	0.79	315.8%▲	-20.3%▼
Grey Fleet	1.25	12.27	16.24	1199.1%▲	32.3%▲
Taxi travel	*	*	0.29	n/a	n/a
Rail Travel	0.06	0.79	1.35	2148.1%▲	71.8%▲
Hire cars	*	*	0.37	n/a	n/a
Home-workers	14.17	*	0.98	-93.1%▼	n/a
Paper	0.60	0.83	0.46	-23.4%▼	-44.9%▼
Well To Tank (Location-Based)	10.57	19.57	19.66	86.0%▲	0.5%▲
Total Tonnes of CO_2e (Location-based)	**93.51**	**100.89**	**106.38**	**13.8%▲**	**5.4%▲**
Tonnes of CO_2e per employee	**1.70**	**1.77**	**1.77**	**4.3%▲**	**0.2%▲**

* Not assessed

Well to tank emissions is the emissions released into the atmosphere from the processing and delivery of energy and is in addition to the emissions produced from using energy. Whereas, grey fleet measures the greenhouse gases emitted from employees own vehicles when used for work related travel and is measured separately from cars owned by the Society.

As well as looking to reduce its own emissions, the Society has also offset its carbon emissions. Funding schemes that help to provide solutions to climate change.

For 2023, sponsorship was given to a variety of projects including reducing deforestation and degradation, safe water initiatives as well as solar and wind power projects, offsetting more emissions than the total produced, resulting in the Society maintaining the status of carbon neutral plus.

The Society is not only committed to offsetting our emissions, but also looking at ways of reducing them. Following the first assessment, the Society commissioned an energy audit to identify the main sources of electricity consumption in the Manchester office and steps we might take to reduce this. The main sources of electricity were heating, hot water, the server room and lighting.

The report recommended a range of short and medium term measures for consideration. Some of the medium term measures are based upon upgrading equipment on expiry. We are working through some of the short term options and to date have replaced all fluorescent light fittings with more energy efficient LEDs. Furthermore, from November 2022, 100% of our electricity is sourced from renewable energy in our Manchester Office.

Our aim is to reduce the emissions associated with our operations and we will continue to assess the impact of the energy efficient changes we make and further develop our targets.

The Society's property portfolio

The Society owns three portfolios of rental properties – both residential and commercial.

To raise the energy efficiency of rental properties, the UK Government announced that it would introduce changes to the current EPC (Energy Performance Certificate) requirements incrementally over the next few years. The new EPC regime for commercial properties came into effect on 1 April 2023, meaning that all properties let on a Commercial Tenancy needed to have an EPC rating of at least E.

The Society has worked closely with its Property Managers to ensure that all commercial properties have valid EPCs in place and meet current EPC requirements. In relation to the Branches, there is one commercial property that is not compliant at this time, however, work is currently underway to improve the EPC of that building. All other Branch commercial properties have a valid EPC in place and meet current EPC requirements.

The Society's portfolios of investments

The Society's investment portfolios, which underpin its Long Term Business are managed by its three active Investment Managers, Investec Wealth & Investment Limited (Investec), LGT Wealth Management UK LLP (LGT) and Close Brothers Asset Management (Close Brothers), in accordance with criteria that reflect the nature of the underlying commitments.

One of the ways in which the Society has been monitoring the environmental impact of its investment portfolio is via an ESG score which is applied to the funds to assess their performance in relation to each of the following factors, Environmental, Social and Governance.

To evaluate the exposure of the Society's investment portfolios to ESG risks, each of the Society's Investment Managers applies an ESG metric and provides an overall ESG rating. The ESG rating then enables the Society to monitor how each fund is performing.

Each Investment Manager utilises a different metric to measure and monitor ESG performance of the funds they manage on our behalf, which gives a good indication of the impact of the Society's investments.

For example, Close Brothers utilises the MSCI ESG score rating to measure the ESG performance of two of the Society's Fraternal Funds. It assesses the funds resilience to long term ESG risks, including exposure to ESG risks and how well these risks are being managed. The rating is split into four categories; B, A, AA and AAA. For 2023, 97% of the Higher Equity Fund was rated as leader (AAA and AA) and average (A) compared to 91% in 2022.

Further information on the ESG ratings of the funds can be found in the 2023 Reports and Financial Statements.

The Society will continue to work closely with its Investment Managers to monitor the impact and performance of the funds and their strategy to drive forward ESG initiatives and issues.

Climate change and the underlying issues we face will continue to be balanced against the need to achieve favourable returns for our Branches and policyholders.