onefamily
modern family finance

Annual Report and Consolidated Financial Statements 31 December 2022

Contents

Welcome to the 2022 OneFamily annual report

Read on to discover how we've continued to deliver on our commitments to our members and customers through our bold, powerful and straight forward vision – **Inspiring Better Futures.**

- **Operating profit of £11.9 million**
- **93% customer satisfaction**
- **£182 million capital above requirements***
- **318% capital coverage ratio***
- **£5.8 billion funds under management**

* In our Non-Profit fund

Strategic report

This Strategic report on pages 5 to 60 incorporates the following sections:

We have tried to use plain English throughout this annual report, however, due to the nature of our business some of the terms are quite technical, hence a glossary is provided on page 181-183.

Chair's review
Steve Colsall

While this is the first time I have written the 'Chair's review', I have served as a non-executive Director since 2016 and was Chair of the Risk Sub-Committee from 2018 to 2022. I am proud of OneFamily's journey over the past few years and I am honoured to continue working with the team as Chair of the Board – there will not be a change in direction, we will continue our journey together.

The centrality of our purpose remains 'creating and protecting value for members' in a sustainable way. Good value products and services for members and customers is the core of our activity and we will continue to look at everything we do, products and services, through this lens.

In addition, we will continue to focus on our external responsibilities as a modern mutual organisation. The choices we make today about how we behave with regards to our environmental, social and governance responsibilities will be judged by those who follow us. We have already achieved a great deal by embedding our vision of 'Inspiring Better Futures' in our products and investments; we will continue to focus on our responsibilities to the communities we belong to. This contribution to society is where we can do most good, at scale and most quickly.

Our operating environment

2022 was a year overshadowed by the continuing impacts of the pandemic, the war in Ukraine with its significant humanitarian and geopolitical impacts, and the highest levels of inflation for 40 years.

As energy prices and supply-chain disruption have generated higher inflation rates, central banks, led by the Federal Reserve in the US, have tightened monetary policy. The Bank of England's Monetary Policy Committee has raised interest rates from 0.25% at the start of 2022 to 4.25% as at March 2023. This monetary tightening will last until inflation above 2% is, as the Bank of England explains, 'squeezed out of the system by constraining demand relative to supply as necessary'.

This potent combination has created significant cost of living challenges to millions of households across the UK, including our members, customers and colleagues, and a challenging operating environment for OneFamily.

During the year we initiated a number of actions to support members, customers and colleagues through this period, which are covered in more detail in the Chief Executive's report, and at the same time strengthened OneFamily's capital and solvency position.

As a mutual organisation, as a provider of financial services, as a team of circa 700 people, and as a Board – we are also playing our part in the race to net zero by 2050. To take one example of our activity in this area, we are moving more of our non-linked assets to ones with an ESG (environmental, social, governance) focus. We also offer our members straight-forward ways to invest that benefit the environment[1]. More can be read about activities that limit our impact on the environment within our Inspiring Better Futures section on page 36.

Our strategy and our mutuality

We continue to deliver on our strategy in a period of huge change and it remains grounded in our mutuality and purpose to create and protect value for our members. We are carefully transforming OneFamily to ensure that we continue to support our members' right to determine their own financial wellbeing and we will work to ensure they have more control over their financial affairs with great new technology. We choose to knock down barriers and serve the underserved because we know the positive social impact of financial inclusion and we want our members to have a stake in their economy.

[1] https://www.onefamily.com/child-trust-fund/invest-yourself-greener-planet/

As a mutual organisation we are focused on growing the organisation while maintaining our strong capital position, and 2022 was a positive year. We are adding new growth engines to the organisation. We are delivering new business development activities that contribute to capital and we continue to transform and modernise OneFamily's operating model.

Towards the end of 2022, we purchased Beagle Street, a provider of life and critical illness insurance. As a result we now have a unique product range across protection, investment and lifetime mortgages designed to help our target customers take control of their own financial wellbeing.

We are also continuing to drive positive social outcomes through charitable interventions in the local and national communities we belong to. More broadly we are spreading access to financial services for people who are traditionally under-served by our industry.

Our governance and people

On behalf of the Board I would like to thank Christina McComb OBE for all that she has contributed to OneFamily over her time on the Board, including seven years as Chair. Christina's inspiration, energy and focus was at the core of creating today's OneFamily.

I would also like to share the Board's thanks to Jackie Noakes and Nici Audhlam-Gardiner who both stepped down during 2022. Jackie's contribution, particularly in the areas of IT and business transformation, was considerable as we transformed and modernised the business. Nici, in her role as Commercial Director, brought focus and energy to our product and distribution initiatives. We wish them both well in their new roles.

During 2022 we welcomed Melanie Hind to the Board as a Non-Executive Director. Melanie's extensive business, risk and regulatory experience rooted in the financial services sector makes her a valuable addition to the Board. More recently we have further strengthened the Board, with the appointment of Alison Davies as a new Non-Executive Director. Alison brings a wealth of experience in business and digital transformation and change.

I would also like to thank all of our colleagues at OneFamily, who continue to work so hard to deliver good outcomes for our members and customers.

Our Future

The world is a less certain place than it has been for some time and this means we all face big challenges. I am confident, as are the Board, that OneFamily will be one of the organisations that continues to help our customers, colleagues, and partners to thrive and prosper. With the new shape of our business, our growth plan and our modern mutual values, we are well placed to protect and grow value for our present, and future, members.

Steve Colsall
Chair

Chief Executive's report
Teddy Nyahasha

OneFamily's simple and powerful purpose is to protect and create value for our members.

We deliver this promise in good times and bad. During today's cost of living crisis we are stepping up to support each other – members, customers and colleagues. We are also growing OneFamily, showing that centuries old mutual values can drive a digitally-nimble, partner-friendly, customer-centric, and inclusive organisation. In 2022 we made significant progress with the transformation of OneFamily.

Beagle Street

One of the key highlights of 2022 was our acquisition of Beagle Street. Seven in ten people have no life insurance and as we enter a period of growing uncertainty for families, protecting against life's big challenges becomes even more important – especially for the financially vulnerable. We believe that everyone should have access to affordable life cover, it's a basic financial need for anyone encountering a major life event such as the birth of their first child or getting a foot on the housing ladder. We wanted to put this right – to find a way to champion the insurance needs of the underserved. Beagle Street specialises in low cost, simple to purchase life and critical illness insurance. It's an exciting meeting of minds as Beagle Street shares OneFamily's values and their customers are at the heart of everything they do.

As a provider of over-50s insurance, OneFamily has previously occupied the same space as Beagle Street but there's been no overlap with the younger demographic of their customer base. So now, as both brands are being brought under one roof – we can continue to expand our product suite and build on the service we provide.

Financial inclusion

In the UK there are 24 million adults who have one or more characteristics of vulnerability related to poor health, low financial capability, low financial resilience, and significant life events.

Financial exclusion comes in many forms; from parents unable to access bank accounts for their vulnerable child, to key workers' priced out of their local housing market and the 2.5 million people using cash for all of their payments.

Today, two million OneFamily policies underpin the financial wellbeing of our members and customers and we want to do more to help people resist financial exclusion and obtain the benefits of financial inclusion. Our Junior ISA is a great example of this – we make it possible to enjoy the benefits of investing in the stock-market for just £10 per month, giving ordinary families the opportunity to beat the impact of inflation over the long-term. Our customers can also save for their future with our straightforward, climate-friendly Stocks & Shares ISA, which can be managed without needing an investment expert.

The cost of living crisis

Financial inclusion has become an ever more pressing issue as the cost of living crisis continues. We are trying to help our members and customers, and our colleagues through this difficult period. For members we can offer premium holidays to create breathing room while important policies continue to remain in force. We are also delivering specialist training for our customer-facing colleagues to identify and support customers with signs of financial distress.

OneFamily's most important asset is its team of circa 700 people and, during 2022, we paid a discretionary payment to colleagues earning up to £50,000; this equates to up to £125 per month over eight months. In January 2023 we went further and paid a £200 Winter Fuel Allowance to nearly 70% of colleagues. It is my most sincere wish that the choices we have made to support our colleagues will help them to manage their family financial wellbeing.

Modernising for our members

We began our strategy to carefully modernise OneFamily in 2019 and we continue to deliver across the business. Our plan has several elements, each of which is underway and creating positive changes in the way we do things.

Firstly, we will put power in members' hands. Whether by better tech or more products, we are steadily building the tools our members can use to take control of their financial wellbeing. Our new technology investment is providing a new, online, robust and safe way for members to manage their own OneFamily products. This is not just about phones and apps, this year saw us able to offer a video channel for customers for the first time, and for many people this is a more inclusive way to manage their finances.

We are also developing unified, integrated, and customer focussed technology. Through this we will remove several old platforms, thereby reducing the cost incurred operating many older, different, and incompatible legacy systems. This will allow members and customers to service their policies online.

A further element of the modernisation strategy is growth. We have made big steps forward by greatly expanding our sales team to generate new business sales and, of course, we added significant capacity and capability with the purchase of Beagle Street.

In doing all of this, a continuing feature of our strategy is to build our social purpose into every fibre of the organisation. For OneFamily, social purpose drives the choices we make as a team. Our social purpose also covers our environmental commitments, the roles we play in our home communities of Brighton, Swindon and now Peterborough, and the way that we design our products.

Standing up for our members

We stand up for our members to help create the best environment for them to resist financial exclusion. Key to this is managing our stakeholders and I see this as an important part of my role.

We continued to campaign for the families locked out of their disabled children's Child Trust Funds. However, we were disappointed to hear in March 2023 that the government has rejected a proposed Small Payments Scheme that aimed to help these young people to access their accounts. We will continue to campaign for change, but in the meantime hope that the announced measures to improve the Court of Protection process will be effective and swiftly implemented.

I am Vice-Chair of the 'Association of Financial Mutuals' – a role that is pivotal as the sector responds to the Financial Conduct Authority's (FCA's) very welcome implementation of the Consumer Duty. The duty is good for OneFamily members as it is about doing the right thing and putting the customer first. I am proud to say that OneFamily's values are fully in line with the Consumer Duty requirements. We have, however, reviewed our practices and have implemented a plan to ensure that we align to the four key outcome areas of Products & Services, Price & Value, Consumer Understanding and Consumer Support. We believe these new requirements will be good for both consumers and the market as a whole.

I believe that the place of mutuals, such as OneFamily, in financial services is special. Mutuals can reach parts of our society that others cannot. And with this responsibility we can choose to help people who are under-served. We are the leaseholders of mutuality not the freeholders and we are privileged to be this generation's custodians of the mutual flame.

"I believe that the place of mutuals, such as OneFamily, in financial services is special. Mutuals can reach parts of our society that others cannot."

Conclusion

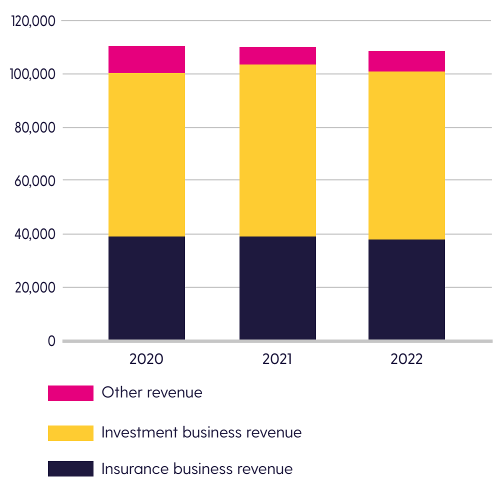
As we try to continue to rebuild from the pandemic – as people, as families, as communities and as countries – we are encountering new challenges. It is important to me that our members can rely on OneFamily to be part of their own recovery. By helping colleagues to weather the cost of living storm; by modernising OneFamily; by creating products that democratise financial wellbeing, and by speaking up for our members, I am confident that our existing, and new, customers can rely on us to be a trusted partner in their own financial wellbeing strategy.

I again say Thank You to my colleagues for all that they do. Because of their efforts, OneFamily is in the vanguard of renewing mutuality for the 2020s; renewed, rewired and ready to fulfil our mission to create and protect value for our members.

Teddy Nyahasha
Chief Executive Officer

Group performance highlights

Income (£'000)*

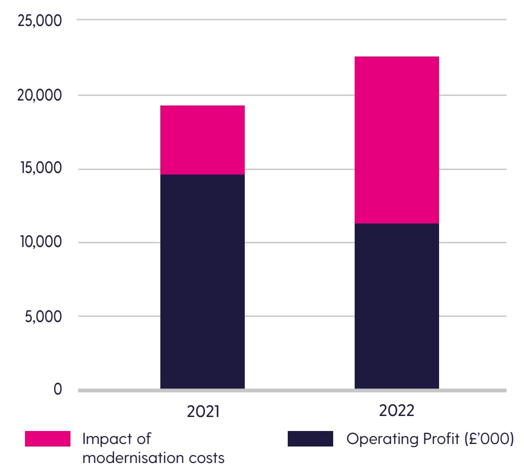


Income is classified as an alternative performance measure and reflects the following items which can be found within the notes to the financial statements.

		2020 £'000	2021 £'000	2022 £'000
Gross written premiums	(Note 4)	38,221	37,076	36,283
Deposits from policyholders	(Note 23)	16,006	14,474	13,075
Other technical income	(Note 12)	5,783	1,237	978
Other income	(Note 13)	51,662	57,027	56,410
		111,672	109,814	106,746

Total income received in the year has fallen slightly due to decreases in annual management charges (included within 'Other income' below) reflective of equity market performance. We continue to see growth in income earned through our advice channel.

Adjusted Operating Profit* (£'000)

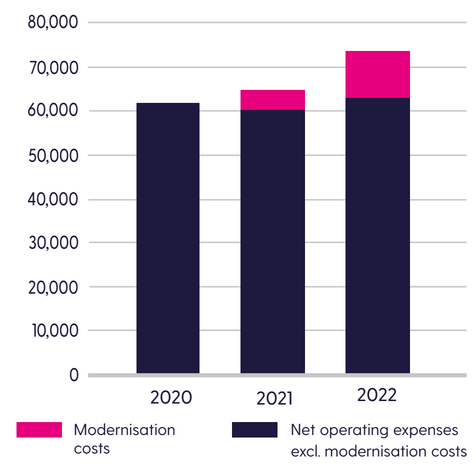


	Group 2021 £'000	**Group 2022 £'000**
Excess of income over expenditure on ordinary activities before tax	19,329	**20,493**
Goodwill and intangibles amortisation	4,114	**4,177**
Non-recurring model changes	2,759	**1,146**
Market variances (including revaluation of land & buildings)	(13,392)	**(13,006)**
Assumption changes	1,903	**(877)**
Adjusted operating profit	14,713	**11,933**

Adjusted operating profit is an alternative performance measure and is defined as controllable profit. It excludes the effect of market variances and other non-controllable and non-recurring elements. Please see the glossary for a full definition. A reconciliation of the figure can be seen below.

Adjusted operating profit has decreased in the year. This is largely due to the modernisation costs incurred in the year, the benefits of which will flow through in future years through efficiencies.

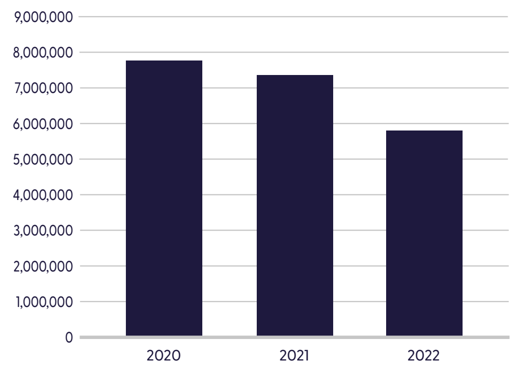
Net Operating Expenses (£'000)



Net operating expenses for the Group comprise the elements within both the Technical and Non-Technical sections of the Income and Expenditure accounts. It includes the costs incurred in the year in modernising our business.

Excluding modernisation costs net operating expenses have increased by circa £2.6m due largely to acquisition costs, such as the expansion of our telesales team and commission payable to partners.

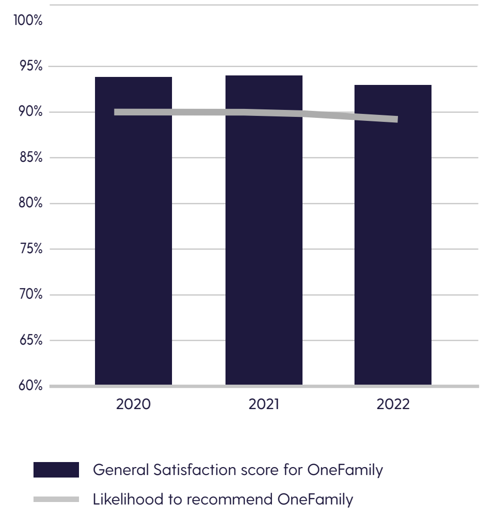
Customers' Funds Under Management* (Unaudited) (£'000)



The decrease in customers' funds under management is largely due to an outflow of funds in short-term savings products managed through our relationship with one of our key partners. We have also invested significantly to engage with Child Trust Fund customers turning 18 and take pride in providing our customers easy access to their maturing funds.

*These metrics are known as alternative performance measures (APMs), as they are not defined in accordance with UK GAAP. Please see the glossary for further information.

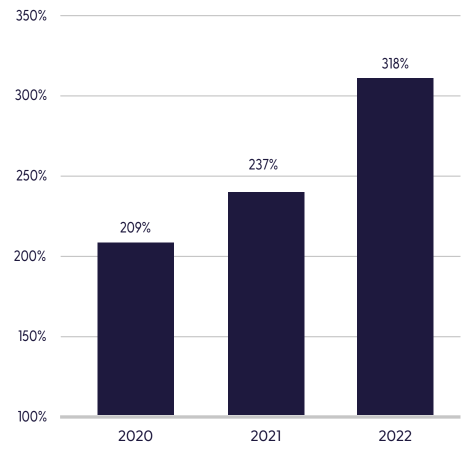
Customer satisfaction scores (Unaudited)*



OneFamily continues to maintain its high customer satisfaction scores.

Source: Bright survey

Non-Profit Fund Solvency II Coverage Ratio (Unaudited)



The Society's coverage ratio (of own funds measured on a regulatory basis to regulatory solvency capital requirements) remains strong and well above regulatory requirements.

Capital generation and our financial strength are key to the delivery of OneFamily's mission.

Chief Finance Officer's report Jim Islam

Overview

OneFamily is growing. We have grown our capability and products by welcoming Beagle Street into our Group. We have grown our sales capacity by expanding our telesales team. We are growing by meeting and exceeding our key performance indicators. And we are growing by investing in sector-leading technology.

Over the last three years, we have chosen to invest over £14 million to modernise and transform OneFamily.

The investments made over 2021 and 2022 have impacted profits in the year but, crucially, they cement OneFamily's long-term future. As a provider of life insurance and savings products, we must think in the long-term, and the policy administration system that we are investing in will allow us to deliver operational efficiencies in the future.

Members' key data

- **£14m invested in transforming members' digital experience and control**
- **Customers rated their experience over 90% for the third year in a row**
- **Beagle Street's products boost choices for working age people**

Investment market review

In February 2022 The Russian Federation invaded Ukraine, disrupting world energy, food and financial markets, as well as adding further pressure to supply chains weakened during the pandemic. The sanctions imposed by Ukraine's allies have triggered a scramble for energy in the EU and beyond. In tandem, inflation has been met by tightening monetary policy and the beginning of the unwinding of Quantitative Easing.

President Xi's reversal of his 'zero-covid' strategy is hoped to secure China's recovery. Across the Pacific Ocean, President Biden's Inflation Reduction Act is injecting more than $400 billion into recovering American manufacturing and infrastructure.

2022 saw three UK Prime Ministers live in 10 Downing Street resulting in periods of rapid change in September and October, significantly impacting gilt prices, yields and the value of sterling as markets reacted negatively to unfunded tax cuts (intended to ease the impact of inflation) which were later withdrawn.

Despite 2022's market volatilities, our non-profit fund capital coverage ratio under Solvency II is 318%, well in excess of regulatory requirements, and our surplus capital in absolute terms also continues to be robust at £182m.

Being a mutual we don't have any shareholders to pay dividends to. This means we can share our successes with the people that matter, our customers, and focus on reinvesting our retained profits to provide better products, services and member benefits and also to support community causes our members care about. The section on Our strategy on page 20 talks more about how we have achieved this in 2022 and our plans for 2023 and future years.

We know that financial results are not the only measure of our success. You can read more about how we've considered the needs of our various stakeholders, for example our customers; our regulators; and the environment, and how this has influenced our actions on pages 22 to 26.

Financial Performance

Statutory result

Our total recognised gain in the year of £19.5m improved compared to the previous year (2021: £17.7m). It differs from adjusted operating profit (as shown on page 12), largely because it reflects all rises and falls in markets and the resulting impact on our investments and liabilities. In 2022, the statutory result was significantly impacted by the rise in UK gilt-yields in the year.

Within the financial statements section of this annual report, you will see reference to the restatement of previous years' results. There are three factors driving this restatement which help simplify and improve the presentation of our results. For more detail on the changes made, please see note 30 to the financial statements.

Income

Income is an alternative performance measure (APM) as it is not defined in accordance with UK GAAP. Its composition can be seen on page 12. Income has fallen in the year largely due to a decrease in annual management charges, caused by the volatile markets in the year, and an outflow of funds – largely relating to maturing Child Trust Fund policies and also cash ISAs managed on behalf of one of our key partners.

Net operating expenses

Net operating expenses across the technical account (Society related) and non-technical account (subsidiary related), increased from £64.6m in 2021 to £73.7m in 2022. However, these figures include modernisation costs of £4.0m and £10.4m respectively. Excluding the costs of modernisation, operating expenses increased from £60.6m to £63.3m.

The modernisation programme reflects our drive to enhance long-term efficiency - including the implementation of a new policy administration platform. What this programme means however, is that we are incurring additional costs in the short-term. Development costs of the programme are only capitalised where appropriate and therefore non-capitalised development costs will increase operating expenses in the year they are incurred.

The remaining increase in operating expenses reflects the growth in our business. We have significantly expanded our telesales team and engaged with more partners to drive forward new business sales.

Adjusted operating profit

Our adjusted operating profit, which measures the underlying performance of the business, reduced in the year to £11.9 million. However, this performance was impacted by the costs of the modernisation programme incurred in the year of £10.4m.

Adjusted operating profit is also an APM and a reconciliation between it and the excess of income over expenditure on ordinary activities before tax, as reported in the Income and expenditure account, can be found on page 12. Please see the Glossary for a definition.

Financial strength

As noted above, our strong capital base (measured under Solvency II) remains well in excess of the regulatory minimum. Our business is long-term and it is important for us to ensure that our capital base allows us to withstand turbulent years and also invest for the future. Our non-profit fund has capital above the base level requirement of £182m, representing a capital coverage ratio of 318% compared to 237% at the end of 2021. This improvement reflects the impact of capital generated by trading activities, increased gilt yields and asset-liability management enhancements. Please note that our Solvency II figures are not required to be audited.

Investment fund performance

On page 14 above you have read an overview of investment markets in 2022. But to summarise, it was volatile once again throughout the year within both UK and global markets.

Market movements impact our customers where their policy is linked to underlying assets, as they will have seen volatility in the value of their holding. However, investing in stocks and shares is typically for the longer term and investment values can fall as well as rise. But, over the long-term, stocks and shares have historically grown more than cash accounts.

The performance of our main funds over a one, three and five year timeframe is shown below. Please note that, with the exception of the Family Sovereign Fund, which is a unit-linked fund included within the Statement of financial position of the Society and Group, the funds listed below are collective investment schemes managed by a subsidiary and are not consolidated within the financial statements (see note 1.E). They are only included by way of any investment holding through the Society.

Unit Price Growth*

Funds**	One Year	Three Year	Five Year
Family Investments Child Trust Fund	-6.63%	6.30%	11.07%
Family Sovereign Fund	-11.38%	-1.58%	4.50%
OneFamily Stockmarket 100 Trust	3.03%	4.39%	8.35%
Family Balanced International Fund	-11.87%	-2.99%	1.05%
Family Charities Ethical Trust	2.93%	3.04%	11.92%
OneFamily Global Equity Fund	-10.58%	7.35%	12.40%
OneFamily Global Mixed Investment Fund	-14.40%	-4.12%	4.60%
Family Asset Trust	1.00%	3.72%	9.22%

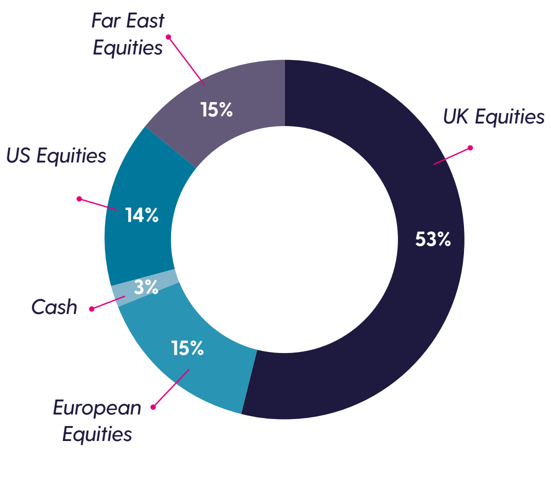
* Past performance should not be seen as an indication of future performance. Investors are reminded that the price of units, and the income from them, is not guaranteed and may go down as well as up. Growth shown is cumulative not annualised and after fees.

** The table above shows the performance of the eight largest funds managed by the Group. Funds are valued at bid price.

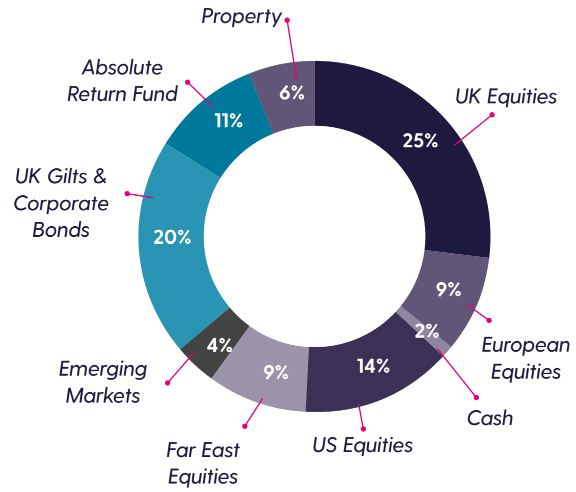
Our two largest funds, in which most of our customers are invested, continue to be the Family Investments Child Trust Fund and the Family Sovereign Fund.

The composition of these two funds as at 31 December 2022 is shown in the following charts:

Family Investments Child Trust Fund



Family Sovereign Fund



Climate friendly funds and ESG (Environment, Social and Governance) focus

The objectives of the Global Equity and Global Mixed funds are focussed on being climate friendly. These funds invest 100% or up to 35% respectively in climate-friendly company shares. The remainder of the Global Mixed fund is invested in fixed interest investments. The climate-friendly aspect focuses on those companies that are making a difference to our environment through sustainable climate activities.

The portfolio of companies invested in are selected from the MSCI World Index and exhibit lower carbon emissions. Companies are selected that will help us achieve five climate sustainability targets for our portfolio relative to the MSCI World Index. These relate to carbon intensity; brown revenues; fossil fuels; green revenue and adaptation. Performance of these funds is therefore considered not only from a financial perspective, but also whether they are delivering in line with the expectations for these five categories.

An example of a holding within the Global Equity Fund as at the end of 2022 is the Canadian National Railway which shows favourable climate metrics data in a sector which is integral to lowering emissions by taking cars off the road.

During 2022, these climate friendly funds were available to all ISA and Lifetime ISA policyholders. Our with-profits funds also have an ESG focus with fixed income assets and equities being ESG centric. In 2022, as part of the optimisation of our non-profit fund, we continued the transition to ESG focussed assets.

We continue to actively engage with our two key investment managers to understand their stewardship activities in the ESG arena. Their stewardship activity is monitored through regular meetings and reporting to the Executive Investment Committee. Our main investment manager's, State Street Global Advisers, stewardship programme is based on the belief that companies that successfully embrace ESG principles are those that have strong, effective, independent boards and incorporate environmental and social sustainability into their long-term strategies. They engage with companies to understand their approach to material ESG issues, encouraging them to improve practices as needed and sharing their perspectives on salient ESG issues with the market through letters, essays and media interviews. For example, in 2022, they engaged with PepsiCo Inc. to discuss aspects such as corporate culture, gender diversity, human capital and racial equity; and with BP plc to discuss matters including climate change, environmental management and climate transition plans.

Outlook

It is expected that most advanced economies will see their growth slow down as the effects of the higher interest rates from their central banks kick in. The UK's growth forecast is expected to be at the lower end of these advanced economies due to a very tight jobs market, continuing high energy prices and a drop in overseas investment following Brexit. Inflation is expected to come down globally, but this may be slower in the UK due to the tight jobs market and the impact this has on wage inflation. As a result, the Bank of England may keep interest rates higher for longer, leading to the lower expectation for UK growth.

The strategic pairing of our strong balance sheet and capital position again saw OneFamily continue to protect and create value for our members during the investment market volatility in 2022, and we will continue to do so in the future.

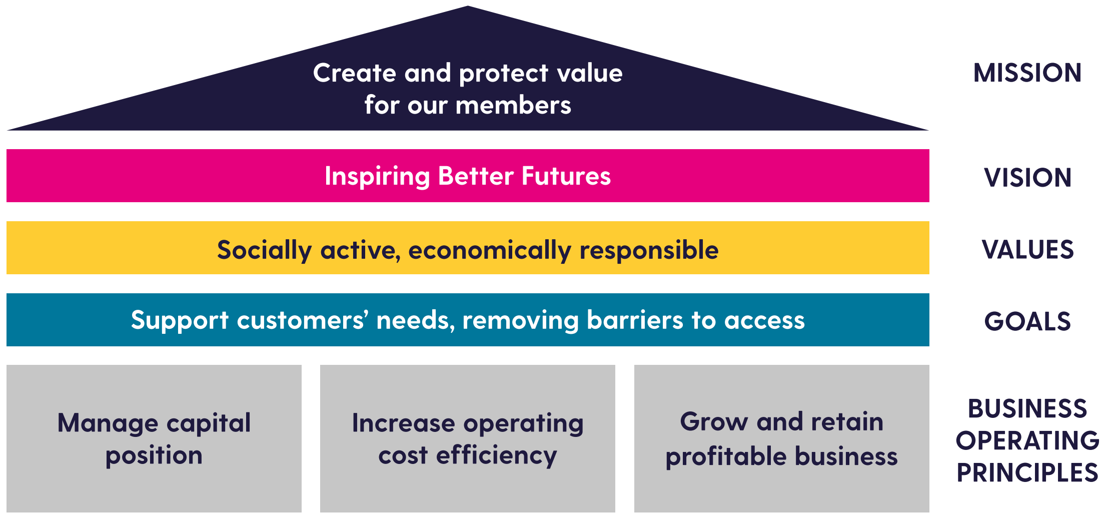
We will continue our careful and focused transformation of OneFamily in 2023 by integrating Beagle Street into our Group and operationalising our new policy administration platform.

Across the Group, we are delivering commercial, financial, cultural and technological advances alongside our proud mutual history. The result of our strategy is a growing, purposeful and inclusive organisation, able to support its members through a cradle to grave ecosystem of products and services.

J. Isl

Jim Islam
Chief Finance Officer

Our strategy



The cost of living crisis experienced across the UK means that there have been few moments in the life of OneFamily when we have been needed more.

OneFamily was originally established to provide financial products that helped our members to save and to protect, and as economic and social conditions continue to be challenging, we remain ready to help the households of the UK to weather the storm.

OneFamily's unique DNA of mutual values, ongoing investment in great new technology and our lifetime-long protection and savings product suite has been designed to help ordinary working families and households through tough times.

In a world of retreating welfare states, job insecurity, unfunded later life incomes, extreme weather events like heat waves, and financial exclusion, we think OneFamily and our peers can help our society to mend and grow by addressing these big challenges mutually.

Mutuals are the original crowd-funding. Before the welfare state, mutuals and friendly societies provided a way to pool risk and offer support to their members. There was at one time a friendly society or mutual for every thousand people.

OneFamily's strategy is succeeding in bringing the values and strength of mutuality to the challenges of today's members.

Strategic deliveries in 2022

Capability and growth

In 2022 we welcomed Beagle Street into OneFamily. By doing so, we have added over 70 new colleagues and great new products into our member, and consumer, proposition. Beagle Street's incorporation allows us to accelerate the further development of our protection products. Beagle Street's 'guided proposition', is a great example of our effort to practically and effectively support financial inclusion.

Modernisation

Delivering great technology for our workforce and our members is at the heart of the modernisation of OneFamily. Since 2020 we have undertaken a significant and careful modernisation of the organisation. Our transformation is made possible by the careful and consistent application of three business principles. The first principle keeps the organisation focussed on the growth and retention of profitable business. Principles two and three ensure that we actively manage the organisation's capital position and that we increase our operating cost efficiency.

We deepened our understanding of customers' needs

We developed our 'five challenges' model to help us to understand barriers to financial inclusion and, crucially, what we can do to help members boost their financial wellbeing. The model's five components cover welfare reform; the changing labour market; the 100 year life; electric-only living and the role social class in social mobility. By adopting our 'five customer challenges', model we now have a structured method for assessing change and risk in the livelihoods of our members.

Serving the underserved

We continue our commitment to serve whole markets and this choice means we have focused innovation and research on ordinary working families and households rather than those consumers with the greatest wealth. For example, people can start investing in the stock market with OneFamily for £10 a month.

Belonging

We are proud to be part of life in Brighton and Swindon and this year, through the acquisition of Beagle Street, we have added a new workplace Peterborough. As members of the communities we belong to, we are passionate to inspire better futures and we believe we can do this best by focusing our social energy on one core theme: financial education. Better financial education is a fundamental building block of financial wellbeing. To this end, we continue our Young Person's Education Grants, we are developing new volunteering activities to make our presence felt in the places we work (and live) and continue to see the benefits of partnering with Redstart, a charity that provides financial education for young people.

Creating a culture of high performance

During 2022 we carried on our work to create a high performing and inclusive culture. We have strengthened and invested in our colleagues' capability and resilience – particularly the working model for a post-pandemic world. We continue to foster an inclusive culture that supports our people to be themselves and promotes diversity of thought.

Welcoming The Consumer Duty

2022 saw the beginning of a new Consumer Duty, with the Financial Conduct Authority introducing Consumer Principle 12 to ensure that firms 'must act to deliver good outcomes to retail customers'. We have been operating along these lines because we made a strategic decision to do so and we strongly welcome the new focus. We have been campaigning to democratise financial wellbeing for some time now and we are glad to see that regulations are heading in this direction.

Building tomorrow's OneFamily

In 2023, and beyond, OneFamily's members will continue to see the benefits of our strategy. We will continue the modernisation journey so that members and customers can access more and better digital services. The next tech milestone sees the delivery of a new policy administration platform covering the majority of our policies and customers.

Especially in today's economy, we will continue to build and grow this great organisation. Our unique blend of modern mutuality, great products and social purpose is a powerful combination designed to help households to get the benefits of financial inclusion.

Our focus in 2023 will, therefore, be to fully integrate Beagle Street into OneFamily. This will enable us to reach many more potential customers with our expanded product set. We will also grow our direct sales channel with a greater range of products on offer, thanks to both the new policy platform and the Beagle Street acquisition.

We will continue to inspire better futures through our everyday actions, whether that is through the continued provision of young person's education grants, support of charity partners and our communities, or the development of our own colleagues.

Conclusion

In 2022 we delivered on our strategy, mission and purpose. There are nearly two million OneFamily policies supporting the financial wellbeing of hundreds of thousands of UK households and we are ready to support many more in the years to come. With our focus on capital generation and financial strength (being a key metric) we expect OneFamily to play its role as a modern mutual building financial resilience in the UK.

Section 172 report – When making decisions, the directors recognise that the long-term success of our business is dependent on the way the Group interacts with a large number of stakeholders

Whilst the Group continues to report under the Friendly Societies Act, it has elected to present a Section 172 statement as required by the Companies Act 2006.

When discharging their duties and making decisions, section 172 of the Companies Act 2006 requires directors to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with partners, suppliers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the company and deliver good outcomes for customers

The Board depends on a range of different resources to succeed and needs to work with and listen to the views of its various stakeholders to achieve this.

Six stakeholder groups have been identified as key to us successfully delivering our strategy:

- Our members and customers
- Our colleagues
- The Regulators
- Third party partners and suppliers
- The wider community
- Those impacted by our influence on the environment

Each of these groups of stakeholders interacts with OneFamily in a different way. It is essential that the Board and management of OneFamily reflect on the views of these stakeholders, considering what further actions can be taken to align stakeholder concerns with OneFamily's strategy.

During 2022, the Board and its sub-committees focussed on a number of matters with material or strategic importance to the Group. Examples of key items are listed below along with the considerations made by the Board and how stakeholders were reflected in these discussions.

Matters discussed	How stakeholders and other factors were considered
Acquisition of BGL Direct Life Limited (trading as Beagle Street)	The Board considered the impact of the proposed acquisition of BGL Direct Life Limited on all stakeholders including existing OneFamily members, employees, regulators and reinsurers. They assessed the benefits that the acquisition would bring to the Group and the delivery of its strategy, vision and purpose.
Conversion of With-Profits 1 (WP1) fund to non-profit	With the WP1 fund meeting the trigger for its sunset clause in the year, the With-Profits Sub-Committee reviewed detailed reports from management setting out proposals for its conversion to non-profits. The Sub-Committee reviewed and challenged the proposals with a view to ensuring fairness of treatment for different tranches of WP1 policyholders. In addition, they considered the With-Profits Actuary's report on the final proposals following which they made a recommendation to the Board to convert all WP1 products to guaranteed bonus products. Having also considered the fairness of outcomes from the perspective of the non-profit policyholders, the Board approved the proposal, subject to FCA approval.
Regular updates on the progress of the modernisation programme	Throughout the year the Board continued to receive regular updates on the Group's modernisation programme. In addition to the benefits that customers will see (through areas such as improved online servicing and chatbots) they also considered the impact of the efficiencies, reduction in operational risk, operational resilience and strategic benefits that the programme will bring to the Group. All of these factors in turn helping to deliver the Group's purpose to create and protect member value.
Consumer duty	During 2022 the Member & Customer Sub-Committee received and challenged reports from management relating to the proposed approach to meeting the FCA's Consumer Duty Principles. This included review of planned further enhancements to some aspects of product reviews and value assessments; implementing a formal consumer testing process and providing clarity over expectations for consumer support. Following the acquisition of Beagle Street, implementation plans have been broadened to incorporate their requirements.
Operational resilience	During the year the Risk Sub-Committee and the Board reviewed and approved management's initial self-assessment of operational resilience. This included consideration of impact tolerances - beyond which interruptions to important business services risk causing customer harm. We have made good progress on improving and refining our scenario testing and our overall approach to resilience, including with our third party partners and suppliers, with further improvements planned over the coming year.
Cost of Living contribution to colleagues	The Remuneration Sub-Committee were asked to approve a 'Cost of living contribution' for colleagues earning £50,000 or lower. The Committee considered that although OneFamily supports colleagues through their benefits and wellbeing offering, more should be done in the short-term to help them through these exceptional times. The Committee assessed the contribution that would be provided to staff earning £40k or less and those earning between £40k and £50k, and the period it would be provided over. The cost of providing the support was considered by the Sub-Committee in making the decision to approve the payment. In December 2022 the Sub-Committee considered the continued challenges facing colleagues and agreed to a further one-off fuel allowance payment in January 2023 for those earning under £40,000.

In the following tables, further details are provided of how the Board and management have engaged with, and considered the views of stakeholders in their actions during the year.

Members and customers	Colleagues	Regulators
How we engage		
AGM	'Talking Family' colleague engagement forum with elected individuals	Regular meetings with Prudential Regulation Authority
Customer satisfaction surveys	'Breakfast with Teddy' sessions with the CEO	Communication of Board discussions and decisions to PRA and FCA
OneFamily Voice (online community)	Team, departmental and all company meetings	Participation (where relevant) in thematic surveys
Other customer research including online surveys, interviews and focus groups	Regular 1-2-1s with line managers	Open communication with HMRC and ICO
Social media	All colleague surveys	Triennial HMRC Business Risk Review
	Regular email newsletter	Updates to the Board on key interactions with the regulators by the Chief Risk Officer
	Intranet, Yammer and other digital channels	
	Wellbeing and diversity & inclusion events with guest speakers	
What they care about		
Good service and customer led engagement	The cost of living	That the Group has a long-term business model and remains solvent
Clear, fair and transparent products that meet their needs, offer value for money and are easy to access and manage	Getting a fair deal and fair treatment	That the Group is operated in line with regulations and in the interest of customers and members
Clear strategy	Knowing their voice is heard	That the Group is operationally resilient and sustainable
Environmental and social issues	Environmental and social issues	That the Group is proactive and seeks to understand and work to comply with evolving regulation
Financial security and particularly protection of loved ones in the event of illness or death of a family member	Ensuring Health and Safety is taken seriously, including mental health and wellbeing	That the Group acts as a good custodian of member capital
Creation and protection of value	Personal growth and career development	That the Group is applying tax legislation appropriately both as a business and for policyholders
How the organisation is governed and that rewards for directors are not disproportionate	Hybrid working feasibility	That the correct level of tax is paid to HMRC
How we distribute member value	OneFamily's purpose	Good governance and culture
Good investment performance outcomes	Supporting our local communities and charities	
	Careful integration of Beagle Street	
	Equity, Diversity and Inclusion	

Members and customers	Colleagues	Regulators
The influence on our actions in 2022		
Further growth of outbound sales team to allow us to talk to customers about how our products support their financial objectives	Provision of a 'Cost of living contribution' over eight months to colleagues earning under £50k	Continued regular meetings between the compliance function and other business areas to ensure upcoming changes in regulation are acted upon
Membership proposition launched in 2022 with members being gradually invited to register for benefits	Additional one-off 'Winter Fuel Allowance' for colleagues earning up to and including £40k	Continued open communication with HMRC
Delivery of Chatbots to help improve customer interaction with us	Increased focus on colleague financial wellbeing	Continued enhancement of the operational resilience of key processes and material suppliers
Continued distribution of young person's education grants	WorkL colleague satisfaction survey undertaken	Continued focus on cyber security
Development, and approval, of a proposal to convert WP1 policies to non-profit guaranteed bonus policies due to the decrease in size of the fund	Refurbishment of the Brighton office to make it a more inviting and inspiring place to work, taking into account colleagues' feedback and suggestions	Implementation of Board approved plans for FCA's Consumer Duty, building on the strength of our existing frameworks and practices
Continued work to improve access to CTF account holders with limited capacity	122 colleagues supported initiatives in our local communities as part of our employee volunteering scheme	
External benchmarking of Executive remuneration by independent remuneration advisers	Learning at Work week to deliver sessions for personal growth and set out our learning offering	
Acquisition of Beagle Street to allow our members to access simple low-cost ways to protect their families	Induction of Beagle Street colleagues	
	Buddy system set up between Beagle Street colleagues and those already in OneFamily	

Third party partners and suppliers	Communities	The environment
How we engage		**Parties influencing our actions**
• Through allocated relationship managers • Holding regular partnership meetings for key partners • Intermediary satisfaction research	• Through grants • Through charity partners • Colleague volunteering days • Colleague fundraising matching	• Members and customers • Colleagues • Regulators • The wider community
What they care about		
• Collaborative, long-term relationships **Partners:** • Partnering for mutual success • Delivery to agreed service level agreements • Ring fenced data • Dedicated partnership support • Developing trusted partner relationships **Suppliers:** • Being paid on time	• Local people and places • Support of people in need • Access to education and training • Support finding people employment opportunities	• The OneFamily Group's impact on the environment • The provision of ESG funds for customer investment • The identification and measurement of financial risks associated with climate change
The influence on our actions in 2022		
• Development of new relationships with potential partners for the distribution of OneFamily products • Continuation of existing partnership arrangements • Development of mutual understanding of Operational Resilience and ESG matters	• Selection of a new national charity partner – RedSTART – voted for by our members • Continued support of three Brighton based charity partnerships which focus on providing access to education and training, improving life chances and fostering financial wellbeing • Corporate mentoring provided via IntoUniversity Brighton to help young people from disadvantaged backgrounds go to university and enter work • Continued provision of Young Person's education grants • Supported Age UK by hosting Christmas pub lunches for some vulnerable elderly residents of Brighton and Hove • Official partner with Brighton and Hove Pride, and this year's theme of 'Love, Protest and Unity' • Provision of colleague volunteers for charity partners and other charity organisations local to our offices	• Continued the integration of ESG investments into our non-profit funds • Reduced the running time of the plant in our offices to only operate during working hours • Reduced the amount of head office space we occupy and hence our energy requirements by sub-letting an additional floor • Ceased providing 100% fresh air supply to the office as had been required due to COVID restrictions which increased energy consumption • Commenced installation of a 3-pipe heat recovery system - we have selected the most energy efficient system available on the market • Commenced the decommissioning of the boilers which will end our use of gas • Commenced the decommissioning and removal of redundant chillers

Inspiring Better Futures

We're owned by our members for our members. This means we don't have shareholders to pay, so we can reinvest our profits to benefit our members and their families. Put simply, we can reinvest our profits for good.

As a member-owned business, we want to have a positive impact on those around us and make a real difference. Our **Inspiring Better Futures** vision underpins our commitment to supporting our customers and communities, creating an inclusive and diverse work environment, and investing in companies that are working towards tackling climate change.

We've built our vision on three pillars to make sure that we stay focused on the right areas

Members and customers

Doing right by our members and customers through offering affordable and accessible products to suit their needs, while providing outstanding customer service and support.

Colleagues

Supporting our colleagues' development and making our workplaces somewhere they can be themselves and thrive.

Communities

Giving back to our communities through our charity partnerships and employee volunteering, promoting a culture of making a positive impact.

Supporting our members and customers where they need it most

We're here for our members and customers. We want to create value for them, as well as supporting them with their financial wellbeing through our products, services and member benefits.

How we're providing this support to our members:

Promoting financial inclusion

As a socially responsible company, we think that financial products should be accessible to everyone regardless of how much money they have to invest. That's why we offer our members products that have low investment levels and minimum contributions, giving people the opportunity to save who otherwise might have been excluded due to affordability.

Our products – such as our **Junior ISA** – make it possible to enjoy the benefits of investing in the stock-market for just £10 per month, giving ordinary families the opportunity to beat the impact of inflation over the long-term. Our customers can also save for their future with our straightforward, climate-friendly **Stocks & Shares ISA**, which can be managed without needing an investment expert.

Delivering excellent customer service

We put our customers at the heart of everything we do, and our friendly customer service team are there to support them and meet their needs.

Our customers have rated us highly, with an overall score of 93% for customer service experience, and 89% of our customers saying they would recommend us to family and friends[2]. They've also rated us 4.5/5 on Trustpilot[3].

Providing extra support

We're here to help our members through the difficult times as well as the good. We've created online support pages to help customers through bereavement, to manage their finances and find out more about how we can support them with disability or illness.

Creating value for our members

We're continually looking for ways to create more value for our members, whether that's through the products we offer or the benefits they can access.

Member benefits – new for 2022

2022 saw us rolling out our member benefits offering to our members, providing access to a range of fantastic benefits, including discounts on shopping, days out, electronics and much more. As at January 2023 over 21,000 members have registered for their benefits, and we'll continue to invite more members to sign up.

We also continued to pay independent lifetime mortgage advice fees on behalf of our members, their friends and families through our OneFamily Advice service. This whole of market equity release advice can help asset-rich but cash-poor people over 55 to live a more comfortable life.

37 members took advantage of this benefit during 2022, saving a combined total of over £35k in advice fees.

Free Will for our members

In 2022 we partnered with legal experts, HoneyPro, to provide a free Will for OneFamily members, helping them take the vital steps to protect their family and assets. Having a Will is the only way you can be certain about what will happen to your money and assets when you're no longer around, so we wanted our members to benefit from having this extra peace of mind.

[2] Source: Bright survey, January 2023
[3] As at January 2023

Improving access to education

Young Person's Education Grants

Our commitment to supporting access to education and training led us to create our Young Person's Education Grants initiative in 2019. The costs associated with further education can be a barrier for many, and with the cost of living crisis ongoing this is likely to affect more and more families.

Customers can apply for a grant for someone aged 15-19 to help with laptops, travel costs, equipment and much more.

In 2022 we awarded over £52k to 210 young people, helping them to invest in a better future.

Here's what one of our 2022 grant recipients had to say:
'My daughter is doing A levels and the costs of textbooks, clothes, food and travel along with the rising cost of living meant that a computer was out of the question. The grant came just in time for the heavier second year revision and allowed us to breathe a sigh of relief that she wouldn't have to stay at school to use the technology.'
2022 grant recipient

Apprenticeship levy

We contribute funds into a Government Apprenticeship Levy scheme, which we use to provide apprenticeship opportunities to our colleagues. However, we also make some of the funds available to our members to support them with their professional development.

Helping our colleagues to thrive

How we support our customers is determined by how we run our business and treat our colleagues. We want our workplaces to be diverse, inclusive and supportive – where everyone can be themselves and feel like their wellbeing is a priority.

Here are some of the ways we put this into action in 2022:

Colleague development

Everyone should have opportunities to develop within their role at OneFamily. Here are some of the ways we supported our colleagues' development in 2022:

- We ran a Communication Coaching and Feedback programme for managers, with several workshops having now been delivered across the business. The purpose of the programme is to enable effective and continuous conversations between managers and their teams
- The introduction of our Personal Growth page on our intranet created a place for social and bitesize learning for our colleagues. The 'midweek minutes' were particularly successful, covering topics such as Stephen Covey's Seven Habits, continuous improvement and navigating change
- Four of our colleagues are being supported with internal apprenticeships in marketing, customer data, learning and development and business analyst roles

Equity, diversity and inclusion

Our Equity, Diversity and Inclusion (ED&I) programme continued to grow in 2022, following its successful launch in 2020. We're focused on creating the right environment for our colleagues to feel like they truly belong.

- Our ED&I advocate group facilitated the support of key events in the ED&I annual calendar including Time to Talk day, Mental Health Awareness week, Pride month and Black History month
- We ran a session on the effects of the menopause and will continue this work in 2023, working with external specialists to help managers support those who are impacted by menopause symptoms
- An internal survey tool was created to understand more about our colleagues and help shape our future activities
- We signed up as part of the 10,000 Black interns programme, with two internships taking place during the summer. We received great feedback from the interns on how colleagues were always ready to offer advice and support. Lessons were also learned, which will be utilised for the 2023 cohort
- We continued our relationships with Stonewall, Race at Work Charter, Women in Finance and the Disability Confident Scheme. We also signed up to Diverse Sussex and the AFM's Mutual Diversity Alliance

ED&I Awards

We were highly commended in the 2022 UK and Europe annual awards run by InsuranceERM.com for our contribution to Diversity & Inclusion excellence. This was a fantastic achievement following the launch of a more strategic focus on ED&I, which included:

- Appointing an executive sponsor for each pillar of ED&I – gender, multigenerational, LGBTQ+, race, social mobility and disability
- A mentor programme for female talent to support internal promotion into senior roles, as a continuation of our involvement in the Women in Finance Charter

We were also Financial Times – Diversity in Finance Award winners in the Championing Social Mobility category. The awards aim to showcase the best initiatives, campaigns and success stories over the past 12 months when it comes to diversity and inclusion in the financial services sector.

Gender

Gender equality and pay

Our 2022 Gender Pay Gap Report can be found on our website at https://www.onefamily.com/company-information/. This is a government initiative which encourages organisations to promote the right practices and culture in the workplace. The report illustrates the difference between the average and median pay of all men and women in a workforce expressed as a percentage of men's pay.

As an organisation our colleagues are made up of 47% female and 53% male (2021: 46% female/54% male), but with females holding a larger proportion of the more junior roles. Our senior manager positions are currently made up of 34% females (2021: 31%), and we continue to work to increase the proportion of women in senior roles through our recruitment and leadership progression.

We continue to be committed to the Women in Finance charter that aims to build a more balanced and fair industry.

Wellbeing and support

We aim to support our colleagues' financial wellbeing as well as our members'. From July 2022 we paid a monthly 'Cost of Living Contribution' to our colleagues on mid and lower salaries, who are most adversely affected (around 83% of our team), to help alleviate concerns through the continuing cost of living crisis. This monthly payment will continue until March 2023 when salaries will reflect changes following the annual pay review.

We ran a number of activities throughout 2022 to support colleagues' mental and physical wellbeing, including:

- Running a 'Tackling Loneliness' podcast discussion during Mental Health Awareness week, with further mental health talks arranged with a qualified psychotherapist
- Continuing to run regular sessions of pilates, breath awareness, seated yoga and meditation, as well as a resilience session to help alleviate stress and anxiety and providing discounts with a local gym provider
- Offering life coaching sessions with a professional Life Coach
- Arranging a Financial Wellbeing/Money Mindset talk as part of Talk Money week in November 2022, as well as running a number of individual Financial Wellbeing sessions for colleagues
- Promoting existing core colleague benefits, including our Employee Assistance Programme and Mental Health First Aider signposting. We also ran some bereavement counselling sessions for colleagues affected by the death of a team member

Talking Family

Talking Family is our internal employee forum, which provides impartial representation, support and guidance on a wide variety of issues. It also facilitates communication and consultation between the company and employees.

Talking Family was there for colleagues in 2022 through:

- Encouraging open and honest feedback and engagement at all levels across the business
- Providing representation for colleagues and supporting them on a one-to-one basis
- Helping with concerns that have arisen as a result of the pandemic and the current economic climate

Colleague engagement

We changed our engagement survey supplier in 2022, choosing WorkL to carry out our company-wide engagement survey in November. The survey covers six main areas of engagement and happiness at work: Reward & Recognition, Information Sharing, Empowerment, Wellbeing, Instilling Pride and Job Satisfaction.

There was a great response rate of 78%, with an overall engagement score of 71%. Having aimed to achieve a score of 60–69% to be comparable with the Best Companies One Star rating we achieved last year, we were delighted to have exceeded this.

We've already identified some areas of success, specifically the responses to the following statements:

I have a good relationship with my manager – 86%
I am treated with respect – 81%
I am happy with my working environment – 80%

We'll continue to work together to maintain these scores throughout 2023. As well as the positives we've seen some areas that we want to focus on, such as the number of colleagues experiencing some form of anxiety.

Giving back to our communities

Playing an active role in our communities has always been part of our mutual ethos. And that doesn't just amount to donating funding to good causes – we get involved on a practical level as well.

How we got involved in 2022:

Volunteering

Our employee volunteering programme went from strength to strength in 2022, with our colleagues having up to three paid days to volunteer with causes of their choice. For us, it's important that we roll up our sleeves and get stuck in where we can.

Colleagues took part in over 200 volunteering sessions in 2022! From sorting stock at a Whitehawk Food Bank to handing out leaflets to raise the profile of Brighton Unemployed Centre Families Project, we're helping where charities need it most. And that's rewarding for our colleague volunteers too.

We took part in six "mock interview" days and helped run a careers panel with Spear Brighton Trust, giving young people who are not currently in education or employment a taste of what job interviews are like in a safe and supportive environment. We also had the opportunity to spend time with them afterwards, offering feedback and explaining what interviewers are looking for.

Some of our colleagues made a difference in our local communities by helping with gardening, site maintenance and litter picking on Brighton beach. Others picked up a paint brush to help Brighton charities such as Esteem and Off the Fence to spruce up their buildings.

Mentoring

As well as participating in volunteering days, some of our colleagues have made a longer-term commitment by mentoring a young person via **Into**University's corporate mentorship programme.

OneFamily volunteer mentors were teamed up with sixth form college students with the aim of helping them to work out their priorities after they finish their A-levels.

Our mentors are guiding students on writing their personal statements for university, finding relevant work experience and preparing for university life.

They're also discussing other options with those who want to follow a different path.

In July 2022 we welcomed the students working with **Into**University to our Brighton office, to take part in a 'Business in Focus' workshop exploring the skills needed to thrive in the business world. OneFamily volunteers joined the teams as mentors and helped guide them through their tasks.

Charity matching

We match our colleague's fundraising up to the amount of £500, helping them to donate as much as possible to the causes they care about. We contributed over £8k in 2022, supporting Mind, British Heart Foundation, Wales Air Ambulance Charitable Trust and many more.

Charity donations

At the start of 2022 we donated funding to two community projects set up to help families in the Brighton area.

Whitehawk Food Bank, which has fed over 22,000 people since 2015, and the Brighton Unemployed Families Centre Project (BUCFP), which supports some of the most disadvantaged people in the city, both benefited from the funding.

Charity partnerships

We've created long-term partnerships with charities that share our goals to support access to education and improve life chances for people from disadvantaged backgrounds. We're proud to be providing each charity with financial assistance and hands-on support.

Meet our incredible charity partners

RedSTART
www.redstarteducate.org

In June 2022 our members voted RedSTART to become our new national charity partner. The charity was set up to improve financial education for children, working with 49 primary schools from across the UK to transform the life chances of some of the UK's most disadvantaged children.

We believe that access to financial education and support is key to financial wellbeing, and a fundamental right for everyone. So, we're delighted to be working with a charity that shares this belief.

We're supporting RedSTART with their new research programme, Change the Game, which aims to find out how learning about finance in primary school can help people later on in life.

RedSTART will be working with King's College Policy Institute on the seven-year study, and they plan to take the results to the government to petition for financial education to be added to the UK primary school curriculum.

"Our ultimate aim is to no longer be needed," said Sarah Marks, RedSTART CEO. "If we can convince the government to recognise the critical gap in educational provision and take on board our recommendations, then we will be well on course to achieving that objective."

As well as providing funding, we'll also be supporting them through employee volunteering in 2023 and beyond.

Team Domenica:
www.teamdomenica.com

Team Domenica is a Brighton-based charity that supports young people with learning disabilities to develop the skills, confidence and independence they need to reach their full potential in work and life. Their vision is for people with learning disabilities to be valued in the workplace and feel included as members of society.

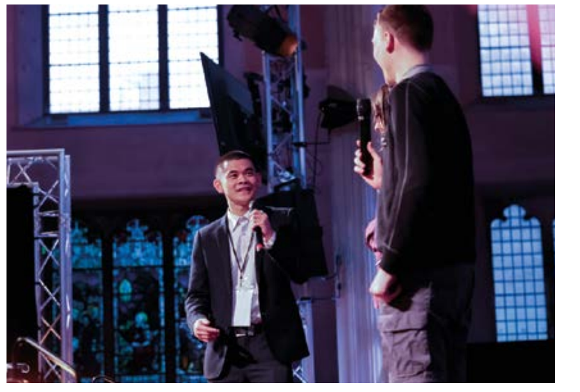
The charity aims to increase opportunities to gain and sustain work, and since opening in 2016 a massive 84% of their candidates have achieved paid employment through their Supported Internship Programme.

In 2021-22, they supported 82 young people to build a brighter future for themselves, and that number will rise to 100 in 2022-23.

Through our partnership, we're able to support Team Domenica both financially and through hands-on support.

'The support we've had from OneFamily and their staff community has been fantastic. Not only have team members been fundraising towards the training of our young people, but they have also been supporting the re-launch of our catering service and even came in to give our centre a complete make-over. Team Domenica is quite literally a different place thanks to their help.'

Greg van Heeswijk, Head of Fundraising at Team Domenica



Spear Brighton Trust:
www.spearbrighton.org

Spear Brighton Trust support 16- to 24-year-olds facing barriers to work, who are not in education, employment or training (NEET). Their Spear Programme offers young people in Brighton the opportunity to gain vital skills and challenge their mindset, enabling them to find their place in society and succeed in long-term employment.

Youth unemployment has a significant impact on an individual's physical and mental health. And this can have a knock-on effect on communities and society as a whole.

Spear Brighton work with up to 90 young people per year, providing coaching, interview practice and support to find a job and succeed in work. A massive 82% of their 2021-22 trainees are either in employment, education or training after 12 months of finishing the programme.

We're working with the charity to provide funding, as well as volunteers to help with mock interview skills.

'We hugely value our partnership with OneFamily. The funding they provide really makes a difference and releases us to work with young people facing significant barriers to employment, supporting and challenging them to ignite a vision of the possible. Thank you OneFamily for your enthusiasm and dedicated support!'

Hannah Stone, Centre Manager at Spear Brighton

The Clock Tower Sanctuary
www.thects.org.uk

The Clock Tower Sanctuary's vision is to help young people experiencing homelessness to move from crisis to stability.

They run the only drop-in day centre in Brighton & Hove for young people aged 16-25 who are either homeless or insecurely housed. They're committed to providing a safe, relaxing space where young people can do day-to-day things like cooking, showering and laundry. The charity also helps with registering with a doctor, benefits and finding a job. 108 individuals visited their centre in 2021, and 43% of the young people they worked closely with moved into safe and suitable accommodation.

We're working with The Clock Tower Sanctuary to support them both financially and through colleague fundraising, helping them with their mission to make Brighton and Hove a city where young people's experience of homelessness is rare, brief and non-recurring.

'With Clock Tower, I finally feel like I'm not fighting for everything on my own. Coming here has given me so much more to live for – it means I don't have to go without food, a shower, or conversation. I now see potential in my life and feel that I'm on way towards a much better place. It's so much more than just a place to come and have food or a shower. The people here have helped me find strength that I'd forgot I had.'

Esther, 24 (she/her), service user

IntoUniversity:
www.intouniversity.org

IntoUniversity offers an innovative programme that supports young people from disadvantaged neighbourhoods with further and higher education, employment and work-based training.

Their mission is to provide local support that can break cycles of disadvantage and open up new opportunities for young people.

They now have 39 centres and extension projects across England and Scotland, supporting over 46,500 young people each year to reach their full potential. These centres offer a safe space to learn, explore and succeed, located in young people's neighbourhoods.

In every location they bring about positive and measurable change, helping young people to realise their ambitions and achieve their academic potential.

We're working with **Into**University to provide funding and support their mentoring scheme, which matches students who attend their Brighton learning centre, and who are applying to university, with a mentor to guide them through the application process and help them to prepare for university life.

'This year OneFamily has supported IntoUniversity Brighton's Mentoring Scheme by providing 8 Corporate Mentors who have been matched with Y13 students who are applying to university. As well as financially supporting the work we do, the team really appreciate the time volunteers have spent supporting our students this year. We look forward to developing and growing the partnership in the coming years.'

Robyn, **Into**University Brighton Centre Leader

Environment

We're working towards providing responsible investment opportunities and supporting businesses striving to be better for the environment, as well as reducing our own carbon footprint and committing to continually improve our operations.

Our offices

Some of the practices we implement in our offices:

- Recycling initiatives: centralised collection points on all floors to encourage and enable efficient recycling
- Motion sensor LED lighting installed in the Brighton office to reduce electricity consumption
- A 'no waste goes to landfill' policy – currently operating in the Brighton office with a view to roll out across all sites if possible
- Compliance with the Energy Savings Opportunity Scheme, where we assess our energy use and identify efficiencies, and with Streamlined Energy and Carbon Reporting, where we measure our carbon footprint and look at ways to reduce/offset this
- We're in the process of replacing our existing boiler and chiller system with a more modern energy-efficient system

Investing in climate-friendly funds

Our **ISAs** and **Lifetime ISAs** are invested either entirely or partially in climate-friendly funds. By choosing to invest in these funds, our customers can add their voices to the growing group of people using the power of their investments to incentivise companies to keep fighting climate change. The more money that is invested in climate-friendly funds, the more companies sit up and listen. It's becoming more and more important for companies to attract investors who care about the environment, and our ISA and Lifetime ISA customers are helping to hold companies accountable.

Summary

Our Inspiring Better Futures vision has never felt so important.

2022 has been a very difficult year for many, with the cost of living crisis and inflation being at a more than 40-year high. The effects of this have been monumental, from homelessness to loneliness to foodbanks struggling to meet demand.

At OneFamily, we recognise that we can make a positive difference to our members and communities – however small. Whether that's by offering additional support to a customer struggling to make their payments or donating our time and funding to a local cause.

We can't predict what 2023 might bring. But we can commit to continuing to do the right thing for our members, colleagues and communities, investing in a better future for us all.

Risk management report

Effective risk management is essential in enabling us to create and protect value for members.

The Board-approved risk culture, strategy, appetite and risk management framework articulate the approach to managing current and emerging risks to our objectives.

In our day-to-day business activities, we are exposed to a variety of risks. Looking forward, these risks may be magnified or dampened by current and emerging external trends which may impact upon our profitability and viability. This includes the risk of failing to adapt our business model to take advantage of these trends. The table of principal risks and uncertainties in this section describes these risks, and trends, and how these are managed.

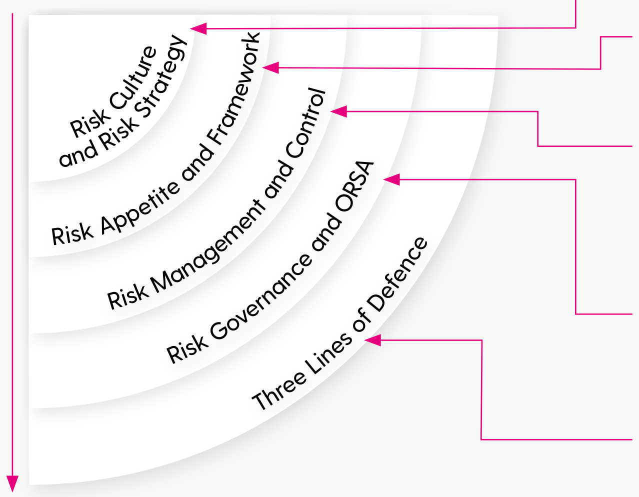
To limit the level of risk exposure the Board has established a risk appetite which it reviews, at least annually, in the context of the current business and economic conditions. This covers areas such as capital, liquidity, market risks, insurance risk, ESG (environmental, social and governance) and operational risk.

Risk management framework

OneFamily's risk management framework is the foundation for the delivery of effective risk management and control. It seeks to ensure that risks are identified, assessed, controlled, monitored, managed within the approved risk appetite and reported through established governance routes in line with delegated authorities. The risk framework is an enabler to delivering the risk strategy; to take rewarded risks that are understood and consistent with our purpose and business strategy while ensuring that we remain compliant with all regulatory and legislative requirements, as well as internal policies.

Risk Management Framework

The Board
The Board sets the risk strategy and the risk culture expectations, approves the risk appetite and risk framework and helps ensure oversight of risk management.



Risk culture expectations ensure performance, risk and reward are aligned. The risk strategy establishes the principles for risk management aligned to the business strategy.

Risk framework ensures our risks are managed within Risk Appetite.

Risk management and control includes identification and assessment of risk, operation and testing of controls, adherance to policies, processes and procedures, operation of stress testing and emerging risk analysis.

Governance ensures there are clear lines of accountability and authority for risk with sufficient risk reporting and monitoring to support oversight and decision-making. The ORSA is a key tool to support strategic decision making, providing a forward looking view of capital and risk aligned to the business plan.

The three lines of dfence provide assurance over the effectiveness of risk management.

Risk culture

Central to operating within this appetite are the risk culture expectations set by the Board. These promote a culture of openness and transparency in decision making and managing risks, and balance performance with principles to do what's right for the business and customers. The Remuneration Sub-Committee measures performance and guides remuneration with reference to cultural factors such as adherence to risk and control requirements, adequacy of governance and conduct risk.

Risk governance

To enable appropriate focus on risk matters, the Board has delegated oversight of risk management to the Risk Sub-Committee, although ultimate accountability for risk management continues to reside with the Board. The Risk Sub-Committee also monitors the impact of regulatory change and receives reports on regulatory compliance. The internal control framework is overseen by the Audit Sub-Committee. The Risk Sub-Committee and the Audit Sub-Committee are comprised of independent non-executive directors.

OneFamily operates a three lines of defence model for risk management. The first line comprises management and colleagues in the business and shared functions who are responsible for identifying, managing and reporting risks in their areas.

The second line is the Risk and Compliance teams who advise, challenge, monitor and support the first line on dealing with their risk exposures. The second line produces independent reports on its opinions for the Board and Executive team which includes close challenge and oversight of business plans and strategic initiatives.

The third line is the Internal Audit team which provides reasonable assurance as to the effectiveness of control frameworks operated by both first and second lines of defence.
A number of management committees fulfil important roles in supporting the challenge and oversight of risk matters. These include:

- The Capital Management and Reporting Committee – covering matters relating to capital management, Own Risk and Solvency Assessment (ORSA), financial reporting and the actuarial key function
- The Conduct Risk and Culture Committee – covering matters relating to conduct risk, culture, financial crime and data protection
- The Executive Operational Resilience Group – covering the oversight of the operational resilience strategy and associated risks relating to third parties, technology, cyber security, people, process and premises
- The Executive Investment Committee – covering matters relating to the development of investment strategy and the management of investments in line with the investment strategy and risk appetite

Own Risk and Solvency Assessment (ORSA)

The ORSA is an ongoing assessment of the risks to which OneFamily is exposed and an evaluation of the sufficiency of capital resources and risk mitigation strategies to support delivery of the business strategy over the plan horizon. The ORSA assesses:

- The quantity and quality of the risks which we seek to assume or to which we are exposed
- The level of capital required to support those risks
- The mitigation actions we will take to achieve and maintain the desired levels of risk, and also the actions required to ensure capital levels remain adequate

The assessment considers both the current position and the positions that may arise during the planning period (typically the next five years) and beyond. It covers the whole of the business written, including the risks arising from non-insurance subsidiaries considering both the expected outcome as per the business plan and the result of applying a range of stress and scenario tests, which explore conditions where the plan assumptions may not materialise as expected.

The ORSA process supports the Board in considering the impact of business plans on its financial strength, and risk profile, over the medium-term. The assessment of how much risk to accept and how much capital to hold are inextricably linked. In some situations, it may be desirable to increase the amount of risk taken or retained to make the most efficient use of capital available. In other situations, if the risks borne are not expected to generate sufficient return or could, in aggregate, give rise to a capital requirement greater than the capital available to support those risks, it may be necessary either to reduce the risk exposure or to take other capital management actions.

The assessment consists of a range of specific activities and decisions carried out at different times of the year as part of an annual cycle. This cycle is supplemented, as necessary, by ad-hoc assessments of the impact of external events and developments and internal business changes.

A key part of the ORSA process is the monitoring of triggers linked to the risk and capital management frameworks. These are monitored on a regular basis to establish whether an ad-hoc assessment of capital available and capital required should be performed. The result of any ad-hoc assessment may generate management actions which may include expense reductions, risk transfer transactions such as a reinsurance or hedging transaction and asset de-risking or portfolio rebalancing.

Papers are presented to the Board throughout the year dealing with individual elements that make up the ORSA process. The information contained in those papers and the associated decisions taken are summarised in an annual ORSA report, which is approved by the Board on the recommendation of the Risk Sub-Committee and submitted to the regulators as part of the normal supervisory process.

Principal risks and uncertainties

Our current principal risks and uncertainties, with their corresponding actions to manage and mitigate these risks, are summarised in the following table. These include risks to the sustainability of the business model, risks to solvency and liquidity, and risks to customer outcomes.

The war in Ukraine, wider geopolitical tensions, supply chain disruptions, the inflationary environment and economic responses post-pandemic bring uncertainty and heightened risk for a number of the principal risks we face, notably strategic, economic and cyber risks. We continue to monitor the potential impact on our principal risks and uncertainties and take mitigating action accordingly.

Risk	Impact	Management and mitigation	Out-look[4]	Change from last year
Strategic Risk: Risk of not delivering a sustainable operation caused by failing to achieve operating cost efficiency or effectively managing the change agenda	• Our financial position could be impacted if our operations require more resources or more costly resources than anticipated, for example due to changed regulatory expectations, increase in desired service standards, lower level of adoption of automated servicing or higher complaints. • The ability to deliver the efficiencies and strategic benefits from change programmes on time and within budget could be adversely affected by insufficient resource and capabilities as well as ineffective scheduling, oversight, business case, prioritisation or over optimistic assumptions.	• Strategic modernisation programme in place to deliver reduced operational costs. • Continued investigation of options to reduce cost and drive efficiency. • Robust prioritisation, oversight, scheduling and coordination of all business change (including the modernisation programme and the integration of Beagle Street) through a single programme governance framework, overseen by the Executive Steering Committee.		• The acquisition of Beagle Street provides opportunities to drive greater cost efficiency. • Some in year cost savings and maintenance cost reductions were identified and delivered in 2022 including efficiencies in operations such as speech analytics. • The strategic modernisation programme is well advanced and set to deliver its first major implementation in 2023, setting the basis for further efficiency improvements.

Risk	Impact	Management and mitigation	Out-look[4]	Change from last year
				• While the long-term outlook is assessed as reducing, the immediate outlook is assessed as stable given the short-term need to deliver significant change and integration activity.
Strategic Risk: Risk that member funds are allocated to new business and fund retention initiatives which fail to produce an adequate return on capital	• A prolonged recession coupled with cost of living challenges may reduce customers' ability to save and maintain insurance premiums. There is the potential for this to be offset by demand from a growing need to address the "protection gap". • While we operate in customer markets where there is strong demand, we face risks of failure to maintain competitive positions and risks associated with the business models and decision-making of third-party distributors. • Investment market volatility and actual or anticipated falls in asset values may undermine customers' confidence in stockmarket based investment products – although inflation concerns may increase the appeal of real investments for those with long-term time horizons. • Our direct sales channels (OneFamily Advice and the non-advised telesales operation) broaden our routes to market but face risks of maintaining the scale and efficiency required to ensure future profitability.	• Product development, in particular in the protection space, means we can play a fuller role as a mutual life insurer in supporting better social outcomes by protecting more customers, supported by own and acquired capabilities and the capabilities of the modernised platform. • Broadening distribution channels and increasing the quality of distribution. • Regular challenge of business cases for new product and distribution initiatives including product profitability. • Increasing the number and sources of leads for direct sales and growing our team of advisers and telesales colleagues. • Continuing to seek opportunities for new distribution partnerships and robust due diligence of third parties.		• The acquisition of Beagle Street provides opportunities for profitable income streams from the direct and partnership channels. • We have temporarily withdrawn lifetime mortgage products during this period of market uncertainty. • We have secured new reinsurance terms for the Over 50s portfolio.

[4]**Trends:** Stable Increasing Reducing

Risk	Impact	Management and mitigation	Outlook[4]	Change from last year
Operational Risk: Cyber & Operational Resilience	• **Cyber:** Third parties and other unauthorised users may attempt to gain access to our systems for misuse of customer and company data, or to disrupt the business using malware and viruses. This could lead to corrupted or lost data, business interruption, compliance breaches, regulatory fines and reputational damage. The war in Ukraine increases the risk of cyber-attacks targeting the UK Financial Services sector. • **Operational Resilience:** We are exposed to the risk of causing intolerable levels of disruption to our customers and stakeholders if we cannot maintain the availability of our important business services within impact tolerance levels when faced with major IT, operational or third party disruptions. • **Third Parties and Outsourcing**: We have a number of material relationships with outsourcers and third parties. Whilst these providers complete processing or specialist work, we remain fully responsible for the oversight, management and performance of the outsourced activity. We may be unable to meet our customer obligations following the failure of, or a significant degradation in, service received from a material outsourcer or third party.	• **Cyber:** Investment in line with the Cyber Strategy to reduce exposure to vulnerabilities and strengthen controls, with the modernisation programme planned to make a significant contribution. Ongoing pro-active monitoring, prevention and testing including testing of cyber security awareness are key parts of our training programme. Continued review of our arrangements to ensure that cyber investment remains appropriate to mitigate the continued and changing nature of cyber risk. • **Operational Resilience:** Ongoing programme in place to maintain and enhance Operational Resilience with an ongoing stress testing and resilience gap closure overseen by the Risk Sub Committee. • **Third Parties and Outsourcing:** Continuous programme of review and due diligence over the key third parties to identify and manage potential weaknesses including resilience, continuity and cyber risk. Reviews of contingency plans for planned and stressed exits of third parties.		• **Cyber:** Continued investment in cyber capability to ensure skills, training, monitoring and incident response preparedness keep pace with the evolving threat landscape. New immutable backup technology has been deployed alongside more robust privileged access management controls. The outlook for the number and severity of cyber security incidents for corporates in the UK is expected to increase into 2023 with higher levels of sophistication and targeting. • **Operational Resilience:** A number of gaps have been addressed covering cyber and operational controls. Further testing and contingency planning has been undertaken to mitigate against the impact of potential power outages, postal strikes and prolonged outages of key third parties. • **Third Parties and Outsourcing:** All material suppliers are covered by the third party risk management framework, with the majority having workable contingency plans or alternatives available to support operational resilience.

Risk	Impact	Management and mitigation	Outlook[4]	Change from last year
Operational Risk: People risks	• Delivery of the OneFamily strategy and business plan is dependent on attracting and retaining a talented, diverse and engaged workforce with the specialist skills and capabilities required to drive an increasingly digital business with the envisioned levels of new product and proposition development. • The recessionary outlook may impact our colleagues and in turn, productivity, wellbeing and retention. • The sustained competition in the labour market increases the risk of loss of key personnel. • The modernisation programme, Beagle Street integration and other business initiatives has the potential to create periods of uncertainty for our people.	• Ensuring our Employee Value Proposition aligns with what motivates and attracts colleagues, including development, wellbeing and establishing strong talent pipelines. • Operating model focus on increasing productivity, creativity, and engagement through the hybrid working model, which includes engagement surveys, wellbeing and health support measures, frequent CEO communication and increased social media presence. • Clear prioritisation of support for staff throughout the modernisation programme. • Aggregate management of the impact of the business plan on employee stretch is considered carefully in strategic decision-making with line management alert to signs of stress. • Focus on Equity, Diversity and Inclusion to strengthen our workforce.		• Above our historical average levels of staff attrition experienced. This has, however, provided opportunities for the career development of existing staff, while demonstrating the ability of OneFamily to attract new talent, motivated by a purpose led organisation focussed on its members and mutuality. • The outlook reflects an expectation of elevated levels of staff turnover and the prospect of further increase and recruitment challenges as the business continues through modernisation and with continued high levels of mobility in the employment market. • Financial support has been provided to the majority of colleagues to help with cost of living increases.

Risk	Impact	Management and mitigation	Out-look[4]	Change from last year
Operational Risk: Operational process (including compliance) failure	• Through our day-to-day operations, we are exposed to the potential for operational errors emerging or persisting, causing rework, backlogs and unplanned cost. • We operate in a highly regulated environment which is experiencing a period of significant change. • Our regulatory footprint is also impacted by developments in the business such as the modernisation programme, acquisitions, potential restructuring of legal entities and funds and the development of new products, propositions and distribution arrangements.	• Operational Risk & Control Management Framework includes the tools and processes necessary to identify, measure, manage, monitor and report on the operational risks which includes tracking of known operational issues, capacity planning and backlog management. • Modernisation programme includes a number of initiatives designed to increase operational efficiency and reduce error levels. • Ongoing risk assessment of the impact of modernisation on the risk profile, including areas of potential compliance risk form part of programme governance. • Regulatory monitoring reviews, regulatory change tracking and integration of new regulatory requirements within our change management processes ensures we assess our compliance levels and take action to remain compliant over time. • Second line reviews of major projects, acquisitions and product developments help ensure major changes are developing in line with regulatory expectations.		• The outlook is shown as decreasing reflecting the anticipated simplifications and control enhancements of modernisation, albeit with potential for some temporary process volatility as the transition to the new platform occurs. • The regulatory footprint of the Beagle Street acquisition has been assessed with plans developed to ensure this is integrated in line with compliance obligations.

Risk	Impact	Management and mitigation	Out-look[4]	Change from last year
Market Risk: Risk of adverse fluctuations in values of, or income from, assets or in interest or exchange rates	• Equity risk is our largest financial risk. • Falls in gilt yields will also have an adverse impact due to the nature of insurance liabilities. • Increased inflationary expectations continue, exacerbated by the war in Ukraine. Rising inflation will have some direct impact on the costs of running the business. • We might, however, expect more significant impacts from the effects of high inflation on asset valuations and the challenges faced by our customers in meeting large rises in the cost of living, which in turn could reduce their ability to make discretionary investments.	• Monitoring market status and impact on solvency coverage ratios. • Assessment of potential short and long-term implications of the market movements. • Investment Strategy defined in line with the Prudent Person Principle. • Further emphasis on asset and liability matching (ALM), including through changes to the investment manager for non-linked funds.		• Geopolitical risk has increased significantly with the war in Ukraine, bringing with it heightened market risks, particularly those driven by inflation. • Additionally, forecasts for economic growth and recovery reflect an uncertain outlook due to potential impacts arising from the cost of living, energy and supply shocks and, over the medium to long-term, shifts and disruptions in the market as industries make changes to reduce carbon emissions.
Insurance Risk: Risk of loss due to adverse deviation of claim payments from expected when pricing products and setting the technical provisions	• We have long-term liabilities which are sensitive to adverse variations in lapse, surrender, mortality, morbidity and longevity rates as well as the risks related to expenses and reinsurance terms. With regard to Over 50s Life Cover claims there is a risk we are selected against due to the non-underwritten nature of the product. • The economic downturn may increase the level of lapses and surrenders, while the level of strain on the NHS could increase mortality. • Longer term, the degree of change in mortality arising from COVID-19 impacts (including those surviving with impaired health) remains uncertain.	• Regular experience investigations to determine and respond to trends. • Capital management planning reviews appropriateness of techniques that could be employed to manage insurance risk. • Review of the reinsurance approach to test commercial and risk outcomes against alternative strategies.		• Latent impacts to health arising from Covid, and from austerity and the cost of living crisis bring increased uncertainty for insurers and reinsurers pricing morbidity, mortality and longevity risks. • Wider economic uncertainty will impact different groups of customers and is anticipated to lead to increased lapse rates.

Risk	Impact	Management and mitigation	Out-look[4]	Change from last year
Conduct Risk: Risk that our behaviour or actions result in detriment or unfair outcomes for our customers	• We are exposed to the risk that we fail to deliver fair outcomes for our customers leading to adverse customer experience and potential customer detriment. This could also lead to reputational damage and/ or financial losses.	• Our ethics, values and corporate culture, organisation structure and control functions put the customer at the heart of the business, with additional consideration for those customers deemed to be vulnerable. • Oversight and challenge of conduct risk exposures through the Conduct Risk and Culture Committee and escalation to the Risk Sub-Committee. • Product design and review processes help ensure customer needs and conduct risk are considered throughout the product lifecycle.		• Our Product Management framework has become further embedded during 2022. • Consumer Duty planning work was completed and implementation commenced under the oversight of the Conduct Risk and Culture Committee at a management level and the Member & Customer Sub-Committee at Board level. • The acquisition of Beagle Street has marginally changed the risk profile in terms of numbers of the customers being serviced and the type of products being serviced.

Risk	Impact	Management and mitigation	Out-look[4]	Change from last year
Strategic Risk: Risk of failing to appropriately prepare for and manage the risks and opportunities of climate change and other ESG risks	• We are exposed to the risk of failing to adequately respond to Environmental, Social and Governance (ESG) risks and deliver on our vision and purpose. This includes for example, failing to develop, adapt, promote and manage products or manage invested assets which meet customer and stakeholder expectations for ESG over time. This includes the wider reputational risk of not being seen to do the right thing. • In addition, we are also exposed to risks related to climate change as a result of both the transition to a low carbon economy and/ or the physical impact of more extreme weather patterns on the value of our current and future investment holdings, our operation and customer sentiment towards our products. • We are seeing increased intervention from governments and regulators to mitigate this risk. This in turn creates a risk that we fail to keep pace with new legislation and regulation by not developing or modifying propositions or adhering to disclosure requirements.	• Definition of the strategy and approach to ESG related risks, see Inspiring Better Futures section for further details. • Approach to managing financial risk resulting from Climate Change (as part of the risk management framework) covers opportunities, governance, strategy, risk management and metrics. (See Climate-related financial disclosure section). • Close monitoring of regulatory developments and adaption of our approach accordingly. • Continuing engagement with our third party investment managers on the need to address climate change.		• See Inspiring Better Futures section. • Further work conducted with our third party investment managers to develop management information will support future response to this risk.

Emerging risks

The ongoing identification and reporting of emerging risk is part of the risk management framework. During 2022 the Risk Sub-Committee reviewed an assessment of emerging risk facilitated by the Risk function, and the same assessment was used to inform the Board strategy process and business planning from July 2022. This identified some of the key emerging risks that could impact the Group's business model, future performance, solvency and liquidity over the next five years and considered their potential impact and likelihood. These included the impact of the Russia-Ukraine war, global trade tensions, the cost of living crisis, resilience and cyber risks, regulatory developments including post Brexit UK adjustments, adverse financial market factors (such as volatility and prolonged subdued asset valuations), inflation, skills shortages, demographic changes, competitive pressures, legacy technology risks and government action to recover its fiscal position post the pandemic. While climate change risk is considered a principal risk, due to its long-term time horizon and level of uncertainty it is also considered an emerging risk. Possible actions to mitigate the impact of these risks were either confirmed against activity already included in the business plan or considered for potential future business plans. The Risk Sub-Committee also reviewed the possible financial risk that could be presented by climate change, which is covered in the section on Climate-related financial disclosure below.

Risk developments in 2022

Consumer duty

In line with the July 2022 FCA publication of the final rules and guidance for the new Consumer Duty (which is aimed at setting higher standards of consumer protection across financial services) the Board approved a Consumer Duty Plan in October 2022. The implementation is in progress and focuses on activities which align to the four key outcome areas of Products & Services, Price & Value, Consumer Understanding and Consumer Support. Plan focus areas include enhancements to the product management framework and value assessments; implementing a formal consumer testing process and providing further clarity over expectations for consumer support. Governance structures are being reviewed and updated to ensure ongoing focus and accountability is embedded.

IT security/cyber framework

2022 will be remembered for the start of the Russian war with Ukraine. This conflict also increased global cybersecurity risks and the west consequently saw increased cyber attacks, particularly targeting critical infrastructure. As evidenced by continuing instances of high profile cyber security breaches for other corporates in the UK and elsewhere, OneFamily continues to have a high inherent risk exposure to data theft, conduct regulatory breaches (including financial crime) and customer service interruption due to IT systems failure. The implementation of the Cyber Strategy during 2022 has seen a number of enhancements to security controls and capabilities including the implementation of an immutable backup solution which reduces the risk of data loss from backups being tampered or altered by malicious intent, testing of our cyber incident response and the implementation of a privileged user management system. During 2022 the Risk Sub-Committee reviewed, and the Board subsequently approved, an updated Information Security Policy which has been re-aligned to the National Institute of Standards and Technology (NIST) Cyber Security Framework guidelines. The modernisation programme is a key initiative to address our legacy technology infrastructure risk through simplification and modernisation of our infrastructure.

Operational resilience

In March 2022, the first assessment of our operational resilience self-assessment was reviewed by the Risk Sub-Committee and approved by the Board. The assessment concluded that OneFamily is within its impact tolerances (beyond which interruptions to important business services risk causing customer harm) for all but a small number of extreme but plausible scenarios. The activity to help ensure OneFamily can remain within impact tolerances relies on the delivery of the modernised platform. We anticipate this will be achieved well before the regulatory timescale of March 2025. Further scenario analyses have been undertaken to test for potential threats to operational continuity including power and postal outages as well as service interruption and/or failure of material third parties and prolonged systems outages.

Third parties and outsourcing

In March 2022 the Risk Sub-Committee reviewed the outcomes of the work to develop and enhance our Third Parties and Outsourcing risk management approach. This included ensuring all contracts for material supplier arrangements were reviewed with contracts updated and with testing undertaken to explore the impact of effectiveness of arrangements to manage controlled exits and sudden uncontrolled exits which may arise from sudden supplier failure. A full suite of management information was developed and presented to the Risk Sub-Committee throughout 2022 to ensure visibility over our compliance with third party management requirements and risk position.

Climate-related financial disclosure

We believe that unmitigated climate-related risks present a systemic threat to societal and financial stability.

We aim to play our part in tackling the climate crisis we all face by doing the right thing – sustainably and responsibly – to reduce our carbon footprint.

We support the aims of the Taskforce on Climate-related Financial Disclosures (TCFD) and have voluntarily made climate-related financial disclosures consistent with its recommendations[5] against:

- Governance (all recommended disclosures)
- Risk management (all recommended disclosures)
- Strategy (all recommended disclosures with the exception of the provision of quantitative information across business division, sector and geography levels)
- Metrics and targets (We are consistent with metrics and targets (c), with exceptions in relation to cross industry, climate-related metrics (a) and scope 3 for (b). Metrics and targets for our climate friendly funds have however been included).

For the metrics and targets disclosures, further work is underway to review and develop the additional metrics and source data required to fully meet the requirements which include metrics relating to water, waste and resource usage.

Pillar 1 – Governance

Describe the Board's oversight of climate-related risks and opportunities (1a).

The Board retains ultimate accountability for climate-related risks and opportunities. In 2022 the Board approved the climate risk appetite, the climate analysis within the Own Risk and Solvency Assessment, and the climate related disclosures as part of the 2022 Annual Report and Consolidated Financial Statements. The Board approved the business plan which included objectives for greater integration of climate considerations into our own funds and customer funds together with activity aimed at reducing our scope 1 and scope 2 emissions.

The Risk Sub-Committee of the Board is accountable for overseeing all aspects of risk management, including climate-related risks. During 2022 it met four times, during which climate related matters were included within three of these meetings. The Risk Sub-Committee reviewed and approved for Board recommendation the climate risk appetite and reviewed changes to the climate risk profile, the physical and transition climate exposures and progress on our fund managers stewardship and engagement activities in relation to our major funds. The Risk Sub-Committee also reviewed the outcomes from the climate scenario analysis aligned to the PRA Climate Biennial Exploratory Scenario, the climate analysis included in the Own Risk and Solvency Assessment, progress against targets and the progress made on developing carbon intensity monitoring across our investment funds.

The Audit Sub-Committee met four times in 2022 and oversees internal controls and financial reporting procedures and recommends for approval the Annual Report and Consolidated Financial Statements. The Audit Sub-Committee reviewed the climate and related disclosures as part of the 2022 Annual Report and Financial Disclosures and recommended it to the Board for approval.

[5] 2021-TCFD-Implementing_Guidance.pdf (bbhub.io), the recommendations in sections C and D of this guidance are cross referenced.

Describe management's role in assessing and managing climate related risks and opportunities (1b).

Our Chief Executive Officer, supported by the Executive team, is accountable for the development and execution of our strategy, including the management of climate-related risks and opportunities. As part of the Senior Managers & Certification Regime, the Chief Executive has allocated accountability for climate change risk management to the Chief Risk Officer (CRO) and the Chief Finance Officer (CFO).

The CRO is responsible for ensuring climate change risks are fully assessed and incorporated into risk management systems. In that capacity, the CRO oversees the work of the Risk function which monitors and reports on the overall progress on managing climate change risk and also undertakes analysis and stress testing in relation to climate change. The results of monitoring and stress testing are submitted to the Executive team, the Risk Sub-Committee and the Board, including as part of the ORSA.

The CFO is responsible for ensuring adequate capital is allocated to meet an up-to-date assessment of the risks posed by climate change and to help ensure investments held by the firm for our customers and our own funds are managed to appropriately mitigate climate change risk.

The CFO is the chair of the Executive Investment Committee (the Chief Executive Officer and CRO are members) and is advised by the Executive Investment Committee on adherence to environmental, social and governance (ESG) targets, progress on ESG stewardship activity from our investment managers and status against metrics including those related to climate change.

OneFamily makes use of external expertise to support and inform our approach, this includes the expertise within our investment managers as well as external energy and carbon management specialists who support the production of the Streamlined Energy & Carbon Reporting (SECR) and our assessment against the Energy Savings Opportunity Scheme.

Pillar 2 – Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term (2a).

Identification of climate related risks and opportunities

As a mutual organisation, providing financial services to its customers and members based in the UK it is appropriate to focus the identification of climate related risks and opportunities on a Group-wide basis.

Our approach is focussed on the key climate-related risks and opportunities (e.g. physical, transition and litigation) as they relate to our business. Due to the inherent uncertainty and the pervasive nature of these risks and their significance are defined and monitored across multiple time horizons:

- Short-term is zero to 5 years – Our detailed business planning is based on a 5 year horizon and is used to manage performance and expectations. These projections incorporate climate change measures. Our responsiveness to changes in regulation, litigation and customer sentiment are all appropriate to a short as well as medium and long-term horizons.
- Medium-term is 5 to 10 years – Our capital projection methodology takes a longer-term view of up to 10 years. Some of our products include medium to long-term savings and include our bond products which have fixed durations up to 10 years.
- Long-term is 10 to 30 years. Some of our products, such as our life products, have a duration beyond 10 years. Given the business plan, it is expected that compared to this year, our product mix beyond a 10 year horizon will see a higher proportion of climate friendly funds relative to legacy funds. We also anticipate, an increased proportion of protection business relative to investment business compared to this year.

Potential materiality impacts are rated as low, medium and high in terms of impact to capital. Where quantifiable a capital threshold of £1m is used. In addition, considerations are made in relation to reputation, customer and operational continuity.

Risk Category	Risk Impact[6]	Potential Materiality	Potential Impact
Strategic	Transition	Medium	Shift in customer sentiment, demand, availability and expectations for "greener" products that we may not be able to fulfil, or perceptions of "green washing" which could impact future sales income, increase lapse rates and reduce available capital. **Short to Long-Term** Changes to government policy in relation to the speed and scale of implementation of carbon taxes and green investment incentives may drive customer sentiment and the availability or attractiveness of more climate friendly investments. **Short to Long-Term**
Market	Transition	Medium	Risk of losses resulting from the adjustment to a carbon-neutral economy and costs of reducing emissions e.g. automotive industries converting to electric, power generators converting to renewables. The losses could impact our own capital and the value of customers funds. **Short to Medium-Term**
	Physical	Medium	Risk of losses resulting from the direct effects of climate change, in particular for impacted sectors, e.g. infrastructure, energy, utilities, agriculture, forestry, automotive. The losses could impact our own capital and the value of customers funds. **Medium to Long-Term**
Regulatory	Transition	Low	The pace and volume of new climate-related regulation could pose compliance and operational challenges that may increase operational costs. Potential carbon taxation developments could significantly impact the valuation of assets and impact capital. **Short to Medium-Term**
Operational	Physical	Low	Operational risk losses for example from failures of interdependent power and transport networks, and water supply impacts from sewer flooding or heavy rainfall and drought. The loss of operational resilience could increase operational costs and create adverse customer service impact. **Medium to Long-Term**
Litigation	Transition	Low	Increase in volume and nature of litigation cases with a climate focus which have a direct or indirect impact on OneFamily. **Short to Long-Term**
Insurance	Physical	Low	Risks to health/mortality from higher temperatures, reduced air quality, vector borne pathogens, increased incidence of infectious diseases and poor water quality. This risk could increase our liabilities and our capital requirements. **Medium to Long-Term**

[6] Refer to Pillar 3 section for definitions of Physical and Transition risk impacts

In addition to the risks identified above, there are opportunities which present themselves through the drive to adapt to climate change.

Opportunity Category	Opportunity Impact	Potential Materiality	Potential Impact
Strategic	Transition	Medium	Enhanced business profitability as a result of new propositions or modification of existing ones to meet the growing demand for products which address customer demand and expectations for combating climate change. **Short to Medium-Term**
Market	Transition and Physical	Medium	Enhanced returns from investments aligned with the transition to a low carbon economy, and less exposure to extreme and more frequent physical climate events. **Short to Long-Term**
Operational	Physical	Low	Enhanced operational availability, lower costs and travel from flexible working arrangements and greater resource and energy efficiency. **Short to Medium-Term**
Insurance	Physical	Low	Mortality rates could reduce in the event of a successful transition to a low carbon economy. This would reduce lapse, mortality and morbidity risks, in turn lowering our liabilities and capital requirements. **Medium to Long-Term**

Impact of climate risks and opportunities

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning (2b).

Aligned to our social purpose and Inspiring Better Futures vision we operate as a responsible business in respect of the climate change challenges that are facing the planet. More details on our plans and activities are included below.

Investments, products and services

Recognising the market transition and physical risks and opportunities in our own and in our customers' investments we aim to reduce carbon emissions over the medium to long-term. Our climate friendly funds, where we write the majority of our new investment business, are aligned to the pathway towards Net Zero[7] and ensure consistency with the 1.5°C Paris Agreement target. These funds also target carbon intensity, brown revenues and green revenues to be better than the MSCI All World Index averages and aim for performance over time to trend toward Net Zero. Our adaptation towards net zero will be supported through a reduction in the size of our highest carbon emitting funds supporting the legacy child trust fund (CTF) book up to 2029. For our own funds we aim to reduce carbon intensity over time and anticipate that the further corporate and fund restructuring to be delivered through our modernisation programme will provide opportunities for further climate alignment over the medium term.

We actively engage with and influence our investment managers to drive better climate stewardship. The investment manager engagement strategy uses thought leadership, proxy voting, engagement (using the TCFD framework) and policy shaping through collaboration with industry initiatives such as "The Net Zero Asset Managers" initiative and "Climate Action 100+".

[7] Net zero refers to achieving a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere.

We undertake research into customer and member views using online surveys, interviews and focus groups. This research informs our business planning, product development and priorities. During 2022 we undertook ESG focussed research using OneFamily Voice (an online community composed of OneFamily members). The key outcomes in relation to the importance of recycling, reducing water pollution and investing in renewable energy reinforce our focus on our climate friendly funds. Our strategic medium-term aim of simplifying our legal entity and fund structures is underpinned with principles for increasing our alignment of our own and our customers funds towards climate objectives.

Operations

Recognising the operational physical risks and opportunities, our plans for adaptation of our operational footprint include reducing our environmental impact through energy efficiency, removal of direct sources of emissions from our operations and transitioning to renewable energy sources over time. In this regard we are participants in the energy savings opportunity scheme (ESOS) phase 3 compliance. This scheme is run by the UK Environment Agency and identifies cost-effective opportunities to reduce energy and carbon emissions. We are aiming for our own operations to be Net Zero by 2050. We have made progress in reducing scope 1 and scope 2 emissions from our own operations (see the Operational Emissions section under Metrics and Targets for further information). Over 2023 we aim to start monitoring our use of water, waste and paper and establishing targets to reduce these over time. We are exposed to the potential for unplanned outages due to extreme climate change events. Our business plan includes a multi-year operational resilience programme which incorporates an ongoing programme of scenario analysis for extreme but plausible events, including those which could arise from physical climate events, this includes testing of Disaster Recovery, loss of main premises, resilience of the supply chain with the ability to replace material suppliers that suffer catastrophic outages. Provision is made for remediation of weaknesses identified, an example this year was to test our response to prolonged periods of power outage.

Supply chain

Our Third Party Supplier and Outsourcing Policy was updated in 2022 and approved by the Board. As part of the update the supply chain due diligence and annual review was enhanced to include considerations for environmental and climate matters. Decision making over the selection and engagement with suppliers is planned to be embedded into our supplier performance management information and reviewed by the Board as part of their oversight of the supply chain. There is a risk that our operations could be adversely impacted by a failure of a key supplier. The failure could be over a prolonged period or could be sudden, and could be caused by climate related risks such as significant weather events and/or financial exposure. The multi-year Operational Resilience Programme undertook scenario tests of our key suppliers over 2022 and improved the contingency plans as a result. During 2023, the programme will ensure the stress testing activity continues for any changes to our supply chain.

Acquisitions and capital

The acquisition of Beagle Street in 2022 has made a minor impact on the climate risk impact of OneFamily. As a distribution business, Beagle Street creates few liabilities for OneFamily and hence has a small climate risk impact on our own or our customers invested assets. From an operational footprint perspective, its premises are provided based on a service agreement and therefore fall outside of the emissions scope boundary for OneFamily. As part of the integration programme, Beagle Street will move to new premises which will fall under the emissions scope boundary for OneFamily. Its climate risks will be managed alongside the integration programme. Climate risk considerations in acquisitions form part of OneFamily's approach to climate risk.

As a mutual, OneFamily's access to capital is based on retained profits and borrowing against future earnings. Climate risk impacts in relation to capital access are limited to the impact on the embedded value of our products and our credit standing. These aspects are covered as part of the Strategic Climate Transition risk and Opportunities as described above.

Through the business plan horizon and our investment strategy we will progressively move capital towards companies which have a stronger alignment with our net zero targets particularly when combined with engagement through our asset managers. We plan to do this for both our own funds and for our customers funds.

Climate scenario analysis

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario (2c).

Climate scenario analysis is a key tool which allows us to better understand the impact of the identified physical and transition risks in future possible scenarios. In 2022, we developed our climate scenario approach to assess over a 30 year horizon against three climate change scenarios. Two of the scenarios tested (an orderly "Early Action" scenario and a disorderly "Late Action" scenario) were consistent with a lower than 2°C warming potential, while a third "No Action" scenario was consistent with a 3.3°C scenario.

The scenario methodology and scope is informed by The Bank of England's 2021 Climate Biennial Exploratory Scenario (CBES). The 3 scenario timelines are aligned to OneFamily's time horizons established for climate change risk management up to 2050. They assess physical and transition risk of OneFamily's largest exposures relating to market transition and physical risk by assessing the vulnerability to future potential climate pathways. The CBES scenario specifications built upon a subset of the Network for Greening the Financial System (NGFS) climate scenarios. These were produced in partnership with leading climate scientists, leveraging climate-economy models that have been widely used to inform policymakers. Our use of the CBES methodology supports our objective of enhancing our climate change financial risk management.

The key assumptions of each scenario are:

- **Early Action** The transition to a net zero emissions economy starts in 2021 so carbon taxes and other policies intensify relatively gradually over the scenario horizon. Global carbon dioxide emissions are reduced to net zero by around 2050. Global warming is limited to 1.8°C by the end of the scenario (relative to pre-industrial levels). Some sectors are more adversely affected by the transition than others, but the overall impact on GDP growth is muted, particularly in the latter half of the scenario once a significant portion of the required transition has occurred and the productivity benefits of green technology begin to be realised.
- **Late Action** The implementation of policy to drive transition is delayed until 2031 and is then more sudden and substantial. Global warming is limited to 1.8°C by the end of the scenario (relative to pre-industrial levels). The more compressed nature of the transition results in material short-term macroeconomic disruption, which is particularly concentrated in carbon-intensive sectors. Output contracts sharply in the UK and international economies. The rapid sectoral adjustment associated with the sharp fall in GDP reduces employment and leads to some assets being stranded, with knock-on consequences for demand and spending. Risk premia rise across multiple assets.
- **No Additional Action** The third scenario primarily explores physical risks from climate change in the event that there are no new climate policies introduced beyond those already implemented. The absence of transition policies leads to a growing concentration of greenhouse gas emissions in the atmosphere and, as a result, global temperature levels continue to increase, reaching 3.3°C relative to pre-industrial levels by the end of the scenario. This leads to chronic changes in precipitation, ecosystems and sea level. UK and global GDP growth is permanently lower and macroeconomic uncertainty increases.

A key limitation of these scenarios (in line with the CBES approach) is to keep the balance sheet fixed at the start of the scenario for the duration up to 2050. While this provides an insight into the raw impact, there is a significant potential for the scenario to emerge differently given the direction of the long-term strategy, management action and governmental policy.

The key findings from the scenario exercise were:

- The "No Action" and "Late Action" scenarios, which explore transition risk to a greater degree, are more onerous than the "Early Action" scenario, given the higher costs in transitioning over a shorter period, and more significant shifts in business models. The Early Action has a more gradual impact, with the benefits of moving towards Net Zero more quickly than in the "Late Action" scenario. OneFamily demonstrates resilience to each of the scenarios with a 1% loss of the non-profit non-linked fund in the "Early Action" scenario, 2% for the "Late Action" scenario and 4% for the "No Additional Action" scenario. The outcomes of the scenario are supportive of the strategy to target lower carbon emissions in the investments supporting Own Funds.
- The funds supporting the CTF business have exposure to the "Early Action" and "No Action" scenarios and are projected to lose between 3-4% in value. As these funds are expected to run-off before 2030 in line with CTF maturity timescales the impact would likely be lower and present a limited threat to resilience. The business plan allows for the run-off of this portfolio up to 2030. Some actions may be taken as part of fund and legal entity rationalisation to reduce the carbon emissions within the portfolio ahead of 2030.
- The climate friendly funds have the lowest impact of our customer funds across all scenarios up to 2050, with 1.5% of value at risk for the "Early Action" scenario and 4.5% for the "Late Action Scenario". It is most exposed to the "No Action" scenario with a loss of 9% by 2050. The strategy for these funds aims at progressively reducing carbon emissions over time, and would be expected to perform ahead of the scenario conclusions.

Pillar 3 – Risk management framework

Describe how processes for identifying, assessing, and managing climate related risks are integrated into the organisation's overall risk management (3c).

Climate Risk has been integrated into the OneFamily risk management process. It is categorised as a principal risk and is set out in the Risk Management Report section of this report.

Climate change risk is further divided into two categories based on the TCFD Task force report[8]:

- **Transition risk** – Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk.
- **Physical risk** – Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for companies, such as direct damage to assets and indirect impacts from supply chain disruption. Companies' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting companies' premises, operations, supply chain, transport needs, and employee safety.

In line with risk management guidance from the Task Force on Climate Disclosure (TCFD) and the joint FCA and PRA Climate Financial Risk Forum (CFRF) we consider climate change as a cross-cutting risk which primarily affects the following OneFamily risk categories:

- **Strategic** – through the legislative, market and environmental changes driven by climate concerns as well as changes to customer sentiment and preference
- **Market and Credit** – through the impact of climate change on the value and security of our customers' invested assets and our surplus assets
- **Pension** – through the impact of climate exposure to the value of assets backing pension liabilities and subsequent pension funding adequacy
- **Operational** – through impact of more frequent and more severe weather patterns on business resilience and continuity
- **Reputational** – through the impact of changes in stakeholder perception of our (or more broadly our sector's) contribution to, or detraction from, the transition to a lower carbon economy

As described in the Risk management report, Climate Change Risk is also considered an Emerging risk due to the long-term time horizon for crystallisation of impacts and level of uncertainty.

[8] FINAL-2017-TCFD-Report-11052018.pdf (bbhub.io)

Describe the organisation's processes for identifying and assessing climate-related risks (3a).

Risk appetite

As described in the Pillar 2 – Strategy section above, our risk appetite has been established such that:

"Our aim is to reduce the carbon equivalent emissions of our own operations to net zero by 2050 in line with the 2015 Paris Agreement targets."

Risk identification

We have carried out an assessment of how we could expect climate risk to emerge across our business model. A summary of the assessment is detailed below:

Our Products – Our balance sheet is based on assumptions and expectations of future product experience. Risks can materialise through both actual change in experienced profits or losses and changes in future expectations. Climate change could impact how long people are expected to live (longevity) and their health levels (mortality/morbidity) which could include potential improvements in long term mortality or deteriorations due to climate degradation.

Counterparties – Reinsurance counterparties may be affected by long term reinsurance arrangements and may change our assessment of counterparty risk.

Investments – Our own investments and our customers' investments may be impacted by changes in credit spreads and through credit rating transitions as a result of changes in either actual or anticipated default rates due to climate exposure. Climate change may also impact on equity risk through asset values being exposed to a, potentially sudden, re-pricing to reflect transition risks or due to more frequent and severe weather events and longer-term shifts in climate impacting on asset values. There is also the potential for increased equity valuations for firms enabling transition to a low-carbon economy. Climate change may also impact on other market risk exposures through movements in macroeconomic factors such as interest rates, inflation and foreign exchange rates.

Operations: We are directly exposed through our operational carbon footprint and the supply chain that supports our operations. This may be through physical impacts from climate change on our operations and offices or through transitional risks impacting on our operational processes and costs.

Reputational: We aim to create a positive impact by incentivising companies to support the transition to a low-carbon economy. We intend to be active through our asset managers in influencing company behaviour. We will be expected to manage our business consistently with what we ask of others, including through our direct carbon footprint. There are additional risks to reputation were we not to achieve our climate goals, either by not meeting our reduction targets, or through changes in customer expectations.

Regulation and legislation: We operate in a highly regulated environment, with the regulatory approach to climate still evolving. New or evolving interpretations of compliance expectations will likely require changes to our products or business processes. A breach of legislative or regulatory requirements may expose us to financial penalties, remediation costs and damage to our reputation.

Strategic: The achievement of our climate objectives assume that governments will implement required policy changes, that the firms we invest in and our supply chain will deliver on their targets, and that there will be societal change on a significant scale over the medium to long term.

Risk measurement

Climate related risks and opportunities are evaluated for likelihood and impact using the risk framework. The risk assessment is also informed by regulatory, international and governmental sources including "The Committee on Climate Change"[9], the PRA[10], the "Intergovernmental Panel on Climate Change (IPCC)"[11], the United Nations[12] and the FCA[13]. The risk framework considers the impact dimensions of capital, reputation, regulatory sanction, customer and significant business disruption across all time horizons. The assessments use primarily qualitative criteria and where possible are supported by quantification using the results of climate scenario analysis.

[9] "UK Climate Change Risk Assessment 2017" - The Committee on Climate Change
[10] "Transition in thinking: The Impact of Climate change on the UK Banking Sector", PRA September 2018
"Enhancing banks' and insurers' approaches to managing the financial risks from climate change", PRA Supervisory statement S3/19, April 15, 2019
[11] "The IPCC's Fifth Assessment Report (AR5)", Intergovernmental Panel on Climate Change 2014
[12] UN PRI (2018); The inevitable policy response: act now. Forcing the climate transition. UNEP Finance Initiative. United Nations Global Compact
[13] "Climate Change and Green Finance", DP18/8, FCA October 2018

Our scenario analysis informs the quantification of risks to assets from different climate scenarios. This is measured by impacts on equity and bond valuations in each scenario. We also measure the contribution of our investments and our customers' investments to global CO_2e emissions.

We measure the direct carbon emissions of our operational business covering at least our Scope 1 and 2 operational emissions.

Risk management

Describe the organisation's processes for managing climate related risks (3b).

The main strategies to manage the impact of climate change include:

- Business planning, including strategic decisions to change the nature and composition of OneFamily's own investments and the evolution of customers' investment portfolios. Our legacy funds with higher carbon emissions (relative to our front book climate friendly funds) supporting our Child Trust Fund portfolio are planned to mature up to 2030 with customers able to reinvest into lower carbon emitting climate friendly funds. In addition, a strategic programme is in place to simplify our legal entity and fund structures which will take opportunities to increase the climate focus of our funds.
- Holding our investment managers accountable for positive stewardship on climate risks where we or our customers have shareholdings. We aim to ensure that our investment managers regularly engage with the CEOs and Boards of those companies which are accountable for the highest carbon emissions across our portfolios, and influence towards positive action on climate change and that this reinforced through voting at AGMs.
- Monitoring the performance of our climate friendly funds against the specific climate targets (See Pillar 4 – Metrics and Targets)
- Actions over time to adjust asset investment strategies where our mandate allows
- Actions to address carbon emissions from our own operations (See the Operational Emissions section under Metrics and Targets section for further information)
- Using experience analysis of historic performance of products against expectations to identify deviations and their potential causes including in relation to life expectancy and customer behaviour, external research such as those factors which may lead to changes in future life expectancy and preferences, customer based research to inform on ESG priorities of our products.

Risk reporting

Monitoring and reporting of the financial risk relating to climate risk, covers the provision of data in relation to:

- Outcomes of scenario and exposure analysis as described in the Pillar 2 - Strategy section
- Management information in relation to current carbon intensity across our own and our customers funds
- Management information in relation to projected evolution of carbon intensity as businesses (in which we or our customers hold assets) align their plans to meet their carbon reduction goals

Pillar 4 – Metrics and targets

Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process (4a).

Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets (4c).

We use a series of metrics to manage, monitor and report our alignment with targets on climate change mitigation and the associated potential financial impact on our business. Whilst recognising the limitations of the metrics and tools used (for example, lack of consensus of methodology across the industry, with differences in scope of emissions or sectors covered) we believe they are still valuable in supporting our climate-related governance, strategy and risk management:

Metric Category	Metrics	Target	Progress To Date
Operational Carbon Footprint	Tonnes of Carbon dioxide equivalent emissions (tCO^2e)	• Net zero by 2050 • 60% reduction in direct emissions from controlled or owned premises by 2030 • 50% reduction in emissions from purchased electricity by 2030	• 21% reduction in direct emissions since 2020 • 30% reduction in emissions from purchased electricity since 2020
Customer Linked Investment Funds Portfolio Climate Goals	Weighted Average Carbon Intensity (WACI) Brown Revenue Green Revenue Fossil Fuel Reserves Climate Adaptation Score	• On a continuous basis • WACI to be 60-80% lower than the benchmark[14] • Brown Revenue[15] to be 90% lower than benchmark • Green Revenue[16] to be 300% or greater than benchmark • Fossil fuel reserves[17] to be 90% lower than benchmark • Climate Adaptation[18] score to be better than target	At the end of 2022: • WACI 60% lower than benchmark • Brown Revenues 90% lower than benchmark • Green Revenue is 306% more than benchmark • Fossil fuel reserves 90% less than benchmark • Climate Adaptation score 0.24 vs 0.25 target

Consistent with the TCFD and the CFRF, we are working with our investment managers to fully operationalise metrics with up to date data to track the historic and projected performance of our portfolios in relation to carbon intensity.

[14] Average of the Morgan Stanley All World Index
[15] Brown revenue (S&P Trucost) defined as the proportion of revenues derived from activities related to the extraction of fossil fuels, or power generation using fossil fuel-based energy sources.
[16] Green revenue (FTSE Russell) measures revenue exposure in the transition to the green economy.
[17] Fossil Fuel Reserves: (S&P Trucost) are defined as total GHG emissions from proven and probable fossil fuel reserves expressed in million tons CO2
[18] Adaptation Score (ISS ESG) is a measure of a company's position and actions on climate change, higher is better.

Greenhouse gas emissions data

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks (4b).

Operational Emissions[19]

We have reported on the emission sources as required under Streamlined Energy & Carbon Reporting (SECR) framework. The Greenhouse Gas (GHG) emissions data is reported in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard 'Operational Control' method, and emissions factors for fuels and electricity are published at https://bit.ly/UKG_GHG. The table below shows the details of the emissions arising from our operations. In accordance with the SECR and TCFD, we have established our base year against the 2020 recorded emissions.

Streamlined Energy and Carbon Reporting (SECR) data

Emissions[20]	2022[21]	2021	2020 (baseline)	% Change 2020-2022
Scope 1[22]	134	294	169	-21%
Scope 2[23]	158	161	227	-30%
Scope 3[24]				
Electricity Transmission	15	13	20	-26%
Business Travel	21	10	21	0%
Homeworking[25]	412	469	426	-3%
Total Carbon Emmissions	**740**	**948**	**863**	**-14%**
Carbon Intensity per FTE	1.38	1.95	1.91	-28%
Carbon Intensity per £m Income	7.02	8.69	8.14	-14%
Energy Consumption (KWh)[26]	2,190,000	2,387,000	1,813,000	+21%

Our emissions have reduced by 14% based upon recorded emissions in 2020 to 2022. For scope 1 our emissions reduced by 21% relative to 2020 as a result of reducing our office occupancy in our main premises in West Street. We have initiated a programme to replace all gas based heating to electricity in our West Street building which will complete during 2023. The increase in scope 1 emissions in 2021 was due to the increase in energy required to maintain temperature levels in our West Street premises to offset the significantly increased cold air circulation we introduced in line with COVID-19 health guidelines.

In line with SECR, we have calculated our base year against the 2020 recorded emissions. We have updated the baseline for business travel to ensure a like for like comparison given COVID-19 travel restrictions and the increased need for business travel given the acquisition of Beagle Street.

[19] We have followed the requirements of the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition) using emissions factors from the UK government-produced 2021 conversion factor guidance. Reporting covers the financial year 2022 and reflects emissions from the leased, owned, and controlled assets for which we are directly responsible. The Swindon and Peterborough offices are not in scope due to the full service nature of the premises where OneFamily have no control or responsibility.
[20] tonnes (t) of carbon dioxide (CO2) equivalent (e). "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas (GHG) emissions regardless of whether they're from carbon dioxide or another gas, such as methane.
[21] Our absolute scope 1 and scope 2 emissions have been prepared and reviewed by our external data verifier, Coral Energy Limited.
[22] Scope 1 covers direct emissions from owned or controlled sources.
[23] Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed by the reporting company.
[24] Scope 3 includes indirect emissions that occur in a company's value chain, mainly personal cars used for business purposes and electricity carbon lost during transmission and distribution.
[25] Homeworking: assessment of the impact of employees working from home, based on EcoAct's White Paper: https://bit.ly/Homeworking2020.
[26] Includes energy usage related to scope 1 and scope 2 emissions and fuel from company car use.

In line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard, we continue to be engaged in a process aimed at reducing our energy and greenhouse gases, in response to our continued focus to reduce our environmental impact and align ourselves to increased customers' expectations and corporate legislation.

Some of the key measures we plan to take to reduce our carbon footprint include:

- Committing to source 100% of our electricity from renewable sources by 2030.
- Eliminating all forms of fossil fuel heating in our premises by 2030.
- Providing guidance and support to colleagues to help reduce their own carbon footprints, such as encouraging a move to LEDs, encouraging colleagues to switch to renewable energy tariffs for their home energy and investing in more energy efficient technology for colleagues that work from home by using green criteria in our technology replacement processes.

Portfolio Emissions

Our primary metric is the Weighted Average Carbon Intensity as recommended by TCFD and the joint FCA and PRA Climate Financial Risk Forum (CFRF). This is the total of all the GHG produced by our share of the companies and corporations that we invest in, per unit of investment, and is reported using carbon dioxide equivalent (CO2e) emission data. There are three components to this metric

1. The GHG emissions, CO2e, in tonnes for each entity in which we are invested coming from the underlying Scope 1 and Scope 2 emissions directly connected with its operations.

2. A unit of value to normalise the emissions by the underlying size of the entity we are investing in.

3. The size of our holding in the entity.

Changes in the emissions coming from our investments and our investment activity are key to decarbonising our portfolio in the longer term. However, in the short term, factors outside of our control, such as the carbon outcomes of the entity, market movements, and the lag in the reporting of the underlying emission data, have the potential to create significant volatility in the calculated metrics.

Corporate Governance

Corporate governance on pages 62 to 100 incorporates the following sections:

Board of Directors

Non-executive directors

Steve Colsell Chair

Steve became Chair with effect from the Society's Annual General Meeting in June 2022, having been appointed to the Board in July 2016. He is Chair of the Nominations Sub-Committee and is also a member of the Remuneration Sub-Committee.

Steve is a qualified actuary whose financial services career has spanned banking, insurance and mortgage lending, notably with Zurich Insurance plc, Lloyds Banking Group plc and Kensington Group Limited. He has also held non-executive directorships at Starling Bank where he was Chair of the Risk Committee, St James' Place and esure Insurance Limited.

Steve holds non-executive director roles with Pepper Money Group and Quilter Financial.

Alison Davies Non-Executive Director

Alison was appointed to the Board on 28 March 2023. She is a member of the Nominations Sub-Committee.

Alison's financial services career spans more than 30 years in both the retail and mutual sectors. She has extensive knowledge of financial technology and digital and corporate strategy. Most recently Alison was Head of Digital at Skipton Building Society where she was influential in steering its digital strategy and developing the online customer experience. Prior to this Alison had executive positions at first direct and HSBC.

Alison is a member of the Board of Governors and Chair of the People Committee at York St John University, and is a strategic advisor for a Fin Tech start up business. She has been an active ambassador for a range of charities helping to improve the lives of children and young people.

Melanie Hind Non-Executive Director

Melanie was appointed to the Board in September 2022. She is Chair of the Risk Sub-Committee and is also a member of the Audit, With-Profits and Nominations Sub-Committees.

Melanie is a Chartered Accountant and former partner in PwC whose extensive business experience includes strategy and change leadership, financial risk and capital management, corporate and regulatory reporting, and stakeholder management. She previously held senior roles at BDO International as Head of Assurance Quality, at the Financial Reporting Council as an executive director, and as Chief Risk Officer at Friends Life Group.

Melanie is an audit non-executive for KMPG UK's audit practice, a non-executive director and Audit Committee Chair with Talbot Underwriting Limited, and an independent trustee and Honorary Treasurer for the Disasters Emergency Committee which brings together 15 leading UK aid charities to raise funds quickly and efficiently at times of crisis overseas.

Non-executive directors (continued)

Graham Lindsay Non-Executive Director and Vice Chair

Graham was appointed to the Board in July 2016 becoming Vice Chair from 1 January 2020 and Senior Independent Director in May 2020.

He is Chair of the Member & Customer and Remuneration Sub-Committees, and is also a member of the Risk, Audit and Nominations Sub-Committees. He is also Chair of Trustees for OneFamily's closed staff retirement benefits schemes.

Over a 40-year career with Lloyds Banking Group plc, Graham held a number of senior executive roles including responsibility for the Lloyds branch network and Group Director for Corporate Responsibility. He has also held board positions at the Institute of Financial Services and the Chartered Banker Professional Standards Board and is a Fellow of the Institute of Banking and Finance.

Graham is currently acting as the Interim Deputy Chief Executive for The Brain Tumour Charity, having previously served as a trustee and Vice-Chair of its board of trustees. He is a non-executive director of Vanquis Bank.

Sally Williams Non-Executive Director

Sally was appointed to the Board in January 2019. She is Chair of the Audit and With-Profits Sub-Committees and is also a member of the Risk, Nominations and Member & Customer Sub-Committees.

Sally is a Chartered Accountant who held a number of senior roles at PwC in both their audit and risk management teams over a 15-year period. She has extensive risk, compliance and governance experience, having held senior positions at Marsh, National Australia Bank and Aviva.

Sally holds non-executive director roles with Lancashire Holdings Limited, where she chairs the Audit Committee and Close Brothers Group plc. Sally is also a trustee and Chair of the Audit and Risk Committee of Ovarian Cancer Action, a charity that funds research into new treatments to help make ovarian cancer a survivable disease. She previously chaired the governing body of her local secondary school.

Executive directors

Teddy Nyahasha Chief Executive Officer

Teddy was appointed Chief Executive Officer of OneFamily in January 2020, having previously held the role of Chief Finance Officer since joining the Group in 2016. He is a member of the Member & Customer Sub-Committee.

Teddy has an extensive range of experience from senior roles with a number of organisations. He has a strong track record of delivering results within start-ups and global multi-billion-pound organisations including Royal London and Aviva. Teddy has experience in policyholder and customer protection having also worked for industry regulator the Financial Services Authority. He has led diverse teams across different countries and cultures and has been accountable for multi-million-pound budgets.

Teddy is a Chartered Accountant, a Certified Financial Risk Manager and has an MBA from the London Business School.

Teddy is a member of the board of trustees of St Mungo's, a charity that tackles homelessness and rebuilds lives. He is also a trustee of the CMI (The Chartered Management Institute) and a board member of the trade body that represents financial mutuals and friendly societies, The Association of Financial Mutuals.

Jim Islam Chief Finance Officer

Jim joined OneFamily as Chief Finance Officer designate in October 2019 and was appointed to the Board in January 2020.

A qualified actuary, Jim has over 20 years' leadership experience in the insurance, investment management, savings and pensions sectors. Before joining OneFamily, Jim held senior finance and general management roles at Lloyd's of London and Legal & General. In his Finance Director and Managing Director roles in these organisations covering the UK, France and global businesses, Jim transformed financial, capital and operating performance.

Jim is the non-executive Chair of the People's Partnership, the provider of The People's Pensions, and is a trustee and Treasurer of the RNLI, the charity that saves lives at sea.

Corporate governance report

Compliance with AFM Governance Code

OneFamily is committed to high standards of corporate governance. We report against the Corporate Governance Code for Mutual Insurers ('the Code') issued by the Association of Mutuals ('AFM'), whilst also continuing to adopt relevant best practice from the 2018 UK Corporate Governance Code.

Under the AFM's Code we are required to explain in our annual report how we have applied its six high-level principles in the way that is most appropriate for our organisation, and how this has contributed to better governance.

The six principles are set out below, followed by a summary of how we have applied each of them and the impact this has on our governance arrangements. (All quotations in italics are from Independent Audit's 2020 Board Evaluation Report.)

1. Purpose and Leadership

An effective board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.

How we have applied this principle	Impact on our governance
The Board is responsible for setting our strategy, which establishes the objectives we intend to follow in order to deliver our purpose and vision as a mutual organisation in the best interests of our members and stakeholders. The Executive team is responsible for implementing the agreed strategy and reporting progress against strategic objectives to the Board.	Clear articulation of strategy and strategic objectives helps us to ensure that resources are allocated in the most appropriate way in order to achieve them. It also means that when strategic opportunities arise, as with the Beagle Street acquisition in 2022, we are able to carry out rapid initial risk and opportunity assessments and quickly enter dialogue with the relevant parties before moving to the execution stage if we wish to progress them. Strategic objectives are reflected in business plans and annual budgets. Regular reports provide the information that the Board needs in order to monitor performance against those plans; whilst the Board's annual strategy day, with interim checkpoints during the year, enable any changes to the agreed strategy to be made at the appropriate time. This approach helps ensure that we continue to focus on building a sustainable and resilient business, whilst creating and protecting value for members, and serving the financially underserved, - consistent with our social purpose as a mutual.
Our purpose ('To create and protect value for members'), vision ('Inspiring Better Futures') and strategic objectives are communicated to all employees and feature prominently in internal communications.	Colleagues in all areas of the business understand what the organisation is focused on achieving and how their roles contribute. This increases levels of motivation and understanding, helping to ensure better outcomes for our members, in line with our purpose as a mutual. Our 2022 externally facilitated survey of all colleagues confirmed that this sense of empowerment is strong.
A culture framework is used to guide the development and communication of the organisation's culture.	An Internal Audit review was carried out in 2022 of the status of the framework and the alignment of governance, processes, and the 'tone at the top' with the organisation's desired values, ethics and behaviours. This concluded that it is evident that OneFamily is trying to 'promote a culture of inclusivity, flexibility and collaboration that will empower individuals to make decisions and encourage them to speak up without fear of retribution'.
Through the Remuneration Sub-Committee, the Board ensures that strategic objectives are reflected in objectives and incentive scheme targets for our Executive team and senior managers. The metrics used to assess performance are kept under review to ensure that they remain relevant and aligned with the organisation's strategy and mutual ethos.	There is alignment between the interests of members and senior employees, helping to ensure that excessive risk-taking is avoided and that a balance is struck between achieving corporate objectives and making the most of new opportunities, whilst maintaining a positive and open culture with appropriate governance within the organisation. This helps ensure better outcomes for customers and better long-term value for members, with strategic and corporate objectives achieved in a way that is consistent with our values, risk appetite and culture.

2. Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation.

How we have applied this principle	Impact on our governance
All non-executive directors and the Chief Executive Officer (CEO) have an annual performance review which is carried out by the Chair. The CEO reviews the performance of the Chief Finance Officer. The Chair's performance is reviewed by the Senior Independent Director who seeks feedback on their performance from the wider Board.	Director evaluations help identify any areas for further individual or Board development which can also be reflected in the topics for quarterly 'deep dive' sessions if appropriate. They also help inform whether any changes in Board membership may be needed. The Board's last externally facilitated evaluation in 2020 identified chairing as a *'particular strength'* and directors' feedback from internally facilitated Board evaluation reviews in 2021 and 2022 has confirmed that this continues to be the case.

The Chair, supported by the Company Secretary, leads an annual evaluation of the Board and its sub-committees. This includes questions on the composition of the Board and the effectiveness of the Chair. The evaluation is normally facilitated externally every three years, as was the case in 2020 when Independent Audit carried out an evaluation based on questionnaires issued to Board members and other regular attendees of Board and sub-committee meetings. Independent Audit also observed a Board meeting and reviewed the meeting papers for that meeting, before presenting their findings to the Board for discussion.	Feedback from the 2021 and 2022 internally facilitated reviews confirmed that, as observed in 2020's externally led review, the Board continues to have open, supportive and appropriately challenging discussions within a collaborative environment. In 2022 we continued to progress the further enhancements to our governance arrangements in response to the external evaluation in 2020 including the following: - Revisions to our Board paper template to clarify the purpose of each paper and to include guidance to help preparers of papers provide the right balance of detail. - Holding an in-depth review of the emerging risk landscape, drawing on external insights, ahead of the Board's annual strategy day. - Focussing the Board's annual strategy day on contextual sessions from external presenters on social trends and implications, the changing political landscape and economic environment, and how these changes impact our members' needs. This helped further enhance directors' understanding of strategic threats and opportunities.
A skills and competencies matrix is maintained for members of the Board. This is updated annually and when there are changes to Board composition.	This helps develop our Board succession planning so that we have directors with the right skills and experience to implement our strategy as it develops and to oversee the effective running of the organisation. The matrix helps inform the person specification when we make new appointments to the Board. It also helps identify areas to be included in training and development sessions for the Board and its sub-committees.
The Board has a diversity policy which requires appointments to the Board to complement and expand the skills, knowledge and experience of the Board as a whole. It also requires that when identifying suitable candidates for appointment, the Nominations Sub-Committee will consider candidates against objective criteria with due regard for the benefits of diversity on the Board.	At the end of 2022 our Board was 1/3rd female and 2/3rd male, becoming 3/7th female following the appointment of Alison Davies from 28 March 2023. Female representation is lower than in 2021, demonstrating that for a relatively small Board this ratio is highly sensitive to changes in size and membership. Our Board continues to be ethnically diverse. Ensuring the Board is as diverse as practicable helps ensure different perspectives are considered, facilitating the quality of the Board's decision making and reducing the risk of group think. It also helps demonstrates to colleagues that they can fulfill their full career potential, irrespective of their personal characteristics.

Directors are required to disclose details of other significant appointments before joining the Board. Any subsequent changes must also be notified.	Disclosure of other significant roles prior to appointment and before accepting any further significant roles helps ensure that directors have sufficient time available to carry out their duties.

3. Directors

The Board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision making and independent challenge.

How we have applied this principle	Impact on our governance
Role descriptions are in place for each director reflecting their respective responsibilities, including designated positions held under the Senior Managers Certification Regime. There is a clear demarcation between the responsibilities of the CEO and the Chair. The CEO's delegated authority levels are also clearly documented. Induction programmes for new directors help ensure that there is clear understanding of responsibilities under S172 of the Companies Act.	The 2020 externally facilitated Board evaluation report noted that *'Directors generally have a good understanding of their duties'*. As subsequently confirmed by internally facilitated reviews, it also reported that the non-executive directors provide constructive challenge and helpful suggestions which are well received by the Executive. This helps ensure that there is effective decision making, with all Board members committed to those decisions.
Directors are required to disclose details of any factors that could lead to an actual or perceived conflict of interests before joining the Board. Any subsequent changes must also be notified, with an annual attestation required from each director of the disclosures recorded in the register of interests. Conflicts of interest is a standing agenda item at each Board and sub-committee meeting.	The independent integrity of non-executive directors helps ensure independence of decision making. The risk that executive directors may have other interests that could influence them not to act in the Society's best interests is also mitigated.
The Board has its own Terms of Reference and Schedule of Matters Reserved to the Board. These documents are kept under regular review and updated as required. Terms of reference are also in place for each of the Board's sub-committees and are subject to annual review with any recommended changes submitted for Board approval.	These documents help ensure that the Board can focus on key issues including development and review of strategy, as well as responding to major opportunities and threats (such as significant changes in the economic environment and the cost of living crisis); leaving the Executive team to manage the organisation and implement the agreed strategy. This enables the Board to be flexible in response to significant issues such as those noted above.

Processes for managing the timely flow of decision-making information to the Board are in place, facilitated by forward agenda plans maintained by the secretariat function. A comprehensive management information summary is provided ahead of each Board meeting. This includes key information about the Society's capital position, capital generation from trading activities, business performance measures, and progress against strategic objectives.	This approach has helped ensure that the Board continues to focus on the right issues and at the right level of detail – confirmed by feedback from Board evaluations. It also enables the non-executive directors to gain a balanced view of how the business is performing and to challenge the Executive regarding any areas of underperformance.

4. Opportunity and Risk

A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

How we have applied this principle	Impact on our governance
The Board has a clearly articulated and communicated strategy of optimising the business for sustainability through a diversified product range and increased operational efficiency, whilst managing the organisation within our risk appetite.	There is a clear sense of purpose and strategic direction within the organisation, helping to ensure alignment of objectives and priorities, supported by appropriate allocation of resource. The vision of 'Inspiring Better Futures' helps ensure that the Society stays close to its values and mutual ethos, demonstrated through support for volunteering activities by our colleagues, wellbeing initiatives, and provision of grants and other support to charities and local community initiatives. The progress achieved in optimising the business has ensured that it is better placed to progress significant partnership and strategic opportunities that arise, whilst maintaining high levels of customer service and developing the Group's product lines.

The Board regularly reviews progress against strategic plans, to assess success of implementation and determine whether changes may be needed. This is supported by balanced scorecards of key metrics to enable early identification of any emerging issues.	Regular assessment of progress against strategic plans helps ensure that any required changes due to new external opportunities, emerging risks or other factors can be made promptly and in the best interest of members and other stakeholders. For material issues impacting our strategy, these assessments consider the resilience of our business from a financial, capital and operational perspective and assess whether any tactical or strategic changes are required. For example, in 2022 the volatility of the UK interest rate environment led to the decision, made in conjunction with funding partners, to pause our active origination of new lifetime mortgages, in common with some other providers. This approach helps preserve long-term value, whilst also ensuring that we avoid making short-term decisions that could be detrimental to the longer-term interests of members.
A risk management framework is used to manage the business and assess strategic opportunities, overseen by the Risk Sub-Committee on behalf of the Board. This is supported by a capital management policy and the ongoing Own Risk and Solvency Assessment which is an iterative process reflecting changes in the business and business planning updates.	Our continued focus on risk management and the ongoing Own Risk and Solvency Assessment process helps inform how we manage the business and review implementation of our strategy. Our capital position continued to be strong in 2022, despite the changing economic situation. This enables the Board to continue to manage the organisation as a mutual in the best long-term interests of members.

5. Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.

How we have applied this principle	Impact on our governance
As detailed in the Directors' remuneration report on page 90, our executive remuneration policy, overseen by the Remuneration Sub-Committee, reflects the organisation's purpose of creating and preserving value for members.	The policy helps ensure that rewards are in line with performance, assessed against an appropriate range of financial and other measures, whilst discouraging undue risk taking. Payment of performance awards made to executives is deferred for appropriate periods, with malus and clawback provisions also helping to ensure that undue risk taking is not rewarded.

The Directors' remuneration report provides transparent detail regarding executive reward, including the approach to base salaries, incentive plans and other benefits (such as pensions); showing that there is consistency in the approach taken to awards for executives and other colleagues (e.g. all salary awards are linked to the responsibilities of the role, annual performance and are externally benchmarked).	This helps ensure alignment of interest and promotes relative fairness. The different elements of executive award, aligned with the award structures for other colleagues enable us to attract, motivate and retain personnel with the relevant skills to facilitate the long-term sustainable success of the organisation, without making excessive payments and whilst discouraging excessive risk taking.

6. Stakeholders

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

How we have applied this principle	Impact on our governance
The Board has a nominated non-executive director for colleague engagement, with Graham Lindsay currently fulfilling this role. During 2022, he was invited to attend all meetings of the employee consultative group, Talking Family, and provided updates to the Board on key themes and matters of concern. Members of this group also attended a Board meeting so that directors could hear first hand about its activities and issues of importance to colleagues. We have continued to provide additional support for colleagues who have adopted hybrid working arrangements to help ensure their safety and wellbeing. Colleagues were also consulted about how we best use our office space to create collaborative workspaces to help optimise they time they spend in the office.	The Board has greater awareness of the issues of importance to colleagues, including the impact of changes in ways of working and how they are impacted by the cost of living crisis. This provides context when receiving reports from management and when making decisions that impact colleagues directly (such as the decision to provide additional allowances for lower and mid-pay scale colleagues to help them manage increasing fuel and other living costs), consistent with our values and ethos as a mutual organisation. The overall result from the WorkL all staff survey (see the Colleague engagement section on page 32 for further detail) carried out in 2022 was slightly higher than the equivalent 1 Star Best Companies score in 2021. This provides assurance that our people continue to feel well supported and motivated to work for OneFamily, leading to better outcomes for members and other stakeholders.
The Board's Member & Customer Sub-Committee reviews recommendations from the Executive team which directly impact members and customers, including any significant changes to products and services.	This approach has helped to shape our membership strategy as a mutual and to enable fair customer outcomes. The consistent approach that we have adopted to monitoring fairness issues for different cohorts of customers means that our detailed assessment of the Financial Conduct Authority's (FCA) Consumer Duty Principle in 2022 showed that after some planned further enhancements to some aspects of product reviews, product development and customer communications, we are also well placed to meet its detailed Four Outcomes rules as they apply to our products and services.
Our online forum OneFamily Voice has been used to seek members' views on issues of importance to them to help ensure better outcomes and consistent with our mutual status and ethos.	This has helped to shape development of our member benefits proposition, in keeping with our mutual ethos, so that it includes access to benefits of most relevance, including support for access to lifetime learning opportunities.
For further information about how we engage with our key stakeholders (including third party suppliers, regulators, the local community and the environment) please see pages 22-26.	

Attendance at board meetings

The table on page 83 shows the number of Board and standing sub-committee meetings held in 2022 and directors' attendance at those meetings.

Independence of non-executive directors

Other than the Chair, by virtue of him holding this office only, all the current non-executive directors are considered to be independent of OneFamily. The Chair was considered independent on appointment.

Board diversity

Appointments to the Board are made in the context of complementing and expanding the skills, knowledge and experience of the Board as a whole.

In identifying suitable candidates for appointment to the Board, the Nominations Sub-Committee will consider candidates against objective criteria with due regard for the benefits of diversity on the Board. As at the date of this Annual Report, our Board comprised 4 male and 3 female directors and as ethnically diverse.

As part of the annual performance evaluation of the effectiveness of the Board, sub-committees and individual directors, consideration is given to the balance of skills, experience, independence and knowledge of OneFamily on the Board, and the diversity of representation on the Board.

Board performance monitoring and evaluation

Each year the Board sets business objectives for OneFamily as part of its rolling five-year plan, which are based on the objectives outlined in the report on Our strategy on pages 20 to 21. The Board monitors performance against these objectives at regular intervals.

In compliance with the Code, the Board conducts a formal evaluation annually, as explained under 'Compliance with the AFM Code' above. Each director also completes a self-evaluation questionnaire and an evaluation questionnaire on each of the other directors, with results collated anonymously for discussion with the Chair and identification of any development needs. In addition, the Chair holds periodic meetings with each executive director and non-executive director to evaluate their performance and development needs; and the Senior Independent Director leads a review of the Chair, taking into account feedback from other Board members.

Assessing and monitoring culture

The Board continues to develop its approach to assessing and monitoring culture in the organisation, recognising that this is a subjective area. Insight into the culture in the organisation is provided via Graham Lindsay's role as the designated non-executive director for engagement with colleagues, as well as review of the results of externally facilitated staff surveys, including a WorkL survey in 2022, which all colleagues were encouraged to take part in.

Internal Audit periodically reviews the organisation's culture, with the results and monitoring of any agreed actions in respect of significant findings reported to the Board.

Compliance with regulatory and legal requirements

The Board sets the organisation's governance, culture and values and is responsible for the long-term success of OneFamily. The Board requires that OneFamily complies with all relevant laws and regulations and ensures that it has high standards of internal controls and risk management in place.

Board of directors

During 2022, and up to the date of signing this Annual Report and Consolidated Financial Statements, the Board comprised:

Non-executive directors
Steve Colsell (appointed Chair from 21 June 2022)
Alison Davies (appointed 28 March 2023)
Melanie Hind (from 1 September 2022)
Christina McComb (Chair) (to 21 June 2022)
Graham Lindsay (Vice Chair and Senior Independent Director)
Jackie Noakes (to 14 September 2022)
Sally Williams

Executive directors
Teddy Nyahasha (Chief Executive Officer)
Jim Islam (Chief Finance Officer)
Nici Audhlam-Gardiner (Chief Commercial Officer) (to 29 April 2022)

Secretary
Simon Allford

Sub-Committees

The Board operates the following standing sub-committees (membership shown at the date of approval of the Annual Report and Consolidated Financial Statements). Terms of reference are available at www.onefamily.com.

Nominations Sub-Committee

Steve Colsell (Chair from 21 June 2022)
Alison Davies (from 28 March 2023)
Melanie Hind
Graham Lindsay
Sally Williams

The following also served on the Sub-Committee during the year:
Christina McComb (Chair to 21 June 2022)
Jackie Noakes (to 14 September 2022)

The Nominations Sub-Committee comprises all non-executive directors, with the CEO normally in attendance at meetings at the discretion of the Chair. The Board appoints its Chair. It may obtain such outside legal or other independent professional advice as it deems necessary. The Sub-Committee usually meets at least twice a year and at such other times as required.

The purpose of the Sub-Committee is to regularly review the structure, size and composition of the membership of the Board and to examine the skills, knowledge, experience, diversity, independence and effectiveness of the Board.

The Sub-Committee will identify and nominate for the approval of the Board, suitable candidates to fill Board vacancies as and when they arise. In line with the diversity policy, the Sub-Committee recognises the benefits of diverse representation and views this as an essential element in maintaining an effective Board.

During 2021 a sub-group of the Nominations Sub-Committee, led by Graham Lindsay as Senior Independent Director, carried out a robust process to select a successor to Christina McComb as Board Chair in light of her planned retirement from the Board in 2022. This process included consideration of whether any external candidates should be considered, taking into account the views of an independent adviser, and led to a recommendation to appoint Steve Colsell as Chair.

The Sub-Committee also considered longer-term succession planning for the Board and Executive team during 2022, including the appointments of Melanie Hind and Alison Davies. The Sub-Committee reviews whether all directors devote sufficient time to their duties and when appropriate makes recommendations to the Board regarding membership of its sub-committees.

As noted above, a Board competencies matrix is used to monitor whether Board members' skills and experience continue to be appropriate in relation to the development and implementation of the organisation's strategy. Any specific skills needs are reflected in role descriptions when recruiting additional directors, with suitable candidates sourced by external search consultants who are briefed to find candidates from as wide and diverse a pool as practicable.

Remuneration Sub-Committee

Graham Lindsay (Chair)
Steve Colsell

The following also served on the Sub-Committee during the year:
Christina McComb (to 21 June 2022)
Jackie Noakes (to 14 September 2022)

The primary purpose of the Remuneration Sub-Committee is to recommend to the Board and oversee the implementation of the OneFamily remuneration policy.

The Sub-Committee normally meets at least four times each year. Its remit includes review of remuneration policy for all employees, and the structure of executive remuneration packages, including incentive schemes. It considers and approves fees for the Chair, makes recommendations to the Board for its approval in respect of the non-executive directors' fees, and reviews and approves remuneration for the executive directors (including the CEO) and senior management. In doing so, the Sub-Committee takes into consideration all factors which it deems necessary including relevant legal and regulatory requirements, the Financial Conduct Authority's Remuneration Code, OneFamily's culture, the relevant corporate governance codes and associated guidance.

The Sub-Committee ensures that the executive directors' remuneration is designed to promote the long-term success of OneFamily, without paying more than is necessary, having regard to views of members and other stakeholders and also to the risk appetite of OneFamily and its long-term strategic goals.

The Sub-Committee approves the design and targets for performance-related pay schemes operated by OneFamily and approves the total annual payments made under such schemes. The Sub-Committee is responsible for establishing the selection criteria and for selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Sub-Committee.

During 2022 the Sub-Committee used the services of PwC and financial services market data from Willis Towers Watson, who are independent of OneFamily, to benchmark its remuneration arrangements and practices against those of comparative organisations and best practice.

Other areas of consideration of the Sub-Committee during 2022 included:

- Review of gender pay reporting results
- Review of incentive scheme principles and distribution of awards for employees throughout the organisation
- Review and approval of proposals for a one off out of cycle pay award for our lowest paid colleagues, principally in our Customer Services teams
- Review and approval of additional cost of living allowances for lower and mid-pay scale colleagues to help them manage higher fuel and other living costs.

Details of the directors' remuneration can be found in the Directors' remuneration report on pages 90 to 100. The Chief Risk Officer (CRO) has appropriate input into the setting of the remuneration policy and remuneration decisions other than her own.

Further details of the duties of the Sub-Committee are contained in the terms of reference which can be viewed at **www.onefamily.com**.

Risk Sub-Committee

Melanie Hind (from 1 September 2022 and Chair from 31 October 2022)
Graham Lindsay
Sally Williams

The following also served on the Sub-Committee during the year:
Steve Colsell (Chair to 31 October 2022)
Jackie Noakes (to 14 September 2022)

The members of the Risk Sub-Committee have been selected with the aim of providing a wide range of financial and commercial expertise. In addition, by invitation, all meetings are attended by the CEO, Chief Finance Officer (CFO) and CRO.

The CRO and Company Secretary support the Sub-Committee by assisting the Chair in planning the Sub-Committee's work and helping to ensure that it receives accurate and timely information. The Sub-Committee normally meets at least four times a year and holds a private meeting with the CRO annually.

The key duties of the Sub-Committee are to:

- Review and approve OneFamily's risk management framework including risk assessment of significant strategic initiatives
- Recommend to the Board OneFamily's overall risk appetite and strategy
- Recommend to the Board, and oversee, OneFamily's capital management policy
- Oversee the Own Risk and Solvency Assessment (ORSA) process
- Oversee the development, management and monitoring of conduct risk policies
- Consider and approve the remit of the risk department, and monitor its resourcing and independence

The key activities of the Sub-Committee in 2022 have been focused on:

- Development of operational resilience plans, including oversight of third parties and outsourcing risk
- Recovery and resolution plans
- Risk management within the OneFamily modernisation programme of activities, with regular progress reports from the first and second lines
- Pre-completion second line risk assessments on the proposed Beagle Street transaction
- Climate change risk management
- Proposals for how ESG risks are monitored and the alignment of reporting developing external guidelines and measures
- Liquidity management
- Risk management capability and culture
- The ongoing performance and further development of the ORSA process, including:
  - Review of the specification and outcomes of stress and scenario testing
  - The current and projected profile of risks over the planning period
  - Review of the methodologies and assumptions for quantifications performed as part of the ORSA process
- The continuing development of OneFamily's response to cyber security threats including lessons learned from an attempted 'log4j' attack in January
- Management of data retention risk across OneFamily's systems infrastructure
- Review of forward plans to remediate elements of OneFamily's IT estate in advance of them becoming 'end of life' technology that could then introduce further vulnerabilities
- The assessment of the impact of legislative and regulatory changes on conduct risk and policyholder outcomes

The Sub-Committee continually reviews its activities in the light of changes to OneFamily's strategy and the expansion of its activities and changing UK regulation.

Audit Sub-Committee

Sally Williams (Chair)
Melanie Hind (from 1 September 2022)
Graham Lindsay

The following also served on the Sub-Committee during the year:
Steve Colsell (to 21 June 2022)
Jackie Noakes (to 14 September 2022)

The Board is satisfied that the Audit Sub-Committee members have the appropriate range of financial expertise, as well as competence relevant to the sector in which the Group operates, to challenge management appropriately. The qualifications and experience of each member of the Sub-Committee are included in their biographies on pages 63 to 65.

The main duties and responsibilities of the Sub-Committee are set out in its terms of reference which are available on the OneFamily website and are summarised below:

- Monitor the integrity of the financial statements of OneFamily
- Monitor the application of appropriate accounting standards, estimates and judgements
- Review the 'Annual Report and Consolidated Financial Statements' and advises the Board on whether taken as a whole it is fair, balanced and understandable
- Monitor the integrity of the annual regulatory return, including the Solvency and Financial Condition Report (SFCR) and the Regular Supervisory Report (RSR)
- Monitor on an ongoing basis and review annually OneFamily's internal financial controls and internal control and risk management systems
- Approve the appointment or termination of appointment of the Head of Internal Audit including performance evaluation and remuneration
- Review and approve annually the Annual Internal Audit Plan
- Consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of OneFamily's external auditor
- Review and approve the Annual Compliance Monitoring Plan and resource
- At least annually review and challenge the Client Assets (CASS) risk framework

How the Sub-Committee discharged its responsibilities during the year

Area of responsibility	Actions undertaken by the Sub-Committee
Financial reporting	During the year the Sub-Committee: • Considered the suitability of the going concern concept and the long-term viability statement contained within the 2022 Annual Report • Reviewed and challenged the actuarial methodology and assumptions for demographic and economic assumptions proposed by the Chief Actuary for both statutory and regulatory reporting, recommending them to the Board for approval • Reviewed and challenged areas where significant judgement or assumptions had been applied to the financial statements and Solvency II reporting • Reviewed, challenged and approved (or recommended to the Board for approval) policies relating to materiality and proportionality, reporting and disclosure and non-actuarial Solvency II methodologies • Reviewed and discussed reports from the external auditors on the progress and findings of the external audit process. This included consideration of both adjusted and unadjusted audit differences • Reviewed the final draft of the 2022 Annual Report and Consolidated Financial Statements together with the external auditor's report. The Sub-Committee advised the Board that it considers that, taken as a whole the 2022 Annual Report and Consolidated Financial Statements are fair, balanced and understandable and provides the information for members to assess OneFamily's position and performance, business model and strategy
Internal control and risk management systems	The internal control environment is underpinned by a robust system of governance and a risk management framework. OneFamily operates a three lines of defence model to help ensure that its operational controls remain efficient and effective, its financial reporting is reliable and that the organisation remains compliant with applicable laws and regulations. The activities of the Sub-Committee in the year which supported the three lines of defence model, were: • The review and challenge of the monitoring activities of the Compliance team (as second line) and Internal Audit (as third line) • The receipt, review and challenge to management in respect of a report from the external auditors detailing potential internal control enhancements which were identified during their year-end audit work

Area of responsibility	Actions undertaken by the Sub-Committee
Internal Audit	The Sub-Committee assessed the effectiveness of the Internal Audit team throughout the year via the review, challenge and approval (as required) of: o Quarterly reports detailing progress of the audit plan and results of internal audit activity o The internal audit charter setting out the authority and scope of the internal audit o The audit plan and internal audit budget The Sub-Committee also met privately with the Head of Internal Audit during the year.
External Audit	See the section on External audit below, for how the Sub-Committee discharged its responsibilities in respect of the effectiveness and appointment of external auditors and the provision of non-audit services. In addition, the Sub-Committee held a private meeting with the external auditor during the year.
Client Assets (CASS)	The Sub-Committee: o Reviewed, challenged and approved the CASS policy and risk framework o Received regular reports in relation to client assets o Reviewed and challenged the findings of the external audit of CASS and monitored progress of the resolution of any issues identified
Whistleblowing Arrangements	The Sub-Committee: o Reviewed, challenged and approved the whistleblowing policy o Reviewed the Whistleblowing Annual Report and current practices

Significant issues considered by the Sub-Committee in the year

Area of focus	Audit Sub-Committee action in year	Outcomes
Valuation of the long-term business provision	The Sub-Committee reviewed and challenged the methodology and assumptions proposed by the Chief Actuary for both demographic and economic assumptions. Particular focus was applied to key areas where judgement had been applied such as prudence margins and expense assumptions. The Sub-Committee also considered the observations from the external auditors before finalising their views. Also see the Effectiveness of internal controls section below.	The methodology and assumptions papers were recommended to the Board for approval.
Other areas of focus relating to year-end reporting	The Sub-Committee reviewed and challenged papers produced by management detailing the valuation process applied to the following: - The West Street property, taking into account intra Group lease arrangements and the sub-lease of part of the building to a third party. -The change in accounting policy for the valuation of Group undertakings from fair value to a cost less Impairment basis. - The valuation of Goodwill, Intangibles and the acquired Present Value of In Force (PVIF) business (the latter in respect of the Engage Merger).	The Sub-Committee concluded that they were comfortable with the change proposed in relation to the presentation of the West Street property. The change in policy was approved, noting that it provides a more relevant valuation to users of the accounts. No impairment indicators were identified in respect of previously acquired child trust fund books or the acquired PVIF from the Engage merger.
Beagle Street Acquisition	The Sub-Committee reviewed proposals for extending the scope of the 2022 audit plan to include BGL Direct Life Limited (trading as Beagle Street) following its acquisition on 30 November 2022, including the approach to acquisition accounting, and consideration of impact on materiality for reporting.	Changes to the audit plan were approved, with an audit of the subsidiary expected to be completed by 30 September 2023; and the acquired balance sheet being consolidated into the Group financial statements for 2022.
Effectiveness of internal controls	The Sub-Committee received regular reports regarding the operational effectiveness of controls from both the second line of defence (Compliance) and the third line (Internal Audit). These included progress reports on remediating actions and mitigation of previously recognised issues in respect of legacy systems that will be fully resolved on completion of the ongoing modernisation programme. In addition, the Sub-Committee received from the external auditors their findings and recommendations in respect of the audit of the control environment and received regular updates from management on the steps taken in addressing the observations raised.	The Sub-Committee was satisfied that controls were largely effective throughout the period of review. Where weaknesses have been observed they have gained comfort through mitigating controls and actions.

Area of focus	Audit Sub-Committee action in year	Outcomes
Efficiency of the year-end process and provision of external audit services	The Sub-Committee reviewed management and external audit arrangements for the smooth running of the year-end audit. As detailed below, the Sub-Committee discussed the quality of the audit and level of fees and whether there were any drivers to enter into a tender process prior to the mandatory timeline.	The Sub-Committee concluded the audit tender process, which commenced at the end of 2021, recommending to the Board that Deloitte be appointed as external auditor to the Group. See the section on External audit below for further details. Following the 2021 year end audit the Sub-Committee performed an assessment of the effectiveness of the audit process, including the limited findings of the Financial Reporting Council's Audit Quality Review Team, and considered actions to improve this process further. The Sub-Committee was satisfied that appropriate changes were made to planning and delivery of the 2022 year end audit to enable a more efficient and timely year-end process.

External audit

The Sub-Committee is responsible for reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process. This includes the external audit of statutory reporting and of Client Assets (CASS).

The Sub-Committee considered the effectiveness of the external auditor through the reporting it received from the auditors. Opportunities to enhance the effectiveness of the year-end audit process were discussed during the year with both stakeholders and the auditors and these were incorporated into the 2022 year-end process.

The Sub-Committee approves any change to the external auditor services policy and reviews this at least annually and monitors adherences to the policy. This policy is designed to provide assurance that the external audit firm is not engaged in other services which could compromise its independence as external auditor.

The Sub-Committee concluded that the external audit was effective for the 2022 year-end.

OneFamily's previous auditor, KPMG, was appointed in 2015. Their maximum tenure, as set out in UK legislation, before the audit has to be subject to retender was ten years, with the maximum period for which they could serve being 20 years. During 2021 the Sub-Committee concluded that 2022 would be an appropriate time in the audit cycle, prior to the completion of the maximum ten-year period, to enter a tender process. The tender process, which KPMG were invited to take part in, included consideration of firms from outside the traditional 'big four' one of which was part of the final selection process alongside Deloitte. Following completion of the tender process the Sub-Committee recommended to the Board that Deloitte would be the audit firm best placed to provide members with audit services to the Group to the level of assurance and quality required.

A resolution to appoint Deloitte as auditor for 2022 was approved by members at the 2022 Annual General Meeting and a resolution for their re-appointment for 2023 will be presented at the meeting in June.

The Audit Sub-Committee reviewed the process for the transition of the external audit engagement to Deloitte in the second half of 2022, including holding an additional meeting in September to review progress made and the planning process for the 2022 year-end audit.

UK legislation defines OneFamily, being an insurance group, as a public interest entity. As such there are detailed restrictions of non-audit services that may be provided by external auditors both by type of service and the overall value.

The Sub-Committee reviews on an annual basis OneFamily's policy on engaging external auditors for non-audit services. The Sub-Committee also reviews the nature of work and related fees for any non-audit work. The policy is designed to protect objectivity, independence and compliance with legislation as a public interest entity. The external auditors provided assurance services during the year in relation to Client Assets.

With-Profits Sub-Committee

Sally Williams (Chair from 14 September 2022)
Steve Colsell (Chair to 14 September 2022)
Melanie Hind (from 1 January 2023)

The following also served on the Sub-Committee during 2022:
Jackie Noakes (to 14 September 2022)

The Sub-Committee normally meets four times a year. It normally comprises at least three independent non-executive directors and meetings are attended, by invitation, by the CEO, CFO and CRO, and the With-Profits Actuary.

The key activities of the Sub-Committee focused on overseeing OneFamily's with-profits business in accordance with the relevant Principles and Practices of Financial Management (PPFMs) for each with-profits fund, as well as Prudential Regulation Authority (PRA) rules. There is particular focus on reviewing bonus declarations and considering whether surrender and paid-up values granted reflect the fair treatment of with-profits policyholders.

The Sub-Committee oversees the performance of the With-Profits Actuary. The Sub-Committee members meet privately with the With-Profits Actuary during the year, or whenever the With-Profits Actuary requests.

As anticipated with the growing maturity of the fund and reducing number of policies, the sunset clause for the WP1 Fund came into operation during 2022, and throughout the year the Sub-Committee reviewed in detail reports from management setting out options for its conversion, with a view to ensuring fairness of treatment for different tranches of WP1 policyholders. Having reviewed the With-Profits Actuary's Report on the final proposals, the Sub-Committee approved a recommendation to the Board to convert all WP1 products to guaranteed bonus products. The conversion terms were approved by the Board in December and, subject to approval from the FCA, will be implemented in 2023 with an effective date of 1 January. The Sub-Committee also approved a change in investment allocation for the WP1 Fund from equities to gilts in anticipation of the conversion.

During 2022 the Sub-Committee also focused on the run-off plans for the WP1 and WP2 funds, and reviewed a partial ad hoc bonus investigation for both funds in August. This was in response to falls in asset shares arising from falls in equity markets and reductions in bond values due to the increase in interest rates during the year to date and led to new rates for Final Bonuses, Surrender Value factors and Market Value Adjustments being introduced in September.

Member & Customer Sub-Committee

Graham Lindsay (Chair)
Philippa Herz – CRO
Teddy Nyahasha
Sally Williams

The following also served on the Sub-Committee during the year:
Nici Audhlam-Gardiner (to 29 April 2022)
Christina McComb (to 21 June 2022)
Jackie Noakes (to 14 September 2022)

The Sub-Committee meets at least three times each year and its objectives are to:

- Oversee the Group's plans and performance as it acts to deliver good outcomes for customers
- Review and oversee the Group's arrangements for meeting regulatory expectations in relation to the FCA's Consumer Duty
- Receive and review recommendations from the Executive team in relation to the Society's community-related strategies and membership proposition
- Receive and review updates against key indicators for membership, community-related objectives including customer outcomes and customer satisfaction reporting
- Gain assurance that appropriate governance, risk mitigation and controls are in place in relation to community related activities, customer and member experience
- Review and approve the product and proposition framework
- Review any significant changes to existing or new products, taking into account ESG factors.

During 2022 the Sub-Committee's activities included focus on the following:

- Review of modernisation programme activities from the perspective of how planned operating model changes will enhance customer service and experience
- A detailed review of the Group's approach to meeting the FCA's Consumer Duty principles in line with the regulator's timeline expectations, including planned further enhancements to some aspects of product reviews and product development, as well as customer communications
- Review of the Value for Money Product Assessment for our Over 50s product
- Review of the Committee's Terms of Reference, incorporating its responsibility for oversight of the application of Consumer Duty principles

Additional sub-committees

In addition to the standing sub-committees detailed above, the Board may also convene additional committees depending on business needs. For instance, a Mergers & Acquisitions Sub-Committee comprising Steve Colsell, Jim Islam, Teddy Nyahasha and Sally Williams was formed and met twice during the year to consider the proposed corporate transaction to acquire BGL Direct Life Limited (Beagle Street).

Governance of subsidiary companies

OneFamily's subsidiary companies each have a board of directors comprising executive directors, with non-executive directors also appointed when appropriate – for example to the boards of start-up companies, or to meet regulatory requirements. Family Investment Management Limited had non-executive director representation throughout 2022.

Attendance at meetings in 2022

The Chair and non-executive directors have opportunities to meet independently of the executive directors at least four times a year.
The attendance of directors at Board meetings and standing sub-committee meetings during the year is set out below. The number of meetings that each director could have attended is shown in brackets. The Chief Risk Officer also attends all Board and sub-committee meetings with the exception of Nominations Sub-Committee meetings and any items at Remuneration Sub-Committee where there may be a conflict of interest. Other members of the Executive team also attend Board and sub-committee meetings regularly for items relevant to their areas of responsibility.

	Board of Directors	Nominations Sub-Committee	Remuneration Sub-Committee	Risk Sub-Committee	Audit Sub-Committee	With-Profits Sub-Committee	Member & Customer Sub-Committee
Steve Colsell[*1]	9 (9)	3 (3)	4 (5)	3 (3)	2 (3)	5 (5)	
Melanie Hind[*2]	3 (3)	1 (1)		2 (2)	2 (2)		
Christina McComb[*3]	5 (5)	1 (1)	3 (3)				1 (1)
Graham Lindsay	9 (9)	3 (3)	5 (5)	4 (4)	5 (5)		3 (3)
Jackie Noakes[*4]	5 (6)	2 (2)		2 (2)	3 (3)	3 (3)	2 (2)
Sally Williams	8 (9)	3 (3)		4 (4)	5 (5)	5 (5)	3 (3)
Nici Audhlam-Gardiner[*5]	2 (2)						1 (1)
Jim Islam	9 (9)						
Teddy Nyahasha	9 (9)						3 (3)

Notes
[*1] Member of the Audit Sub-Committee to 21 June 2022
[*2] From 1 September 2022
[*3] To 21 June 2022
[*4] To 14 September 2022
[*5] To 29 April 2022

Directors make every effort to attend meetings, however, occasionally there are unavoidable circumstances that prevent this. In these circumstances the directors concerned receive the papers and submit any comments or questions to the chair of the meeting for consideration at the meeting.

Directors are recorded as having been present if they attended for the majority of the substantive business considered.

The Society's AGM

The Society's AGM usually takes place in June and provides a forum for members to meet directors and learn more about OneFamily and how it is governed. We encourage as many members as possible to attend and have their say in how the Society is run, and we also provide proxy postal and online voting arrangements for members unable to attend the meeting in person so that their views can also be taken into account.
Having held our physical format AGM meetings in London in recent years, in 2023 the meeting will be returning to Brighton. This will enable us to deliver the AGM more cost effectively whilst supporting local businesses and increasing the reach of the meeting by making it easier for all our members to learn more about how we are running the business and our plans for the future. The Member & Customer Sub-Committee enables appropriate focus on membership issues, and its remit includes considering arrangements for canvassing members' views. Details of OneFamily's member relations strategy are available at www.onefamily.com or from the Company Secretary.

Our role as an institutional investor

The UK Stewardship Code was introduced by the Financial Reporting Council with the aim of enhancing the engagement between institutional investors and companies, thereby improving governance in those companies and enhancing shareholder value.

We delegate management of our assets externally to State Street Global Advisors for all our collective investment schemes and most of our unit-linked funds. The management of the non-linked assets in the non-profit and with-profits funds is delegated to Invesco Asset Management. We are not involved with undertaking stewardship activity on a day-to-day basis and so do not have direct engagement with companies held within the portfolios managed by these third parties. We actively monitor the stewardship activities of our investment managers through regular meetings and reporting. We challenge our investment managers to explain how they are voting against management or shareholders of companies in order to promote good stewardship.

As a responsible investor, we take our role seriously as an owner of the companies we are invested in and endorse the UK Stewardship Code. We expect all our third-party investment managers to be signatories to the Code.

As part of its stewardship programme, our main investment manager, State Street Global Advisors', stewardship program is based on the belief that companies that successfully embrace Environmental, Social and Governance (ESG) principles are those that have strong, effective, independent boards and incorporate environmental and social sustainability into their long-term strategies. State Street Global Advisors approach stewardship by focussing on demonstrating and monitoring impact through proxy voting, thought leadership, and engagement with companies. This involves voting on items affecting shareholders at annual general meetings for all companies within their portfolios, regular meetings with companies to understand their approach to material ESG issues, encouraging them to improve practices as needed and sharing their perspectives on salient ESG issues with the market through letters, essays and media interviews.

In addition to issues related to long-term strategy and board composition, they also incorporate material ESG concerns into their engagement efforts which are split across sector and thematic priorities. In addition, areas of focus for voting policy are identified. These priorities reflect developing macroeconomic conditions, emerging ESG trends and feedback from their clients. Throughout 2022 thematic focus areas included:

- Climate change
- Human capital management
- Diversity, equity and inclusion
- Effective board leadership

Longer term viability statement

OneFamily's approach to the assessment

The directors have assessed OneFamily's long-term business prospects in light of the principal risks and uncertainties it faces up until the end of December 2027. A five-year period is appropriate for this viability assessment because OneFamily's internal strategic planning process also covers this time frame. Our business model and strategy are integral to understanding OneFamily's future prospects.

OneFamily adopts a prudent approach to strategy, with a focus on delivering value to our members whilst helping to ensure that we have a sustainable business model.

The Board participates fully in the planning process and performs a thorough review and challenge of the strategy and assumptions used, through stress and scenario testing of key economic, insurance and operational risks.

The assessment process

The assessment looks at OneFamily's financial performance, capital management, cash flow, and solvency position, as well as the principal risks and uncertainties that could impact on future performance, solvency or liquidity.

The process makes use of the full range of planning and forecasting information and tools available internally, which provide an in-depth analysis of OneFamily's risk profile, liquidity, profit and capital projections.

As part of the annual risk management and business planning cycle, OneFamily produces an Own Risk and Solvency Assessment (ORSA), which also covers the five-year planning period. The ORSA helps management determine the appropriate level of capital required to meet overall solvency needs for the planning period, taking into account OneFamily's current risk profile, strategy and risk appetite. For the 2022 ORSA, the Board approved the following stress and scenario tests:

- Business Model Underperformance, being a series of individual and aggregate stresses to explore the impact of underperformance relative to assumptions on capital over a 10-year horizon, including the 2023-27 business plan.
- An adverse economic, counterparty and longevity stress, based on the PRA Life Insurance Stress Test, covering adverse movements in interest rates, credit spreads, equities, credit downgrades, property devaluations impacting equity release mortgage assets and a longevity shock.
- A mass lapse shock, being the impact of a sudden downward mass lapse.
- Financial risk from climate change, exploring the physical and transition impact of 3 alternative climate transition pathways based on the 2021 Bank of England Biennial Climate Scenario.

The Board also approved repeating the reverse stress scenarios that were used for 2021, being:

- Business model failure, with stresses against Child Trust Fund, Lifetime Mortgage origination and Over 50s business
- A geopolitical recession similar to the 1970s Israeli-Arab conflict leading to a global oil shock and resulting in extreme equity and spread shocks together with inflation, mass lapses and expense shocks and a conduct stress

The likelihood of all of the expected impacts of either scenario happening simultaneously or at a speed which would inhibit the Board from effecting management actions is deemed to be well beyond a one-in-two hundred year return period.

The ORSA assessment process also considered OneFamily's financial resilience (including solvency and liquidity) and operational resilience in light of the heightened uncertainties and impacts arising from developments in the geopolitical and economic situation - helping to keep the directors informed of the sensitivities of OneFamily's capital strength to equity, interest rate and credit spread changes.

Outcome of the assessment process

On the basis of the ORSA and the five-year business plan, the directors are confident that OneFamily's strategy is robust and that OneFamily has sufficient capital and liquidity to:

- Meet regulatory capital requirements
- Satisfy its capital risk appetite
- Maintain a sustainable business model

As OneFamily has no shareholders and therefore has no requirement to pay dividends, it is less constrained in investing in the business for the future.

The directors are also satisfied that OneFamily has appropriate risk management and governance procedures in place to manage and mitigate the risks that have been identified over the planning period.

Viability statement

This detailed assessment was made recognising the principal risks and uncertainties that could have an impact on the future performance of OneFamily as detailed on pages 40 to 47 and its long-term prospects in light of these. This included consideration by the directors of risks associated with the inflationary environment, economic response post pandemic and geopolitical matters such as the Russia-Ukraine war. The directors are confident that OneFamily will be able to continue in operation and meet its liabilities as they fall due over the five-year period to 31 December 2027; the business planning period.

Steve Colsell
Chair
30 March 2023

Directors' report

The Annual Report and Consolidated Financial Statements including the strategic report have been prepared in accordance with The Friendly Societies (Accounts and Related Provisions) Regulations 1994 (the Regulations). As at 31 December 2022 a Board of Directors comprising the Chair, four independent non-executive directors and two executive directors governed the Group.

The Board is led by the Chair whose role, along with that of the Chief Executive Officer (CEO), has been set out in writing and approved by the Board. The Board delegates day to day management of the business to executive and senior management led by the CEO. The Board is satisfied that, having considered the background and current circumstances of each non-executive director, there is no relationship or issue which could affect the independence of their judgement in performing their duties.

Directors' biographies can be found on pages 63 to 65.

Statement of responsibilities of the Board of Directors

The Friendly Societies Act 1992 (the Act) requires the Board of Directors to prepare the Annual Report and Consolidated Financial Statements for each financial year which give a true and fair view of the state of the affairs of the Society and of the Group as at the end of the financial year, and of the income and expenditure of the Society and of the Group for that period. Under the Act the directors have elected to prepare the Annual Report and Consolidated Financial Statements in accordance with UK accounting standards and applicable law (UK generally accepted practice).

In preparing the Annual Report and Consolidated Financial Statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- Assess the Group and Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern
- Prepare Annual Report and Consolidated Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business

The Board confirms that it has complied with the above requirements in preparing the accounts and believes they provide a fair, balanced and understandable view of the Society and the Group.

The Board is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of OneFamily and ensuring that the accounts comply with the Act. It is also responsible for safeguarding the assets of OneFamily and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

The Board is responsible for OneFamily's systems of control and acknowledges that such systems can provide only reasonable and not absolute assurance against material misstatement or loss. The Board conducts, through the Risk and Audit Sub-Committees, an ongoing review of the effectiveness of OneFamily's systems of internal controls and risk management and is satisfied that there are no material shortcomings (i.e. factors that could expose the Group to financial control and reporting risks outside risk appetite) – see the Risk Sub-Committee and Audit Sub-Committee reports on pages 75 to 81). In coming to this conclusion, the Board has taken into account reports to the Audit Sub-Committee on the effectiveness of additional controls to mitigate previously recognised issues in respect of legacy systems. These will be fully resolved on completion of the ongoing modernisation programme. The Board, through the Audit Sub-Committee, also noted further areas for improvement in the control environment identified by Deloitte and the recommended improvements. The Board is comfortable that these areas for improvement have not led to any material misstatements in reporting.

In accordance with the Act, the Board confirms that all activities carried out during the year by the Society and its subsidiary undertakings are believed to have been carried out within their respective powers.

The Board considers that the skills, independence and experience of the non-executive directors provide an appropriate balance to help ensure that the Group is effectively managed and controlled.

The Annual Report and Consolidated Financial Statements provides the information necessary for members to assess the Society and Group's performance, business model and strategy.

As at 31 December 2022, the Group's margins of solvency comfortably exceeded the minimum requirements as prescribed by the Prudential Regulation Authority.

Going concern

Directors need to satisfy themselves that it is both reasonable and appropriate for them to conclude that the Annual Report and Consolidated Financial Statements have been prepared on a going concern basis for a period of at least 12 months from the date of approval of these financial statements.

OneFamily's business activities, financial performance and solvency, as well as future outlook, are summarised in the Chief Finance Officer's report and Our strategy report on pages 14 to 21.

Principal risks faced by OneFamily, including liquidity risk, are summarised in the Risk management report on pages 38 to 48. This information helps to explain how we manage going concern and liquidity risks to secure OneFamily's long-term success.

The Board acknowledges that a balanced risk appetite is essential for the long-term success of OneFamily and to manage and mitigate risk it receives regular recommendations and reports from the Risk Sub-Committee.

In assessing going concern of the Society and the Group, the Board has also taken into account the impact of changes in the wider economic, political and global environments in 2022, including those arising from the war in Ukraine. The Board has considered the consequences of stock market volatility, inflationary pressures, higher interest rates and the effects of the cost of living crisis on customers and colleagues; as well as potential changes to mortality rates that may emerge as the longer-term effects of COVID-19 continue to emerge. This has included assessment of the Group's financial resilience (including solvency and liquidity) and sensitivities to further equity, interest rate and credit spread changes. The Group's operational resilience has also been considered by the Board in the assessment of going concern. Further details on the impact of these factors on the business from both a financial and operational perspective can be found in the Risk management report on pages 38 to 48.

As a result of the Board's consideration of the above factors, the directors are confident that the Group has adequate financial resources to continue in operation as a going concern for a period of at least 12 months from the date of approval of these financial statements and continue to prepare the financial statements on that basis.

Principal risks and uncertainties

As a result of its normal business activities, OneFamily is exposed to a variety of risks. OneFamily has established a number of sub-committees and policies to successfully manage these risks. These principal risks and uncertainties are set out in the Risk management report on pages 40 to 47 and in note 2 to the financial statements.

Information about our approach to managing climate-related risks, including energy and emissions data can be found on pages 49 to 60.

There are no specific risks or uncertainties arising from the UK's withdrawal from the EU specific to OneFamily's business or that have any material impact on the financial statements.

Internal control

The Board has overall responsibility for OneFamily's systems of internal control and the monitoring of their effectiveness. The systems of control are designed to manage rather than eliminate the risk of failure to achieve our strategic objectives and can only provide reasonable assurance against material misstatement or loss.

For 2022 the Board was able to conclude, with reasonable assurance, that appropriate internal control and risk management systems were maintained throughout the year. In reaching this conclusion they considered the areas of control improvements and mitigations referred to on page 79.

Energy and Carbon Disclosures

Please see the Climate-related financial disclosure section on pages 49 to 60.

Employees

OneFamily employed an average of 535 full time equivalent employees during 2022 (2021: 486) at a total cost of £30.9 million (2021: £28.7 million). This equated to circa 700 full and part time colleagues at the end of the year. The Board recognises that OneFamily's most valuable resource is its employees and that they are key to its success in implementing its strategy. During the year, OneFamily invested in expanding its customers-facing sales team to grow new business activities. The Board believes that the continued learning and development of colleagues is essential, in order to help ensure effective management of OneFamily, and provision of appropriate service to customers. As at 31 December 2022 the gender mix at management levels was:

	2022		2021	
	Male	Female	Male	Female
Board of Directors	67%	33%	50%	50%
Senior managers and their direct reports	66%	34%	69%	31%

There is a statement on gender pay on page 31 and further information on our approach to diversity and inclusion, including how we support those with different forms of disability to fulfil their potential at work, can also be found on page 31.

In addition to individual team meetings, all colleagues are kept informed on matters of concern to them such as business performance and changes to the economic and competitive environment that OneFamily operates in; wellbeing initiatives and additional support for colleagues most likely to be disproportionately impacted by rising fuel costs; the Beagle Street transaction and integration activities; the OneFamily modernisation programme; and changes to our office accommodation through a number of regular communication channels including:

- Bi-annual Town Hall events that all employees are encouraged to attend with updates from the CEO and other senior managers and opportunities to raise questions in 2022 on topical issues such as modernisation programme and refurbishment of our West Street office.
- Emails from our Internal Communications teams, including a weekly CEO update to all colleagues from the Chief Executive Officer.
- Regular breakfast sessions with the CEO and other senior managers which all colleagues are invited to attend.

The Talking Family employee consultative committee meets at least monthly to provide a forum for representatives of employees to provide their views on issues affecting them. Its Chair and Vice-Chair provide feedback arising from its discussions by attending the Executive team's meeting on a monthly basis; whilst the Senior Independent Director is invited to attend all Talking Family meetings. He provides regular updates to the OneFamily Board on the themes discussed including any current issues of concern to colleagues. Talking Family members also attended a Board meeting during 2022 so that directors could hear from them directly. Following discussion at Board level, an out of cycle pay award was approved in the first quarter of 2022 to ensure that entry level salaries remained competitive. In the second half of the year and continuing into 2023, additional financial support was also provided for colleagues most likely to be disproportionately impacted by rising fuel costs.

The results of the annual staff engagement survey are reviewed by the Board and actions in response to it are communicated to all colleagues.

Future developments

In 2023 and future years we will continue to fulfil our social purpose by providing products and services to reach as many customers as possible and build commercial value for OneFamily, including:

- Expanding our suite of protection products and harnessing and integrating the additional capability provided by the Beagle Street transaction.
- Continuing to expand our later life lending advice business.
- Continuing to simplify our operations and corporate structure as our modernisation initiative progresses, providing further cost efficiencies and continuing to enhance the business's operational resilience and sustainability.
- Continuing the implementation of the new FCA Consumer Duty across our business and using this as a further opportunity to reflect our values-driven and customer-focussed approach to providing accessible financial services.

Customer complaints

It is OneFamily's policy to investigate and resolve all customer complaints promptly and fairly, but in the event that customers are not satisfied with the response the Financial Ombudsman Service provides a complaints resolution service. Full details can be obtained from the Company Secretary or at www.onefamily.com. In 2022 we resolved 99% of complaints within four weeks, (2021: 99%).

Appointment of auditor

Deloitte LLP was appointed as external auditor in June 2022 following a tender process overseen by the Audit Sub-Committee. A resolution to re-appoint Deloitte LLP as the external auditor will be proposed at the 2023 AGM.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that they ought to as a director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Actuarial function

OneFamily outsources its actuarial function to Willis Towers Watson. Paul Simmons and Michael Green (both of Willis Towers Watson) were Chief Actuary to the Group and With-Profits Actuary respectively throughout 2022.

Charitable and political donations

In 2022 OneFamily made charitable donations of £138,614 (2021: £25,173). These provided support to our charity partners including financial education charity RedSTART and homeless charity The Clock Tower Sanctuary. We also made donations to match amounts raised by colleagues in support of charities of their choice. In previous years we awarded personal and community grants from the OneFamily Foundation (which were not classified as charitable). Our new charity partnerships enable us to support initiatives that align with our Inspiring Better Futures vision.

No political donations were made (2021: nil).

Directors' interests

None of the directors had any interests in the Group or its subsidiary companies, other than those interests in respect of fees or salaries paid to them as directors, those interests in respect of the policies which they hold with the Group under standard terms and conditions and those interests specifically disclosed in note 28 to the financial statements.

Directors' insurance and indemnities

The directors have the benefit of the indemnity provisions contained in the Society's Rules, and the Society has maintained throughout the year directors' and officers' liability insurance for the benefit of the Society, the directors and its officers. The Society has entered into qualifying third-party indemnity arrangements for the benefit of all its directors which were in force throughout the year and remain in force.

S. J. Allford

Simon Allford
Secretary
30 March 2023

Directors' remuneration report

Annual statement from the Remuneration Sub-Committee Chair

Dear Members

On behalf of the Board and as Chair of the Remuneration Sub-Committee, I have pleasure in presenting the Directors' remuneration report for the year ending 31 December 2022.

OneFamily in 2022

2022 was characterised by political and economic upheaval, leaving members and colleagues alike facing financial hardship. However, despite the instability, I am proud that our colleagues continue to show resilience and strength: They have continued to provide an outstanding service to our members, are transforming our business through the OneFamily modernisation project, and are successfully pursuing our objective of growth while also supporting each other – and I thank them for their commitment and loyalty in trying times.

The acquisition of Beagle Street in November 2022 is one example of how we are transforming our business and is testimony to the skill of colleagues who worked so hard to complete the transaction. We warmly welcome the 72 Beagle Street colleagues who have joined us, and we are immensely excited by the opportunities that will flow from combining the two businesses.

A major factor in our transformation has been the change in our sales approach over the last two years. We have established a successful sales model, featuring use of third-party specialists, development of our partnerships pipeline and crucially the creation of an internal capability, mainly based in our Swindon office. These developments will continue to drive new customers and new policies, enabling capital accretion – a key metric in our variable pay targets.

I would also like to pay tribute to those involved in the multi-year OneFamily modernisation project. This covers operational, financial and legal aspects of the business and aims to enhance member experience and make OneFamily more efficient, for example through chatbots and speech analytics. The foundation has been laid for a new policy platform covering most of our policies, to be introduced during 2023.

The rising level of inflation has impacted many and we were pleased we could offer a monthly cost of living contribution to those on mid and lower salaries, who are most adversely affected. 83% of OneFamily colleagues received this allowance from July until the pay review in March 2023. In December we followed this with a decision to provide additional support in January 2023. Details of these contributions are in the section entitled remuneration in context, later in this report.

I was particularly pleased that our employee engagement survey conducted in November, via WorkL, scored so well, not only beating industry average, but also exceeding our own score from 2021. I am sure the efforts taken by management to ensure the health and wellbeing of our colleagues were reflected in this score.

As we emerged from the pandemic, colleagues adapted to hybrid working patterns, based on charters specific to each team. This not only affords colleagues some flexibility, but it also aims to enhance wellbeing and is an enabler in our equity, diversity and inclusion (ED&I) strategy.

It was especially pleasing that colleagues continued to devote time and energy to our charitable activities, thereby living the values and purpose that OneFamily espouses. Volunteering initiatives were broad and included conducting mock interviews to help students as they apply for jobs, as well as mentoring sixth formers to help them with university applications and plan their future careers post A-levels.

Through regular attendance at Talking Family, the employee forum, as the nominated non-executive director for employee engagement, I see that colleagues are being listened to, and I keep in touch with issues affecting our colleagues. These have included concerns around the return to the office, and the current economic climate.

Pay review for colleagues

OneFamily's success is dependent on the work and commitment of our colleagues and we are committed to offering fair pay and benefits to all. The progress in our business during 2022 enabled the Sub-Committee to agree a salary rise for colleagues that considered the backdrop of cost of living increases and industry salary benchmarks. As a responsible organisation we ensure we pay at least the Real Living Wage, and our annual pay review took into consideration the hardships felt by those in junior positions, applying on average a larger increase to their salaries than to those on higher pay.

All colleagues other than sales agents benefit from a bonus scheme that is based on the same targets as the short-term incentive plan (STIP) ensuring alignment throughout the business. Individual awards are based on performance against behaviours and personal objectives, such objectives reflecting corporate ones. These awards are recommended by management and are overseen by the Sub-Committee. Sales agents earn commission instead of participating in the staff bonus scheme.

Equity, diversity and inclusion (ED&I)

The Sub-Committee continues to support the development and roll out of OneFamily's ED&I strategy. We are committed to ensuring that OneFamily provides a safe working environment for everyone, where colleagues can be their authentic selves and know that they will be treated equitably. Each member of the executive team sponsors a pillar of diversity and activities throughout the year celebrate and mark different aspects of our commitment. We were proud to accept two awards for our contribution to diversity and inclusion excellence. More details can be found in the colleague section on page 31 of the Inspiring Better Futures article.

The Sub-Committee is fully committed to the Women in Finance Charter, which aims to identify and develop female talent. We are pleased that 34% of our senior leadership is female and through our recruitment and talent development we aim to increase this proportion of women in senior roles.

The Sub-Committee also has oversight of our annual Gender Pay Gap reporting. This government initiative measures the difference between the average and median pay of all men and women in an organisation expressed as a percentage of men's pay.

Remuneration Sub-Committee governance

The purpose of the Sub-Committee is to ensure that OneFamily attracts and retains colleagues with the appropriate skills and experience to drive the organisation forward in line with its strategy and risk appetite, while respecting its values and purpose. Through the variable pay schemes and sales incentives we aim to motivate talented colleagues and help ensure their commitment to the Society. We meet at least four times a year.

OneFamily continues to be committed to high standards of corporate governance. We are not subject to the disclosure requirements of listed companies, but as a member of the Association of Financial Mutuals (AFM), we report against the principles of the AFM Corporate Governance Code for Mutual Insurers (the Code). Although we are not required to meet the UK Corporate Governance Code, we continue to adopt best practice, in the interest of transparency, and report where appropriate.

Graham Lindsay
Chair of the Remuneration Sub-Committee
30 March 2023

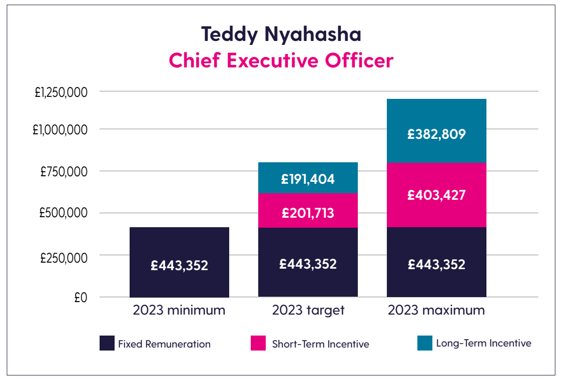
Annual report on remuneration

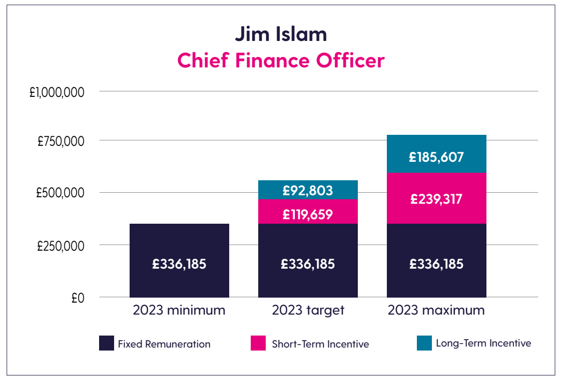
Unless otherwise stated, the information within this report is unaudited.

Remuneration opportunity for current executive directors in 2023

The charts illustrate the amounts that executive directors could be paid in 2023 under different performance scenarios:
Minimum – fixed remuneration elements only (base salary, benefits and pension)
Target – assumes target levels of performance are achieved
Maximum – assumes that stretch levels of performance are achieved

Short-term incentive plan (STIP) and long-term incentive plan (LTIP) incentives represent the target and maximum opportunities that may vest in the year.





Remuneration for current non-executive directors in 2023

	2023 £000's
Steve Colsell	127
Graham Lindsay	81
Sally Williams	66
Melanie Hind	63
Alison Davies	40

Summary of Remuneration Policy

OneFamily's remuneration policy aims to attract and retain executives and colleagues with the necessary skills to realise the objectives set out in the annual business plan and promote the long-term success of the Group.

The policy guidelines and principles are based on the business' regulatory guidelines and requirements set out in the AFM Corporate Governance Code for Mutual Insurers, the UK Corporate Governance Code and in the pay rules published by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

The remuneration policy is approved by OneFamily's Board Remuneration Sub-Committee. This Sub-Committee ensures that remuneration practices are in line with our business strategy and objectives, our risk management strategy and risk profile as well as with the long-term interests and performance of the organisation. The Sub-Committee ensures that remuneration awards do not threaten OneFamily's ability to maintain an adequate capital base and where relevant the performance-based incentives and remuneration schemes are driven by metrics that reflect the overall performance and financial position of the organisation.

No director is involved in the determination of, or votes on, any matter relating to their own remuneration.

Remuneration in context

OneFamily is committed to attracting, developing and retaining talent to drive and support the delivery of its long-term vision and strategy. Relevant reward, recognition and remuneration arrangements are important factors in achieving the business objectives and in driving behaviours that are consistent with our purpose, values and strategy.

OneFamily is proud to offer a valued total reward package that includes base pay, pension, employee benefits and a variable pay element in the form of a staff bonus scheme that allows our colleagues to share in the success of the Group. Most colleagues are a part of the staff bonus scheme paying out a range up to a maximum of 20% of base pay. The Sub-Committee believe the reward practices to be fair and consistent with the reward policies for all OneFamily's colleagues and is committed to the Real Living Wage.

The Sub-Committee reviews a whole range of data related to remuneration fairness across the Group such as the gender pay gap results and broader diversity and inclusion initiatives such as set out in our Inspiring Better Futures section. Overall, the Sub-Committee is satisfied that the processes behind pay decisions in relation to the wider workforce are effective in delivering OneFamily's commitment to equal pay that is free from discrimination. The Sub-Committee is encouraged by the various initiatives taken by management to ensure this effectiveness and will continue to monitor progress in diversity and fair pay.

To remain competitive, we benchmark salaries using information from Willis Towers Watson as well as from PwC, our Remuneration Sub-Committee advisor, aiming to pay within a narrow range of the average industry salary for each role. We also provide competitive benefits, as well as wellbeing and other initiatives designed to ensure that OneFamily is an enjoyable, fulfilling and supportive place to work.

By last summer, we recognised that many of our colleagues were struggling with the escalating cost of living. This was particularly the case with the large percentage of employees who are on entry-level or junior salaries, but we also recognised that those on mid-ranking pay were also suffering. The situation was having a negative effect on their mental wellbeing and on their work in support of our customers. To help them, the Board approved a monthly payment of £125 to be made to those on salaries of £40,000 or less and of £75 to those on salaries of between £40,000 and £50,000. These payments were made for the eight-month period from July 2022 and ending in February 2023 – new salaries under the pay review come into force in March of each year. This allowance benefited about 83% of colleagues and was greatly appreciated.

As the year progressed, however, the cost-of-living crisis worsened and towards the end of the year inflation was running at over 11%. This prompted us to make another call on the Board in December to pay a one-off contribution of £200 to those colleagues facing particular financial hardship in the wake of escalating food as well as fuel prices. Such increases disproportionately affect those on lower salaries and so we targeted those earning £40,000 or less, representing 69% of colleagues in OneFamily, including our new Beagle Street colleagues. Payment was made in January 2023.

Main elements of remuneration policy for executive directors

The following table sets out the main elements of the remuneration policy currently in place for executive directors:

Element	Purpose	Operation	Potential value
Base salary	To provide a competitive level of base salary, reflecting the skills and experiences required and reward ongoing contribution to the role.	Base salaries reflect individuals' skills and experience and are reviewed annually in the context of annual performance assessment. They are determined by the scope and responsibilities of each role, individual performance and by reference to appropriate market rates obtained from external sources. This is the only element of remuneration which is pensionable.	Base salary increases are assessed annually, taking into consideration increases applied to the broader colleague population, along with reference to market rates and consideration of affordability. Higher increases may be awarded, for example, for an increase in scope or responsibilities.

Element	Purpose	Operation	Potential value
Benefits	To provide a range of market competitive benefits that are valued.	Includes private medical insurance and life cover.	Benefits are provided in line with the market.
Pensions	To encourage planning for retirement and long-term savings.	Eligible to participate in the defined contribution pension plan offered to all colleagues. Where contributions exceed the annual or lifetime allowance, executive directors may be permitted to take a cash alternative in place of contributions.	Pension contributions of 6%, rising to a maximum of 9% where additional contributions are matched, in line with pension scheme rules or cash supplement for executive directors.
Short-term incentive scheme	To drive and reward performance against annual financial, non-financial and individual objectives which are consistent with the business strategy and align to members' interests. The short-term incentive scheme is designed to drive the right behaviours aligned to OneFamily's purpose, values and strategy.	Short-term incentive awards are calculated based on business performance and individual performance assessed against agreed personal objectives and behaviours. Awards are paid over three years with 40% of any incentive earned being deferred and payable in two equal parts on the first and second anniversary of the initial payment. Short-term incentive scheme is subject to malus and claw back provisions. Malus provisions will apply to an unvested award and claw back provisions will apply to the vested amount for three years following the vesting of such awards.	The potential maximum award as % of base salary for current executive directors is: Chief Executive Officer (CEO): 100% Chief Finance Officer (CFO): 80% 50% of the maximum potential award is paid for achievement of budgeted targets and up to 100% of the maximum potential award is paid for achievement of stretch targets. Any payment under the scheme is at the discretion of the Remuneration Sub-Committee and is subject to malus and claw back conditions. Individuals will not be rewarded for poor performance.

Element	Purpose	Operation	Potential value
Long-term incentive scheme	To incentivise sustainable long-term alignment with member interests. The long-term incentive scheme is designed to drive the right behaviours aligned to OneFamily's purpose, values and strategy.	Performance will be assessed (over three years) considering factors including capital growth, cost efficiency, customer satisfaction, colleague engagement and ED&I. 50% of the long-term incentive award shall be made only upon the third anniversary of the completion of the financial year in which the award is made. The remaining 50% of any long-term incentive earned will be deferred and is payable in two equal parts on the first and second anniversaries of the initial payment. Long-term incentive awards are subject to malus and claw back provisions. Malus provisions will apply to an unvested award and claw back provisions will apply to the vested amount for three years following the vesting of such awards.	The potential maximum award as % of base salary for current executive directors is: CEO: 100% CFO: 65% 50% of the maximum potential award is paid for achievement of targets; and up to 100% of the maximum potential award is paid for achievement of stretch targets. Any payment under the scheme is at the discretion of the Remuneration Sub-Committee and is subject to malus and claw back conditions. Individuals will not be rewarded for poor performance.

Other policy elements

Element	Policy
Policy for new appointments	The policy adopted for the recruitment of new executive directors aims to be competitive and to structure remuneration in line with the framework applicable to current executive directors, based on the remuneration elements detailed in the policy table.
Notice periods	The notice period of executive directors' service contracts should not exceed one year and any compensation for loss of office should not exceed 12 months' remuneration.

Element	Policy
Leavers	The Remuneration Sub-Committee has the discretion to determine an appropriate short or long-term incentive award taking into consideration the circumstances in which an executive director leaves. No award will be made unless the executive director is determined to be a 'good leaver'. For a 'good leaver' the Remuneration Sub-Committee has the discretion to make awards on such basis as it deems appropriate. These awards may be pro-rated for time and performance. Typically awards will vest in line with on-going awards and be subject to deferral periods as required.
Good leaver	A good leaver for the purposes of the variable pay will be any executive director who leaves employment for reasons of: death, redundancy, disability or ill-health, retirement or any other reason the Remuneration Sub-Committee so decides.
Termination payment	The Remuneration Sub-Committee has the discretion to determine an appropriate payment in lieu of notice for all or part of the contractual notice period for an executive director. Benefits, including outplacement, legal and fees and payments in accrued holiday, may be provided in connection to any termination payment.
Legacy arrangements	OneFamily may continue to honour any previous commitments or arrangements entered into with current or former executive directors that may have different terms, including terms agreed prior to appointment as an executive director.

Variable remuneration schemes

OneFamily has three variable remuneration schemes – the staff bonus scheme available to all colleagues other than sales agents, the short-term incentive plan (STIP) and the long-term incentive plan (LTIP), awarded to executives. Sales agents earn commission. The schemes are designed to incentivise, retain and reward performance to ensure delivery of OneFamily's objectives. All have quantitative targets, with financial ones based on economic value creation. This aligns with our ambition of delivering sustainable capital generation and is the way the Board, and the regulator, assess the business.

These quantitative metrics are supplemented by other factors, such as wider society impacts, risk considerations, supporting the transformation agenda and engaging with colleagues. The amount available for distribution is decided by the Remuneration Sub-Committee using its judgement and discretion. Finally, consideration is given to individual performance over the year and colleagues' adherence to the Group's values and expected behaviours to determine the individual awards. Management recommend awards for colleagues and the executive calibrate them to ensure consistency of evaluation.

The staff bonus scheme and the STIP mirror each other in the setting and measurement of the targets. STIP is subject to a deferral period, with 60% of the award paid in March following the year end and the rest paid over a two-year period, subject to malus and clawback provisions.

The LTIP covers a performance period of three years and is offered at an executive level. Targets mirror our corporate objectives and are based on long-term value creation, as well as cost efficiency, customer service, employee engagement and diversity. LTIP is also subject to a deferral period, such that 50% of the award is paid in March following the end of the final year of the performance period and the rest is paid over a two-year period, subject to malus and clawback provisions.

The CEO recommends the executives' individual awards to the Sub-Committee, based on achievement of these targets, as well as each executive's performance and behaviours. The Chair of the Sub-Committee recommends the CEO's awards to the Board.

Bonus outcomes for 2022

OneFamily is on a multi-year modernisation journey, initiated in December 2020 to deliver a simplified, lower cost operating model, with enhanced resilience and augmented customer and colleague experience. It aims to deliver tangible financial benefits, including capital accretion and revenue growth opportunities.

Achievements in the year include modernisation of the service interface for customers, including speech analytics and chatbots, simplification of OneFamily legal entities, new investment management arrangements and readiness for migration of our policies onto a new platform.

A key strategic aim is growth and the development of our sales model coupled with the acquisition of Beagle Street gives us access to more customers and to more products. We are confident that these achievements will deliver the growth that we are targeting in the years ahead.

The metrics for the staff bonus and STIP schemes are based on capital generation.

Payments under the LTIP scheme are based on a wider series of metrics.

The Sub-Committee considered OneFamily's underlying performance, pay and conditions of the wider workforce during the year and determined that pay was well aligned with performance. No discretion was exercised on either the short-term or long-term incentive scheme.

Gender pay gap

The gender pay gap report can be found on our website – https://www.onefamily.com/company-information.

We aim to identify and grow our female talent and through recruitment and development we aim to reduce the gender pay gap and increase female representation at senior levels. We have a Women in Finance target of 35% females in senior management roles by the end of 2023 – currently we are just below that.

Non-executive director fees for 2023

Non-executive directors' fees are set in the light of responsibilities and required skills and time commitment. They reference market competitive ranges, as advised by our Remuneration Sub-Committee advisor (PwC).

Non-executive director fees are made up of a base fee, plus a sub-committee chair fee as appropriate. The Chair of the Board does not receive any additional fees. Fees are paid monthly and expenses are paid in line with market practice. Terms and reimbursement of travel and other expenses are aligned with OneFamily's expenses policy. No variable pay is provided so that the Chair and non-executive directors can maintain appropriate independence. They do not receive pensions or other benefits.

None of the non-executive directors has a service contract; they have letters of appointment.

Non-executive director fees structure	2023* £'000	2022 £'000
Chair	128.75	121
Base fee	53.75	50.5
Vice chair	67	63
Audit Sub-Committee chair	10	10
Risk Sub-Committee chair	10	10
Remuneration Sub-Committee chair	10	10
Member and Customer Sub-Committee chair	5	5
With-Profits Sub-Committee chair	2.5	2.5

* Changes are effective from 1 March 2023

Engagement with members

Members cast an advisory vote on the directors' remuneration report at the AGM. The results at the AGM in June 2022 were as follows:

For	Against	Vote withheld
12,632	802	192

We encourage engagement with members, and this is achieved in several ways. In addition to the full directors' remuneration report within this report, there is a summary remuneration report in the AGM Notice of Meeting and Business Update booklet. This is published on our website on the AGM page and sent to the members who receive postal packs. We have a Q&A section on the AGM page, and we respond in writing to all members who submit questions in advance of the AGM. We answer questions raised on remuneration by members during the meeting, and there are informal opportunities for members to raise questions before / after the meeting when talking to directors.

Annual Report on Remuneration disclosures

This section of the report shows details of remuneration paid to executive and non-executive directors during 2022.

Single figure of total remuneration – Audited

Board of Directors Remuneration

	Salary/Fees		Short-Term Incentive Scheme		Long-Term Incentive Scheme		Pension[1]		Other benefits[2]		Total remuneration	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Executives												
Teddy Nyahasha	**380**	365	**342**	329	**263**	202	**34**	33	**2**	1	**1,021**	930
Jim Islam	**283**	275	**194**	191	**99**	81	**24**	29	**12**	1	**612**	577
Nici Audhlam-Gardiner[3]	**159**	230	**–**	160	**–**	–	**20**	24	**14**	28	**193**	442
Non-Executives												
Christina McComb[4]	**56**	115	**–**	–	**–**	–			**–**	–	**56**	115
Steve Colsell	**93**	61	**–**	–	**–**	–			**–**	–	**93**	61
Melanie Hind[5]	**20**	–	**–**	–	**–**	–			**–**	–	**20**	–
Graham Lindsay	**78**	75	**–**	–	**–**	–			**–**	–	**78**	75
Jackie Noakes[6]	**35**	48	**–**	–	**–**	–			**–**	–	**35**	48
Sally Williams	**60**	58	**–**	–	**–**	–			**–**	–	**60**	58
	1,164	**1,227**	**536**	**680**	**362**	**283**	**78**	**86**	**28**	**30**	**2,168**	**2,306**

[1] Pension includes either contributions to a defined contribution pension plan or a cash alternative
[2] Other benefits include allowances, private medical insurance, taxable expenses and a grossed-up payment of the associated tax due on these taxable expenses claimed (taxable expenses include for example travel between offices)
[3] Resigned 29/4/2022
[4] Resigned 21/6/2022
[5] Appointed 1/9/2022
[6] Resigned 14/9/2022

Long-term and short-term incentive schemes

Details of bonuses vested, paid and deferred in the year and as at the 31 December are set out below.

Short-Term Incentive Scheme

	Value of deferred bonus as at 31 Dec 2021 £'000	Bonus paid during 2022 £'000	Bonus vested in 2022 to be paid in 2023 £'000	Bonus vested in 2022 but payment deferred to 2024/2025 £'000	Value of deferred bonus at 31 Dec 2022 £'000
Teddy Nyahasha Performance period					
2019	34	(34)	–	–	–
2020	95	(48)	–	–	47
2021	329	(197)	–	–	132
2022	–	–	205	137	342
	458	(279)	205	137	521
Jim Islam Performance period					
2020	46	(23)	–	–	23
2021	191	(115)	–	–	76
2022	–	–	116	78	194
	237	(138)	116	78	293
Total	**695**	**(417)**	**321**	**215**	**814**

Long-Term Incentive Scheme

	Value of deferred bonus as at 31 Dec 2021 £'000	Bonus paid during 2022 £'000	Bonus vested in 2022 to be paid in 2023 £'000	Bonus vested in 2022 but payment deferred to 2024/2025 £'000	Value of deferred bonus at 31 Dec 2022 £'000
Teddy Nyahasha Performance period					
2017-2019	30	(30)	–	–	–
2018-2020	59	(29)	–	–	30
2019-2021	202	(101)	–	–	101
2020-2022	–	–	132	131	263
	291	(160)	132	131	394
Jim Islam Performance period					
2019-2021	81	(40)	–	–	41
2020-2022	–	–	50	49	99
	81	(40)	50	49	140
Total	**372**	**(200)**	**182**	**180**	**534**

Payments to past directors

Payments to past directors in 2022 related to:

- Retirement benefits payable to previous executive directors
- Retained short-term and long-term incentive scheme payments paid to good leavers

There were no payments for loss of office for executive directors.

Relative importance of spend on pay

Colleague costs form a significant element of Group expenditure, representing 42% (2021: 44%) of the net operating expenses.

Relative importance of spend on pay	2022 £m	2021 £m	Change %
Net operating expenses	73.7	64.6	14.0
Overall staff costs	30.9	28.7	7.6

As noted in the CFO report on page 15, our net operating expenses include costs of modernising OneFamily of £10.4m in 2022 and £4.0m in 2021. Excluding these modernisation costs – which will drive long-term efficiency - net operating expenses have increased by 4.3% in the year.

Board Remuneration Sub-Committee external advisor

The Sub-Committee appointed PwC as its new external advisor in January 2022. Their remit is to provide support and guidance on reporting regulations, requirements and best practice, as well as market updates regarding remuneration. They attend Sub-Committee meetings twice a year and review Sub-Committee papers.

The Sub-Committee is satisfied that the advice received is both objective and independent. PwC has no connection with any of the executive or non-executive directors at OneFamily.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF FAMILY ASSURANCE FRIENDLY SOCIETY LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Family Assurance Friendly Society Limited (the ‘Society’) and its subsidiaries (the ‘Group’):

- give a true and fair view of the state of the Group’s and of the Society’s affairs as at 31 December 2022 and of the Group’s and the Society’s income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and Financial Reporting Standard 103 “Insurance Contracts”; and
- have been prepared in accordance with the requirements of the Friendly Societies Act 1992.

We have audited the financial statements which comprise:

- the Group and Society statements of income and expenditure accounts;
- the Group and Society statements of other comprehensive income;
- the Group and Society statements of changes in equity
- the Group and Society statements of financial position;
- the statement of accounting policies; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and Financial Reporting Standard 103 “Insurance Contracts” (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC’s Ethical Standard to the Group or the Society company.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of long-term business provision –Demographic assumptions, around mortality (base and improvement) and persistency, and future expense assumptions; and • Valuation of long-term business provision – Model risk.
Materiality	The materiality that we used for the Group financial statements was £5.10m which was determined on the basis of 2.5% of retained earnings and funds for future appropriations.
Scoping	Our audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement.
Significant changes in our approach	This is the first year of our appointment as auditor. In the prior year, the predecessor auditor also identified the long term business provision assumptions as a key audit matter. We have additionally identified model risk as a key audit matter.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Society's ability to continue to adopt the going concern basis of accounting included the following:

- Obtaining an understanding of management's process and controls related to the review of the Group and Society's going concern assessment.
- Evaluating the liquidity and solvency position of the Group and Society by assessing base case liquidity and solvency projections;
- Making enquiries of Group management about the assumptions, including climate risk considerations, used in their going concern models, and assessing the reasonableness of those assumptions and historical accuracy.
- Inspecting the Group's Own Risk and Solvency Assessment (ORSA) to support our understanding of the key risks faced by the Group and Society and its ability to continue as a going concern.
- Obtaining and inspecting correspondence between the Group and Society and their regulators, the FCA and PRA, as well as reviewing the Risk Sub-Committee and Audit Sub-Committee meeting minutes and attending Audit Sub-Committee meetings regularly, to identify any items of interest which could potentially indicate either non-compliance with legislation or potential litigation or regulatory action held against the Group or Society.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Society's ability to

continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of long-term business provision – Demographic assumptions around mortality (base and improvement) and persistency and future expense assumptions.

Key audit matter description	Long-term business provision was valued at £183.1m (2021: £292.8m) as at 31 December 2022. The valuation of long-term business provision involves significant estimates and assumptions. We have identified a key audit matter in relation to the following assumptions within the valuation of the long-term business provision: <u>1. Demographic assumptions</u> **(Mortality: base & improvements, and persistency)** Setting these assumptions requires a high degree of judgement. Factors to consider include portfolio experience, industry and management views on future trends and external factors arising from market developments. <u>2. Future expense assumptions</u> Expense assumptions are set to reflect the expected future costs of administering the underlying policies. This is a highly subjective assumption, particularly the apportionment of expenses. We consider expenses as a whole, given the allocation to one block of business will impact the allocation to another. See page 78 of the Audit Sub-Committee report and Note 22 of the financial statements for further details on long term business provision.
How the scope of our audit responded to the key audit matter	<u>Demographic assumptions (Mortality: base & improvements, and persistency)</u> • We have identified and tested the relevant controls surrounding the demographic basis setting. • We obtained an understanding of the methodology underlying the experience analyses, in order to give us a basis from which to consider the appropriateness of changes going forward. As part of this we assessed methodology decisions related to, for example, the length of the

investigation period and considered how this compared to peers.

- Additionally, we have reperformed the analyses of actual versus expected ("A/E") decrements related to the assumptions; namely Over50s mortality and lapse assumptions, and mortality assumptions for Annuities.
- We have considered the appropriateness of key expert judgements applied following calculation of A/E analyses, including Covid-19 specific judgements relating to future mortality.
- We have tested the external sources of data used in the analysis, including the CMI mortality tables used within the process.

Future expense assumptions

- We have evaluated the business plan used as a base for expected future costs and assessed the methods used to determine exceptional costs, alongside the split acquisition and maintenance expenses.
- We have tested the accuracy and completeness of business plan through reconciliation of actual cost data back to the ledger and tested accuracy of projected policy counts.
- We have challenged key judgements on expense assumptions. Specifically, we have:
    - assessed the derivation of per policy expense assumptions based on the business plan and projected policy counts;
    - assessed the appropriateness of inflation assumptions in the current high inflation environment; and
    - assessed supporting and contradictory evidence for any short- or long-term expense overlays or unmodelled provisions held in addition to the expense assumptions derived from the business plan.
- In addition, we have assessed the sensitivity of changes to assumptions.

Key observations	The mortality and persistency demographic assumptions applied to the protection business and the resulting technical provisions presented in the financial statements were considered to be reasonable. The future expense assumptions used in the 2022 year-end valuation of long-term business provision are reasonable. Following our assessment of the controls relevant to the long-term business provision, we communicated to management and the Audit Sub-Committee that improvements are needed around documentation and evidence of certain management review controls.

5.2. Valuation of long-term business provision – Model risk

Key audit matter description	The modelling used in the reserving process is inherently complex with a number of inputs (policyholder data, economic data and assumptions) together with model changes made during the year, which gives rise to a risk that the particular model is not functioning as intended. The method used in determining the long-term business provision for non-profit business involves projecting future outgo (e.g. claims made on death, or annuity payments) and maintenance costs, and discounting these cashflows making allowance for inflows (such as future investments returns and premiums). This complex discounted cashflow modelling is carried out using actuarial modelling software. The valuation models used vary in complexity and certain models (such as that used to model Protection business) represent a heightened risk of material misstatement. We have therefore identified this as an area of significant effort and focus due to its judgement and complexity. See Note 22 of the financial statements for further details on long term business provision.
How the scope of our audit responded to the key audit matter	In order to gain comfort that the actuarial models are functioning as intended, we performed our own model baselining replication exercise over the models we identify as being of higher risk due to their materiality and complexity. This included using our tailored replication models to test that all relevant product features and assumptions are included. Further, we have tested relevant controls around model changes to ensure that there is adequate review and challenge of model developments. We have understood the rationale for model developments, challenged management through enquiry and inspection of supporting documentation, as well as assessing the financial impact of any model changes. We have also tested the completeness and accuracy of the model change documentation through an assessment of the model code comparison between current and prior-year models.
Key observations	We are satisfied that the models used are functioning in line with the approved methodology.

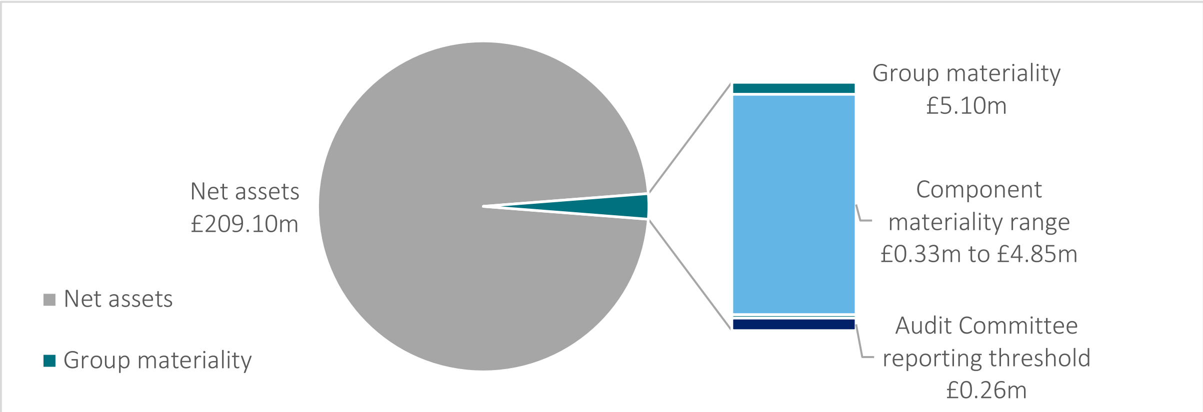
6. Our application of materiality

6.1. Materiality

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

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

	Group financial statements	Society financial statements
Materiality	£5.10m (2021: £3.20m was used by the previous auditor)	£4.85m (2021: £3.20m was used by the previous auditor).
Basis for determining materiality	2.5% of retained earnings and funds for future appropriation (2021: 1.8% of retained earnings and funds for future appropriation was used by previous auditor).	Society materiality was determined on a consistent basis to the Group materiality, but capped at 95% of Group, equating to 2.38% of retained earnings and funds for future appropriation (2021: 1.7% of retained earnings and funds for future appropriation was used by previous auditor).
Rationale for the benchmark applied	Retained earnings and FFA represents funds not yet allocated to policyholders and is considered an equivalent to a net asset figure in accounting for Friendly Societies. The materiality determined equates to 0.37% of total assets and 2.75% of long term business provision.	The Society is the main insurance entity within the Group and contributes substantially to the financial performance and net assets of the Group. As such, the materiality considerations for the Society are the same that are assessed for the Group.



6.2. Performance materiality

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

	Group financial statements	Society financial statements
Performance materiality	60% (2021: 75% was used by the previous auditor) of Group materiality	60% (2021: 75% was used by the previous auditor) of Society materiality

Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • The current financial year being Deloitte LLP's first year auditing the Group and Society financial statements; • The quality of the control environment; • History of misstatements from our understanding from review of the predecessor auditor's files.

6.3. Error reporting threshold

We agreed with the Audit Sub-Committee that we would report to the Committee all audit differences in excess of £0.26m (2021: £0.16m was used by the previous auditors), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Sub-Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

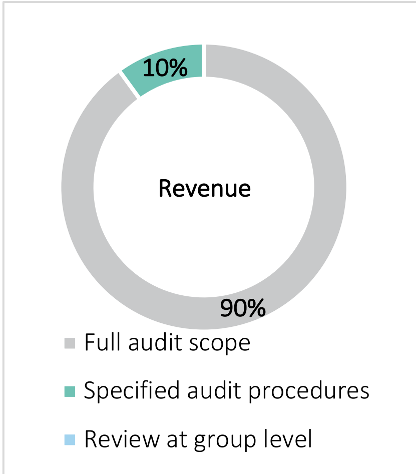
7.1. Identification and scoping of components

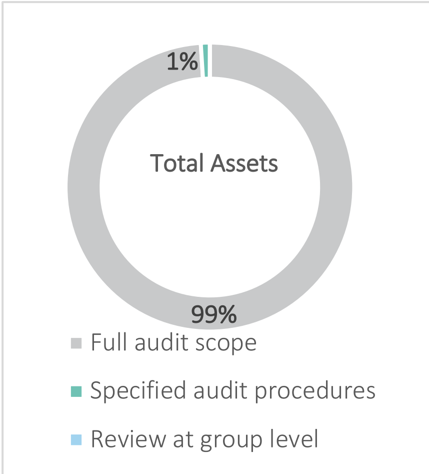
Our audit scope has been based on the materiality of each element of the income and expenditure account and the statement of financial position, taking into account both qualitative and quantitative factors in our assessment.

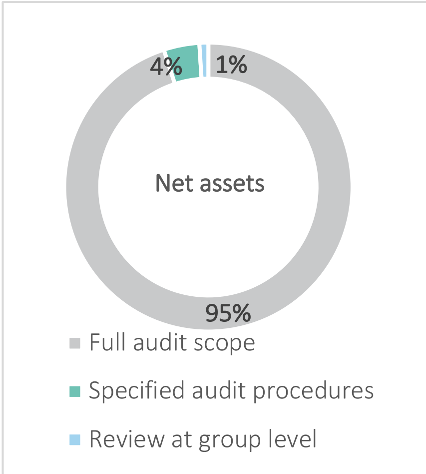
A full scope audit of the Society and subsidiary Family Equity Plan Limited was performed. Specific audit procedures were completed in respect of five further component which, although not financially significant, did present some specific audit risks which needed to be addressed.

The remaining components were subject to Group level analytical review procedures.

The full scope entities represent the largest components of the Group with 99% of the Group asset position, 97% of the Group net asset position and 90% of total Group revenue. All entities were audited directly by the group engagement team.







7.2. Our consideration of the control environment

We performed walkthroughs to gain an understanding of the control environment and assessed the design and implementation on controls for significant risks and certain other account balances (technical provisions). We have involved our IT audit specialists in obtaining an understanding of general IT controls in the year. We were able to rely on controls over certain IT systems and business processes in the current year. As highlighted in section 5.1, certain controls relevant to the long-term business provision require improvement. In addition, control deficiencies were identified around the journal entry process, and therefore we altered the nature and extent of our journal entry testing through adding further analytics into our selection criteria.

7.3. Our consideration of climate-related risks

In planning our audit, we considered the impact of climate change on the Group's operations and subsequent impact on its financial statements. The Group sets out its assessment of the potential impact on page 49 of the Group Strategic Report section of the annual report.

We held discussions with the Group to understand:

- the process for identifying affected operations, including the governance and controls over this process, and the subsequent effect on the financial reporting for the Group; and
- the long-term strategy to respond to climate change risks as they emerge including the effect on the Group's forecasts.

Our audit work has involved:

- assessing the Group's qualitative analysis, which supports the Group's conclusion that there is no material financial statement impact of climate risk on key estimates and assumptions; and
- assessing information included in the annual report to consider whether they are materially consistent with the financial statements and the remainder of the annual report.

As part of our procedures, we also read the information and to consider whether they are materially inconsistent with the financial statements and our knowledge obtained during the course of our audit (see section 8 below).

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, directors, and the Audit Sub-Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

- the matters discussed among the audit engagement team and relevant internal specialists, including actuarial, IT, valuations, pensions and analytics specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the assumptions used in valuing the long term business provision. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included pensions legislation, tax legislation, and Solvency II Regulations.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included relevant FCA and PRA regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of long-term business provision –demographic assumptions around mortality (base and improvement) and persistency and future expense assumptions as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Sub-Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the PRA and FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments, assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

13.1. Adequacy of explanations received and accounting records

Under the Friendly Societies Act 1992, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society; or
- the Society's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

We have nothing to report in respect of these matters.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Audit Sub-Committee to the Board, we were appointed by the Group's members on 21 June 2022 to audit the financial statements for the year ended 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year, covering the year ended 31 December 2022.

14.2. Consistency of the audit report with the additional report to the Audit Sub-Committee

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

15. Use of our report

This report is made solely to the Society's members, as a body, in accordance with section 73 of the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

T. Noble

Tom Noble FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom
30 March 2023

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Consolidated Financial Statements 2022

Group and Society statement of income and expenditure accounts
for the year ended 31 December 2022

Technical account Long-term business	Notes	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000 Restated*
Earned premiums, net of reinsurance					
Gross premiums written	4	**36,283**	37,076	**36,283**	37,076
Outward reinsurance premiums	4	**(12,125)**	(11,996)	**(12,125)**	(11,996)
Investment income	5	**34,908**	82,505	**39,408**	94,805
Unrealised (losses)/gains on investments	5	**(187,482)**	45,607	**(188,032)**	46,973
Other technical income	12	**978**	1,237	**4,309**	4,769
Income from Group companies relating to recharged operating expenses		**-**	-	**40,883**	37,240
Claims incurred, net of reinsurance					
Gross claims incurred	6	**(36,233)**	(39,759)	**(36,233)**	(39,759)
Outward claims reinsurance	6	**15,721**	16,687	**15,721**	16,687
Change in long-term business provision, net of reinsurance	22	**73,152**	11,536	**73,152**	11,536
Change in gross liability for investment contracts	23	**113,986**	(114,241)	**113,986**	(114,241)
Goodwill and intangibles amortisation	15, 16	**(2,684)**	(3,001)	**(2,684)**	(3,001)
Net operating expenses	8	**(26,325)**	(22,183)	**(67,208)**	(59,423)
Investment expenses and charges	5	**(2,026)**	(1,833)	**(7,116)**	(5,875)
Taxation credit	14	**714**	547	**714**	547
Transfer from the fund for future appropriations		**4,062**	3,678	**4,062**	3,678
Balance on the long-term business technical account		**12,929**	5,860	**15,120**	19,016

* for further details of restated amounts see note 30

The notes to the financial statements on pages 119 to 179 are an integral part of these financial statements.

Group and Society statement of income and expenditure accounts (continued) for the year ended 31 December 2022

Non-technical account	Notes	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000 Restated*
Balance on the long-term business technical account		**12,929**	5,860	**15,120**	19,016
Other income	13	**56,410**	57,027	**–**	–
Net operating expenses	8	**(47,353)**	(42,445)	**–**	–
Goodwill and intangibles amortisation	15, 16	**(1,493)**	(1,113)	**–**	–
Excess of income over expenditure on ordinary activities before tax		**20,493**	19,329	**15,120**	19,016
Tax on excess of income over expenditure on ordinary activities	14	**(1,014)**	(1,650)	**–**	–
Excess of income over expenditure after tax		**19,479**	17,679	**15,120**	19,016

* for further details of restated amounts see note 30

The notes to the financial statements on pages 119 to 179 are an integral part of these financial statements.

Group and Society statement of other comprehensive income
for the year ended 31 December 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000 Restated*
Excess of income over expenditure after tax		**19,479**	17,679	**15,120**	19,016
Unrealised gain on property revaluation		**108**	–	**-**	-
Total recognised gain in the year	26	**19,587**	17,679	**15,120**	19,016

* for further details of restated amounts see note 30

Group and Society statement of changes in equity
for the year ended 31 December 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000
Retained earnings					
Reported at 1 January		**173,015**	155,336	**192,718**	162,176
Prior year adjustment	30	**–**	–	**–**	11,526
At 1 January (as restated)		**173,015**	155,336	**192,718**	173,702
Total recognised profit in the year		**19,587**	17,679	**15,120**	19,016
As at 31 December		**192,602**	173,015	**207,838**	192,718

The notes to the financial statements on pages 119 to 179 are an integral part of these financial statements.

Group and Society statement of financial position
as at 31 December 2022

Assets	Notes	Group 2022 £'000	Group 2021 £'000 Restated*	Society 2022 £'000	Society 2021 £'000 Restated*
Intangible assets					
Goodwill	15	**7,549**	1,117	**257**	372
Other intangible assets	16	**30,286**	31,531	**25,275**	27,844
Investments					
Investment in land and buildings	17	**7,899**	7,187	**9,050**	8,997
Investment in group undertakings	18	**–**	–	**41,432**	34,722
Non-linked financial investments	19	**204,202**	250,422	**204,203**	250,422
Assets held to cover linked liabilities	19	**937,317**	1,131,449	**937,317**	1,131,449
Debtors	19, 20	**35,822**	21,274	**20,232**	21,838
Reinsurers' share of technical provisions					
Long-term business provision	22	**86,352**	122,963	**86,352**	122,963
Other assets					
Tangible assets	21	**397**	332	**383**	332
Cash at bank	19	**62,045**	77,611	**46,839**	65,422
Prepayments and accrued income					
Accrued interest and rent		**3,212**	2,123	**1,108**	711
Other prepayments and accrued income		**3,451**	2,686	**3,451**	2,134
Total assets		**1,378,532**	1,648,695	**1,375,899**	1,667,206
Net pension asset	27	**–**	–	**–**	–
Total assets including the pension asset		**1,378,532**	1,648,695	**1,375,899**	1,667,206

* for further details of restated amounts see note 30

The notes to the financial statements on pages 119 to 179 are an integral part of these financial statements.

Group and Society statement of financial position (continued)
as at 31 December 2022

Liabilities	Notes	Group 2022 £'000	Group 2021 £'000 Restated*	Society 2022 £'000	Society 2021 £'000 Restated*
Retained earnings	26	**192,602**	173,015	**207,838**	192,718
Fund for future appropriations (FFA)	25	**16,534**	20,596	**16,534**	20,596
Technical provisions					
Long-term business provision	22	**183,072**	292,835	**183,072**	292,835
Claims outstanding	22	**8,107**	7,538	**8,107**	7,538
Technical provision for linked liabilities	23	**937,317**	1,131,449	**937,317**	1,131,449
Creditors					
Creditors arising out of insurance operations		**920**	990	**920**	990
Other creditors including taxation and social security	24	**18,455**	4,646	**4,564**	5,324
Accruals and deferred income		**21,525**	17,626	**17,547**	15,756
Total liabilities		**1,378,532**	1,648,695	**1,375,899**	1,667,206

* for further details of restated amounts see note 30

The notes to the financial statements on pages 119 to 179 are an integral part of these financial statements.

The financial statements were approved at a meeting of the Board of Directors on 30 March 2023 and signed on its behalf by:

Teddy Nyahasha
Chief Executive Officer

Steve Colsell
Chair

Simon Allford
Secretary

Notes to the financial statements

for the year ended 31 December 2022

1. Statement of accounting policies

A. Statement of compliance

The Group and individual financial statements of the Society have been prepared in compliance with the Friendly Societies (Accounts and Related Provisions) Regulations 1994 and the Friendly Societies Act 1992.

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and Financial Reporting Standard 103 "Insurance contracts" (FRS 103) as they apply to the financial statements of the Group and the Society for the year ended 31 December 2022.

B. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Group and individual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

As permitted under FRS102, the Society has changed the accounting policy for the valuation of Group undertakings from fair value to cost less impairment. The Board consider this change results in a valuation of subsidiaries that is more relevant to users of the accounts.

As permitted under FRS103, the Society has changed its accounting policy for the presentation of the acquired present value of in-force (PVIF) business. As a result of this change, the PVIF is now presented within intangible assets on the statement of financial position rather than netted against the long-term business provision. The Board considers that this change results in a more relevant presentation of the asset.

These are voluntary changes in accounting policies in accordance with FRS102.10. As a result of these changes in accounting policies, prior year comparatives have been restated. For further details of this restatement see Note 30.

C. Basis of preparation

These Group and individual financial statements have been prepared on the going concern basis supported by an assessment of the Group's forecast profitability and capital resilience over the period of at least 12 months from the date of approval of these financial statements. This included assessment of the Group's financial resilience (including solvency and liquidity) and sensitivities to further equity, interest rate and credit spread changes. The Group's operational resilience has also been considered by the Board in the assessment of going concern.

They have also been prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

1. Statement of accounting policies (continued)

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1k, unless otherwise stated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to use judgement in applying the Group's and Society's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The Group (and Society) is exempt from preparing a cash flow statement due to its status as a mutual life assurance company.

D. Business combinations and goodwill

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction. Any contingent consideration is initially recognised at an estimated amount where the consideration is probable and can be measured reliably.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values of the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate, goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment when there are indicators of impairment. Impairment is charged to the income and expenditure account. Reversals of impairment are recognised when the reasons for impairment no longer apply.

The accounting policies in relation to the acquired assets and liabilities are harmonised with those of the Group.

For those transactions where there is insufficient guidance in UK GAAP, the Group looks to the guidance in IFRS 3 Business Combinations.

E. Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities, and results of the Society and its subsidiary undertakings, excluding authorised funds managed by a subsidiary company, drawn up to 31 December each year. A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

As required by FRS 102.9, subsidiaries (in this instance authorised fund holdings) that are held as part of an investment portfolio are not consolidated and are included within the consolidated financial statements as investments within non-linked financial investments and assets held to cover linked liabilities.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary results to apply the Group's accounting policies when preparing the consolidated financial statements.

1. Statement of accounting policies (continued)

Any subsidiary undertakings sold or acquired during the year are included up to, or from the date of change of control.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated statement of income and expenditure accounts. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to the income and expenditure account but excludes those amounts that are not required to be reclassified.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. The Group does not recognise customer funds under management, including child trust fund (CTF) assets, in its statement of financial position as it is neither exposed to the risks and rewards of ownership nor does it receive the investment returns generated from those assets held in trust accounts.

F. Classification of contracts

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts which may also transfer financial risk, remain insurance contracts until all rights and obligations are extinguished or expire.

Contracts that are not classified as insurance contracts are investment contracts. Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Unit-linked contracts, where the liability under the contract is dependent on the value of the underlying financial assets, are classified as investment contracts unless the contracts also contain features that transfer significant insurance risk.

Contracts initially classified as investment contracts can be reclassified as insurance contracts after inception, if insurance risk becomes significant.

Amounts received from and paid to policyholders of investment contracts are accounted for as deposits received (or repaid) and are not included in the premiums and claims in the Technical account – Long-term business. For unit-linked contracts the related liability is established on the due date for payment. Fees for investment management and other services are recognised in the Technical account – Long-term business in the period in which the services are provided. The liability for the unit-linked business is disclosed in the Statement of financial position as 'Technical provisions for linked liabilities'.

The above approach for accounting for investment contract deposits and withdrawals is generally referred to as 'deposit accounting.'

A number of contracts issued by the Group contain a discretionary participation feature (DPF). Such features entitle the contract holder to receive, as a supplement to guaranteed benefits, a minimum percentage of the surplus arising in designated funds. The percentage allocated to contract holders may be higher and the timing of the allocation and/or the amount of the benefits to individual contract holders is to some extent at the discretion of the Group. Investment contracts with DPFs are recognised and measured in the same way as insurance contracts.

G. Long-term business

Premiums
Long-term business premiums relating to insurance contracts, including reinsurance premiums, are recognised when they become due for payment. New business premiums, including single premiums, are recognised when they are received.

1. Statement of accounting policies (continued)

Claims
For insurance contracts, death claims are accounted for when notified to the Group. Annuity payments are recorded when due. Maturities and surrenders are recorded on the earlier of the date when paid or when the policy ceases to be included within the long-term business provision. Reinsurance recoveries are credited to match the relevant gross amounts.

The provision for outstanding claims represents the total estimated ultimate cost to the Group of settling all incurred insurance contract claims arising from notified events that have occurred up to the end of the financial year, less amounts already paid in respect of such claims.

Deferred acquisition costs
In certain cases directly attributable costs of acquiring new insurance contracts are deferred. Such costs are disclosed as an asset in the statement of financial position. The deferred acquisition costs are amortised in line with the expected life of the policies.

Policyholder liabilities
See accounting policy N - 'Valuation of insurance liabilities'.

Reinsurance
Long-term insurance business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, morbidity and lapse.

Amounts recoverable from reinsurers are estimated based upon the related gross insurance provisions, having due regard for collectability. The recoverability of reinsurance assets is assessed having regard to market data on the financial strength of each of the reinsurance companies. The reinsurers' share of claims incurred, disclosed in Note 6, reflects the amounts received and receivable from reinsurers in respect of claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the Technical Account – Long-term business when payable.

H. Investment income and unrealised gains and losses on investments ('investment return')

Investment return comprises all investment income, realised gains and losses and movements in unrealised gains and losses, net of investment expenses.

Dividends on equity holdings are included as investment income on the date the equity shares are quoted ex-dividend and are stated net of the dividend withholding tax. Interest, including mortgage interest, rent and expenses are accounted for on an accruals basis or using the effective interest method as appropriate.

Dividends on accumulation shareholdings in open ended investment companies (OEICs) and accumulation unit holdings in unit trusts are included as investment income on the date the dividend voucher is received.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the statement of financial position date and their purchase price or their fair value at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

I. Financial instruments

The Group has chosen to adopt Sections 11 Basic Financial Instruments and 12 Other Financial Instruments Issues of FRS 102 in respect of financial instruments.

1. Statement of accounting policies (continued)

The Group classifies its financial instruments as either financial assets at fair value, with adjustments through income and expenditure, or loans and receivables.

Basic financial instruments

Financial assets and liabilities

Basic financial assets including trade and other debtors, and cash and bank balances, are recognised initially at transaction price plus attributable transaction costs. Basic financial liabilities including trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses (for financial assets). At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is calculated as the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income and expenditure accounts.

Loans and receivables, comprising secured and other loans are carried at amortised cost using the effective interest method. To the extent that the loan is uncollectable, it is written off as impaired in the long-term business account. Subsequent recoveries are credited back to the long-term business technical account.

Where an arrangement constitutes a financing transaction, for example, if payment is deferred beyond normal business terms, then the financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets held at fair value through income and expenditure

The Group initially measures other financial assets including investments in equity instruments which are not subsidiaries at fair value, usually the transaction price excluding transaction costs. Such assets are subsequently carried at fair value and the changes in fair value are recognised in income and expenditure. The Group's methodology for determining the fair value of financial assets is as follows:

- Listed and other quoted investments are carried at stock exchange bid values at the statement of financial position date
- Linked investments, including redeemable debt and other fixed income securities, and listed and other quoted investments, are stated at bid price
- Unlisted investments are carried at fair value as determined by the Directors

In compliance with FRS 102, the Group discloses in Note 19 for each class of financial instrument held at fair value in the statement of financial position, an analysis of the level in the fair value hierarchy into which the fair value measurements are categorised. The three levels applied are summarised below:

Valuation methodology	Level
Using the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.	1
Using inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.	2
Using inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability.	3

1. Statement of accounting policies (continued)

Recognition and de-recognition of financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Loans and receivables, comprising secured and other loans, are recognised when cash is advanced to borrowers. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Purchases and sales of financial assets are accounted for at the trade date; that is the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Investments in Group undertakings and participating interests

The Group's subsidiaries are held at cost less impairment. The carrying value of each subsidiary is assessed annually for factors which may indicate impairment.

Other financial instruments

Other financial instruments are those that do not meet the definition of basic financial instruments.

Complex financial instruments

Complex financial instruments include hedge funds, collateralised debt, mortgage backed securities and derivatives.

These are initially recognised at fair value, which usually represents their cost, including any premium paid. They are subsequently re-measured at each balance sheet date at their fair value with changes in the fair value recognised immediately in unrealised gains and losses on investments. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. None of the derivative financial instruments used by the Group are used for hedge accounting.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the fair value of these transactions. Collateral pledged by way of cash margins on futures contracts is recognised as an asset on the statement of financial position within cash and cash equivalents.

J. Non-technical account

Revenue is recognised as follows:

Fee income receivable in relation to the provision of administration services is recognised when the services are provided, to the extent the amounts are considered recoverable (this is predominantly calculated as a percentage of the funds under management during the year).

Origination and service income in relation to Lifetime Mortgages is recognised as services are provided. Origination fees are generated on each loan originated and are based on the value of the loan. Accrued origination and service income is recognised at the present value of the future receipts, with the interest element recognised in the non-technical account as the discounting unwinds.

All other sources of income and expenditure included in the non-technical account are recognised on an accruals basis. The results of subsidiaries that are not conducting long-term insurance business are also included in the non-technical account.

1. Statement of accounting policies (continued)

K. Intangible assets

General

Intangible assets are initially recognised at cost (or fair value in the case of intangibles acquired in a business combination) and are amortised over their estimated Useful Economic Lives (UEL), defined as the period over which the asset will bring positive cashflows. Goodwill arising on long-term business is amortised over a period of 10 years.

Project development costs are capitalised where they will generate economic benefit to the Group in future periods.

The UEL of other intangible assets are as follows:

Brand and Foundation	2 years
IT, systems & project development	3 to 7 years
Beneficial contracts	4 years
Acquired funds under management	Up to 10 years

Amortisation is charged to net operating expenses in the income and expenditure accounts.

Where factors, such as technological advancement or changes in market price, indicate that the residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed annually at the statement of financial position date, if the above factors indicate that the carrying amount may be impaired. Impairment is charged to the income and expenditure account.

Present value of in-force (PVIF) business

A PVIF asset is recognised on acquisition of long-term business. The PVIF asset is amortised over the expected life of the acquired policies, which is deemed to be approximately 40 years from acquisition, of which, 34 years remain.

The PVIF asset is reviewed annually at the statement of financial position date for factors which indicate impairment.

L. Tangible assets

Tangible assets are recognised at cost less accumulated depreciation, and any accumulated impairment losses. Depreciation is provided on the cost of the assets over their estimated Useful Economic Lives (UEL). The UEL applied for each class of assets is as follows:

Fixtures, fittings & office equipment	5 years
Computer equipment	4 years

The assets' residual values and useful lives are reviewed and, if appropriate, adjusted at the end of each reporting period. The effect of any change is accounted for prospectively.

A review for evidence of impairment of tangible assets is performed at each statement of financial position date.

1. Statement of accounting policies (continued)

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income and expenditure account.

Land and buildings

Owner-occupied properties are initially recognised at cost. Subsequent to initial recognition, properties held by the Group for its own use are measured at their revalued amount, which is the fair value at the date of revaluation less subsequent depreciation and impairment losses. Fair value is calculated using valuations made by independent, professionally qualified chartered surveyors' following RICS guidelines or using a contractually agreed sale price. Valuations are carried out annually. On revaluation of a property the accumulated depreciation is eliminated against the gross carrying amount and the net amount is restated to the revalued amount. Increases in the net carrying amount are recognised in other comprehensive income, except to the extent that the increase reverses a previous revaluation deficit on the same asset recognised in income and expenditure accounts.

Any deficit on revaluation is recognised in income and expenditure accounts except to the extent that it reverses a previous revaluation surplus on the same asset, in which case it is recognised in other comprehensive income.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost. Subsequent to initial recognition, investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in the statement of income and expenditure account in the period that they arise. No depreciation is provided in respect of investment properties applying the fair value model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as a tangible fixed asset in accordance with section 17 of FRS 102 until a reliable measure of fair value becomes available.

Fair value valuations are based on independent valuations carried out by surveyors under RICS guidelines, usually on an annual basis or based on the sale price where a contract has been agreed to dispose of the property.

M. Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income and expenditure account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income and expenditure account.

1. Statement of accounting policies (continued)

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income and expenditure accounts.

N. Valuation of insurance liabilities

The long-term business provision (LTBP) is determined by the Group's Chief Actuary following their annual investigation of the long-term business, which is based on methods and assumptions that have been approved by the Board of Directors. It is calculated using the requirements of the current Solvency II (SII) regulatory regime adjusted to remove the SII risk margin and instead include a margin of prudence appropriate under applicable United Kingdom accounting standards..

Linked investment contracts

Linked investment contract liabilities are measured at fair value as their value is directly linked to the market value of the underlying portfolio of assets. The fair value of a unit-linked contract is equal to the market value of the units held (i.e. the unit reserve).

O. Taxation

Tax is recognised in the income and expenditure account except to the extent that it relates to items recognised in other comprehensive income. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws enacted or substantially enacted at the statement of financial position date.

Deferred tax is provided on timing differences that have originated but not reversed by the statement of financial position date. Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantially enacted at the statement of financial position date. Deferred tax balances are not discounted.

P. Provisions and contingencies

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering that class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

In particular:

i. Restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring

ii. Provision is not made for future operating losses

1. Statement of accounting policies (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control.

Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Q. Employee benefits

The Group provides a range of benefits to employees, including, but not limited to, cash-settled bonus arrangements, private healthcare, life assurance, paid holiday arrangements and defined benefit and defined contribution pension plans. Details of benefits paid to the executive directors are included in the remuneration report.

i. Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii. Pension plans

The Group operates two defined benefit pension schemes (collectively 'the Schemes') following the merger with Homeowners Friendly Society Limited (HFSL). All rights of the HFSL defined benefit scheme members were preserved under the instrument of transfer at merger.

The Group now makes contributions to a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

The Family Assurance Staff Pension Scheme (the Family Scheme)

The Group operated a defined benefit pension scheme, the Family Scheme. The Family Scheme closed to all further benefit accrual with effect from 31 December 2009.

In its place the Group makes pension contributions to a defined contribution pension scheme on behalf of staff when they become eligible for pension benefits. The defined contribution scheme is administered by Legal & General Assurance Society Limited.

1. Statement of accounting policies (continued)

The Homeowners Staff Pension Scheme (the Homeowners Scheme)

The HFSL Group operated a defined benefit pension scheme, the Homeowners Scheme. The Homeowners Scheme was for the benefit of those staff whose employment commenced before 6 April 2001; the Homeowners Scheme was closed to further accruals on 31 December 2012.

For both defined benefit schemes the Schemes' funds are administered by trustees and are independent of the Group's finances.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligations in respect of defined benefit schemes are calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the statement of financial position date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to, the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in income and expenditure accounts.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

iii. Annual bonus plan

The Group operates an annual bonus plan for employees. Bonus payments are not a guaranteed element of salary. The decision as to whether to pay a bonus and the amount of the bonus is entirely at the Group's discretion. An expense is recognised in the income and expenditure account when the Group has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

iv. Short-term incentive scheme

The Group operates a cash-settled short-term incentive scheme for certain members of the Executive team and senior management. This is linked to annual individual performance against agreed objectives and the performance of the business. A liability for the plan is raised on the estimated amount payable.

v. Long-term incentive scheme

The Group operates a cash-settled long-term incentive scheme for certain members of the Executive team. Performance is assessed (over three years) taking into account factors including capital growth, cost efficiency, new sales, customer, colleagues and risk. A liability for the plan is raised on the estimated amount payable.

1. Statement of accounting policies (continued)

R. Foreign currency

i. Functional and presentation currency

The Group financial statements are presented in pound sterling and rounded to the nearest £1k, unless otherwise stated. The Group's functional currency is pound sterling.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period-end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure account.

S. Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Operating lease payments are accounted for on a straight line basis over the term of the lease.

T. Cash flow statement

The Society (and the Group), being a mutual life assurance company, is exempt from the requirement under FRS 102 to produce a cash flow statement.

U. Retained earnings and Fund for Future Appropriations

Under FRS 102 the Group designates reserves between those it classes as liabilities and those which are akin to equity.

The non-profit fund surplus is designated as retained earnings and all profits and losses of the Group and Society that do not relate to with-profits funds are classified within retained earnings in the statement of financial position.

The Group includes two 100% ring-fenced with-profits funds. The surplus of each with-profits fund is for the benefit of the with-profits policyholders of each fund respectively, as such the surpluses have been deemed liabilities and referred to as the Fund for Future Appropriations (FFA). This balance represents all with-profits surpluses, the allocation of which to individual policies has not yet been determined by the end of the financial year.

V. Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

2. Management of financial and insurance risk

Set out below is the Group's exposure and management of financial and insurance risk. For more details on all risk exposures and how we manage them, please see the Risk management report on page 38.

a. Market risk – interest rate and equity

Interest rate risk

Interest rate risk is the risk that adverse interest rate changes will require reserves to be increased, and by a greater amount than the increase in the Group's corresponding assets. The Group seeks to manage this risk by investing in assets that closely match the expected benefit payments (a process known as asset-liability management).

A separate interest rate risk arises from the impact of interest rate changes on unit-linked funds invested in fixed interest rate assets. Changes in current interest rates directly affect the market values of the fixed interest assets, which in turn affect unit values. A significant element of the Group's income is directly related to the value of the unit funds through annual management charges. The interest rate risk in this case is that adverse interest rate movements will reduce the value of these unit-linked funds and hence the Group's income.

Equity price risk

The Group has exposure to equity securities both directly through equity securities held and indirectly through holdings in Open Ended Investment Companies (OEICs) and Authorised Unit Trusts which in turn invest, partially and wholly, in equity securities. The Group may also have exposure to equity securities through the defined benefit pension schemes (see Note 27).

The Group has in place a number of agreements with investment managers, to monitor that investment transactions are managed within agreed mandates and benchmarks and which limit the exposure in aggregate terms to equity investments, as well as between specific sectors and asset classes.

On the unit-linked and OEIC / Unit Trust funds which the Group manages the equity price risk is borne by policyholders, since the value of the policyholders' liabilities relate directly to the value of the underlying assets held on their behalf. However, a significant element of income for the Group is derived as a fixed percentage of the market value of unit-linked and OEIC / Unit Trust assets and as such any changes in the value of assets impacts future income.

b. Credit risk

Credit risk is the risk that counterparties will be unable to pay amounts in full when they fall due. The Group is exposed to credit risk in relation to corporate bonds, bank deposits and its reinsurance arrangements, both in relation to the reinsurers' share of the long-term business provision and in relation to amounts they owe on claims which the Group has already paid. The sensitivity of the Group to changes in credit spreads is shown below in note 2.j.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder.

The Group monitors the financial strength of its reinsurance counterparties by reviewing credit ratings provided by rating agencies and other publicly available financial information.

2. Management of financial and insurance risk (continued)

Other credit risk arises from exposure to various business counterparties, including insurance intermediaries. The Group conducts appraisals of the level of risk associated with business counterparties at the inception of an agreement, as well as on an ongoing basis. The Group does not have significant credit risk relating to amounts due from contract holders since policy benefits are directly related to the payment of outstanding premiums.

The assets bearing credit risk, together with an analysis by credit rating are shown below:

Credit risk	**Group 2022 £'000**	Group 2021 £'000	**Society 2022 £'000**	Society 2021 £'000
Non-linked financial investments subject to credit risk	**147,624**	101,963	**147,624**	101,963
Debtors	**35,679**	21,270	**20,088**	21,834
Cash at bank	**62,045**	77,611	**46,839**	65,422
Reinsurers share of technical provisions	**86,352**	122,963	**86,352**	122,963
Total assets bearing credit risk	**331,700**	323,807	**300,903**	312,182
Debt and other assets rated as:				
UK government	**111,065**	40,567	**110,949**	40,498
A rated and above	**175,005**	244,334	**153,992**	226,181
B rated – BBB	**19,314**	26,907	**19,314**	26,907
Not rated	**26,316**	11,999	**16,648**	18,596
Total assets bearing credit risk	**331,700**	323,807	**300,903**	312,182

For unit-linked policies the policyholder is exposed to the credit risk, since policy benefits are linked directly to assets. These assets are therefore not disclosed in the above credit risk exposures.

2. Management of financial and insurance risk (continued)

c. Foreign exchange risk

The only material exposure to foreign exchange risk is in relation to linked assets where there are assets held in foreign currencies. This risk is borne by the policyholder since policy benefits are directly linked to assets.

The Group may, at times, look to mitigate this risk to policyholders by entering into a currency hedge.

d. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its cash commitments as they fall due. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or from a counterparty defaulting on repayment of a contractual obligation; or from an insurance liability falling due for payment earlier than expected; or from the inability to generate cash inflows as anticipated.

The Group manages a significant value of tax-exempt savings plans based on wholesale cash deposits and maintains a prudent liquidity profile in relation to such deposits. Amounts payable on linked contracts are generally payable on demand and the Group is responsible for ensuring there is sufficient liquidity in the investment portfolio to ensure payments can be made as they fall due. However, the Group policy on the linked funds is such that in certain circumstances, and in line with customer contracts, it may defer the payments until such time liquid assets can be realised at an appropriate value.

The Group liquidity policy is focused on having sufficient liquid assets to meet outflows, on a stressed basis, over the following 12 months. Given the expected level of cash emergence over the next few years, a duration mismatch of assets against liabilities is not considered to be an area of significant risk.

With-profits contracts can be surrendered before maturity for a cash surrender value. The Group has the discretion to impose market value reductions (MVRs) on early surrender which reduce the amount payable. MVRs contribute to managing the liquidity risk in the with-profits funds as well as ensuring an equitable treatment between policyholders surrendering and those remaining in the with-profits funds.

An analysis of the expected maturity periods of the policyholder insurance liabilities, on a non-discounted basis, net of reinsurance, is set out overleaf.

2. Management of financial and insurance risk (continued)

Liquidity risk	**Total £'000**	**Within 1 year £'000**	**1–5 years £'000**	**5–15 years £'000**	**More than 15 years £'000**
As at 31 December 2022					
Long-term business					
Non profit fund	**111,847**	**(12,385)**	**(27,630)**	**10,938**	**140,924**
With-profits fund 1	**30,312**	**3,699**	**12,086**	**13,835**	**692**
With-profits fund 2	**24,890**	**2,831**	**9,001**	**9,313**	**3,745**
Total	**167,049**	**(5,855)**	**(6,543)**	**34,086**	**145,361**
As at 31 December 2021					
Long-term business					
Non profit fund	108,484	(11,878)	(28,537)	6,790	142,110
With-profits fund 1	43,050	7,247	17,745	17,182	875
With-profits fund 2	31,571	4,301	11,939	11,536	3,795
Total	183,105	(330)	1,147	35,508	146,780

Due to the long-term nature of the insurance liabilities and the requirement of the Group's investment policies to hold a significant proportion of liquid assets, there is sufficient liquidity to meet claims as they arise.

Investment liabilities of £937,317k (2021: £1,131,449k) are classed as repayable on demand but we would not expect these to all become due over the next 12 months. However, there is considered to be sufficient liquidity to meet claims as they arise, and the Group has the right to defer repayments in order to realise the corresponding linked assets. As such an analysis of expected maturity periods of the investment liabilities has not been presented.

2. Management of financial and insurance risk (continued)

An analysis of the expected maturity periods of the other liabilities is set out below.

	Total £'000	**Within 1 year £'000**	**1–5 years £'000**	**5–15 years £'000**	**More than 15 years £'000**
As at 31 December 2022					
Other liabilities					
Claims outstanding	**8,107**	**8,107**	**–**	**–**	**–**
Creditors arising out of insurance operations	**920**	**920**	**–**	**–**	**–**
Other creditors including taxation and social security	**18,455**	**18,455**	**–**	**–**	**–**
Accruals and deferred income	**21,525**	**18,985**	**2,540**	**–**	**–**
Total	**49,007**	**46,467**	**2,540**	**–**	**–**
As at 31 December 2021					
Other liabilities					
Claims outstanding	**7,538**	**7,538**	**–**	**–**	**–**
Creditors arising out of insurance operations	**990**	**990**	**–**	**–**	**–**
Other creditors including taxation and social security	**4,646**	**4,646**	**–**	**–**	**–**
Accruals and deferred income	**17,626**	**15,695**	**1,931**	**–**	**–**
Total	**30,800**	**28,869**	**1,931**	–	–

e. Lapse risk

Lapses (or surrenders) occur when a policy is terminated by the policyholder before the maturity date. When calculating the value of the policyholder liabilities, a best-estimate allowance is made for the proportion of policyholders expected to lapse over future periods. This allowance is referred to as the lapse rate. Lapse risk occurs when future lapse rates differ from the allowance made.

f. Expense risk

When calculating the value of the policyholder liabilities a best-estimate allowance is made for future maintenance expenses. To the extent that future expenses differ from this allowance the Group is exposed to expense risk.

The Group has internal management information and governance activity in order to ensure that the levels of on-going management and acquisition expenses remain within expected levels.

2. Management of financial and insurance risk (continued)

g. Mortality and longevity risk

Mortality risk arises in relation to whole of life business, term assurance and group life business, if the mortality of the lives assured is different to that assumed. The Group manages mortality risk at a portfolio level by using reinsurance arrangements which transfer a large percentage of the mortality risk to our reinsurance partners in return for an agreed reinsurance premium.

Longevity risk in relation to the annuity business would arise if annuitants lived longer than anticipated. The Group manages annuitant longevity risk by monitoring actual experience. The Group also monitors the need for reinsurance as a tool for managing longevity risk.

h. Unit-linked investment contracts

For unit-linked investment contracts the Group matches all the policyholder liabilities with assets on which the unit prices or value of the policies are based. There is therefore minimal first order interest, market or credit risk for the Group on these contracts, see note 2a for the impact on annual management charges.

Amounts payable on linked contracts are generally payable on demand and the Group is responsible for ensuring there is sufficient liquidity in the investment portfolio to ensure payments can be made as they fall due. However, the Group policy on the linked funds is such that in certain circumstances it may defer the payments until such time as liquid assets can be realised.

i. Capital management

The Group and its regulated subsidiaries maintain sufficient capital, consistent with the Group's risk appetite and the relevant regulatory requirements.

The Society is a mutual organisation and there are no shareholders. The Society's regulated subsidiaries are subject to regulation and capital requirements as stipulated by the Financial Conduct Authority (FCA).

The Society is subject to regulation by the Prudential Regulation Authority (PRA). From 1 January 2016, the Society has been required to maintain and report its capital position to the PRA under Solvency II (the insurance regulatory regime). Under Solvency II the Society is required to hold sufficient capital to withstand adverse outcomes from its key risks. This 'Solvency Capital Requirement' (SCR) is calibrated to be able to withstand a one in 200 year event over a one year period.

For the purposes of determining its Regulatory Capital, the Society uses the Solvency II standard formula without adjustment.

The Society's objectives in managing capital are that:

- Obligations to customers across the Group are met in full when due
- Risks are subject to structured analysis in accordance with the risk appetite agreed by the Board
- Sufficient capital resources are available to fund the growth of the Group
- The aggregate risk exposure of the Group is to be managed to ensure that the capital resources available always meet the minimum capital requirements set out by the PRA plus a buffer determined by the Board

The Society has not breached its Solvency II capital requirement at any point in 2022.

The Society and the Group have no shareholders' funds and also have no borrowings.

2. Management of financial and insurance risk (continued)

Funding of subsidiary undertakings

All Group companies are wholly owned subsidiaries of Family Assurance Friendly Society Limited.

The value of assets held to meet the liabilities of the Society and its regulated subsidiaries' capital requirements is determined in accordance with PRA regulations. The value of the subsidiaries is restricted to amounts which are likely to be recovered.

Restrictions on available capital resources

The Society and its regulated subsidiaries are required to hold capital sufficient to meet PRA/FCA minimum capital requirements.

The available capital resources held in the with-profits funds are only available to meet the capital requirements or be allocated to policyholders of those funds. There are no similar restrictions on the available capital held in the non-profit fund.

Guarantees

The following guarantees which would have a material value to policyholders are:

- Maturity values – on conventional and unitised with-profits policies there is a guarantee that on the maturity date there will be a minimum pay out of the sum assured plus any declared bonuses
- Return of premium guarantees – on certain unitised with-profits policies there is a guarantee that an amount not less than the initial premium will be paid out on the policies' 5th, 10th and each subsequent 10th anniversary. An explicit charge is made for this guarantee

Whilst not specifically a guarantee or option, pay outs through annual bonuses on conventional and unitised with-profits policies are smoothed over time to reduce the effect of short-term fluctuations in investment returns. This primarily applies to pay outs on maturities; however, it can apply to a lesser extent on early surrender of certain policies.

j. Sensitivities

The capital position is sensitive to changes in market conditions, due to both changes in the value of the assets as well as the effect these changes in market conditions would have on the value of the liabilities. It is also sensitive to the expense and lapse experience and to changes in mortality.

Two further sensitivities have been included for 2022. These illustrate the impact of changes in credit spreads and long-term expense inflation. As noted in 2.b. above, the Group is exposed to credit risk through rising bond spreads which will reduce asset values, asset management fees and impact our small annuity book. The Group is exposed to inflation risk through the impact on future expenses modelled within the long-term business provision.

The timing of any impact on capital would depend on the interaction of past experience and assumptions about future experience. In general, if experience had deteriorated or was expected to deteriorate, and management actions were not expected to reduce the future impact, then assumptions relating to future experience would be changed. In this way, liabilities would be increased to anticipate the future impact of the worse experience with an immediate adverse impact on the capital position.

The Board has quantified the impacts of the principal risks on the Group's long-term business provisions and assets both in the current and prior year. This is presented in the following tables along with the impact on the Group's retained earnings and Fund for Future Appropriations (FFA).

2. Management of financial and insurance risk (continued)

2022	Mortality		Lapse		Expenses		Fixed Interest Yield		Equities/ Property		Credit		Inflation	
	10%	-10%	10%	-10%	10%	-10%	100bp	-100bp	10%	-10%	100bp	-100bp	100bp	-100bp
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Impact on long-term business provision (LTBP)														
Fund														
Non profit fund	(3,062)	3,760	(1,285)	1,421	2,339	(2,327)	(14,404)	19,049	–	–	–	–	2,108	(1,798)
With-profits fund 1	13	(13)	(37)	38	316	(316)	(1,386)	1,553	–	–	–	–	7	(7)
With-profits fund 2	(30)	31	(8)	8	–	–	(1,015)	1,178	532	(521)	(647)	749	9	(8)
Change in LTBP	(3,079)	3,778	(1,330)	1,467	2,655	(2,643)	(16,805)	21,780	532	(521)	(647)	749	2,124	(1,813)
Impact on asset valuations														
Fund														
Non profit fund	–	–	–	–	–	–	(12,402)	16,470	3,803	(3,800)	(1,887)	2,118	–	–
With-profits fund 1	–	–	–	–	–	–	(2,365)	2,574	–	–	–	–	–	–
With-profits fund 2	–	–	–	–	–	–	(1,019)	1,152	641	(641)	(841)	943	–	–
Change in asset valuations	–	–	–	–	–	–	(15,786)	20,195	4,444	(4,441)	(2,728)	3,061	–	–
Impact on retained earnings and the FFA														
Retained earnings (non-profit fund)	3,062	(3,760)	1,285	(1,421)	(2,339)	2,327	2,002	(2,579)	3,803	(3,800)	(1,887)	2,118	(2,108)	1,798
FFA(with-profits funds)	17	(18)	45	(46)	(316)	316	(983)	994	109	(120)	(194)	194	(16)	15

The non-profit mortality assumptions impact both annuity and non-annuity business. The 10% increase in mortality shows the impact of increasing mortality rates across both annuity and non-annuity business to 110% of the expected rate. The 10% fall in mortality sensitivity shows the impact of reducing mortality rates on both annuity and non-annuity business to 90% of the expected rate. Within these increases and decreases there would be an element of offset across product types. A decrease in mortality on annuities would expect to be offset, to an extent, by a decrease in mortality on the whole of life business, and vice versa.

2. Management of financial and insurance risk (continued)

2021	Mortality		Lapse		Expenses		Fixed Interest Yield		Equities/ Property	
	10%	-10%	10%	-10%	10%	-10%	20bp	-20bp	10%	-10%
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Impact on long-term business provision (LTBP)										
Fund										
Non profit fund	(7,715)	9,115	(2,530)	2,663	2,506	(2,495)	(6,374)	6,782	–	–
With-profits fund 1	4	(4)	(48)	51	340	(340)	(385)	405	810	(738)
With-profits fund 2	(58)	61	(33)	34	–	–	(344)	359	926	(907)
Change in LTBP	(7,769)	9,172	(2,611)	2,748	2,846	(2,835)	(7,103)	7,546	1,736	(1,645)
Impact on asset valuations										
Fund										
Non profit fund	–	–	–	–	–	–	(3,514)	3,689	3,848	(3,848)
With-profits fund 1	–	–	–	–	–	–	(392)	407	1,079	(1,079)
With-profits fund 2	–	–	–	–	–	–	(472)	489	1,110	(1,110)
Change in asset valuations	–	–	–	–	–	–	(4,378)	4,585	6,037	(6,037)
Impact on retained earnings and the FFA										
Retained earnings (non-profit fund)	7,715	(9,115)	2,530	(2,663)	(2,506)	2,495	2,860	(3,093)	3,848	(3,848)
FFA (with-profits funds)	54	(57)	81	(85)	(340)	340	(135)	132	453	(544)

3. Critical accounting estimates and judgements

In the preparation of these financial statements, the Group is required to make estimates and judgements that affect items reported in the statement of income and expenditure, statement of financial position, and other primary statements and related supporting notes.

Critical accounting estimates and judgements are those which involve the most complex or subjective judgements or assessments. Where applicable the Group applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting guidance based on knowledge of the current situation. This requires assumptions and predictions of future events and actions. There have been no significant methodology changes to the critical accounting estimates and judgements that the Group applied at 31 December 2022.

Principal areas of judgement

Classification of long-term contracts

The Group has exercised judgement 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 accounting policy F –'Classification of contracts'. Insurance contracts are those where significant risk is transferred to the Group under the contract and judgement is applied in assessing whether the risk so transferred is significant.

Non-consolidation of authorised funds

Unit Trusts and an Investment Company managed by a subsidiary company of the Society and invested in by the Society, as part of assets held to cover linked liabilities, are not consolidated within these Group financial statements. This is due to any investment being held for resale as part of the investment portfolio.

Key sources of estimation uncertainty

Long-term business provisioning

The Group prepares its long-term business provisioning by making estimates and judgements that are in keeping with market practice and recognised techniques for the evaluation of such liabilities. The reserving is carried out and reviewed by appropriately skilled actuarial resources.

Key assumptions are considered and approved by the Board having sought appropriate guidance from the Chief Actuary. The sensitivity of the long-term business provision to the principal risks facing the Group are presented in note 2j.

Defined benefit pension scheme

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service. That benefit is discounted to determine its present value. The fair value of any plan assets is deducted to determine whether each scheme has a net asset or liability as at the balance sheet date. The Group determines the net interest expense or income on the net defined benefit liability or asset for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability or asset taking account of changes arising as a result of contributions and benefit payments.

The Group recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

3. Critical accounting estimates and judgements (continued)

The mortality rate is based on publicly available mortality tables for the UK. COVID-19 caused a short-term increase in deaths in the UK and there have continued to be repercussions for the nation's health, through areas such as delayed diagnosis and disrupted treatments in the health care system. Considering these factors, a small adjustment has been made to life expectations to reflect the direct and indirect effects of the pandemic.

The discount rate is the yield at the statement of financial position date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to, the terms of the Group's obligations. A full valuation is performed every 3 years by a qualified actuary using the projected unit credit method.

The sensitivity of the defined benefit obligations to changes in key assumptions is presented in Note 27 Pension commitments.

4. Premium analysis

Group and Society	**2022 £'000**	2021 £'000
Gross premiums written	**36,283**	37,076
Less: reinsurers' share	**(12,125)**	(11,996)
Net earned premiums – insurance business	**24,158**	25,080

Long-term business only includes premiums in respect of insurance business. Consideration received in respect of investment contracts of £13,075k (2021: £14,474k) is treated as customer deposits and taken directly to the statement of financial position (see Note 23).

The Group administers business that is classified as retail investment business. In addition to the amounts included in Net earned premiums above, the Group undertakes a significant volume of retail investment business, on which it earns an annual management charge which is included in other income (see Note 13).

5. Investment income

	Group 2022 £'000	Group 2021 £'000	**Society 2022 £'000**	Society 2021 £'000 Restated
Income from other investments	**27,545**	27,226	**32,045**	39,526
Interest income	**610**	239	**610**	239
Realised gains on investments	**6,753**	55,040	**6,753**	55,040
Total investment income	**34,908**	82,505	**39,408**	94,805
Unrealised (losses)/gains on investments	**(187,482)**	45,607	**(188,032)**	46,973
Investment management expenses	**(2,026)**	(1,833)	**(2,026)**	(1,833)
Impairment of investments in Group undertakings	**–**	–	**(5,090)**	(4,042)
Total net investment return	**(154,600)**	126,279	**(155,740)**	135,903

All of the above gains and losses are at fair value through the income and expenditure accounts.

6. Claims incurred, net of reinsurance

Group and Society	**2022 £'000**	2021 £'000
Gross claims paid	**35,664**	38,584
Change in provision for claims outstanding at year-end	**569**	1,175
Gross claims incurred	**36,233**	39,759
Reinsurers share of claims incurred	**(15,721)**	(16,687)
Total claims incurred, net of reinsurance	**20,512**	23,072

Policies defined as investment rather than insurance contracts are accounted for on a deposit basis. The claims analysis above excludes £93,221k (2021: £111,480k) of payments made in relation to investment contracts (see Note 23).

7. Bonuses

The value of terminal bonuses paid to with-profit policyholders in the year was £3,408k (2021: £3,984k).

8. Net operating expenses

Technical account – long-term business	**Group 2022 £'000**	Group 2021 £'000	**Society 2022 £'000**	Society 2021 £'000
Acquisition costs	**9,428**	8,177	**9,428**	8,177
Administrative expenses (including auditor's remuneration)	**16,897**	14,006	**16,897**	14,006
Expenses recharged to Group companies	**-**	-	**40,883**	37,240
Net operating expenses	**26,325**	22,183	**67,208**	59,423
Non-technical account				
Acquisition costs	**10,686**	10,018	**–**	–
Administrative expenses	**36,667**	32,427	**–**	–
Net operating expenses	**47,353**	42,445	**–**	–
Total net operating expenses	**73,678**	64,628	**67,208**	59,423

Acquisition costs relate to business written in the Society and its subsidiaries.

Total commission paid by the Group on new business was £6,017k (2021: £4,584k).

9. Auditor's remuneration

Following a comprehensive tender process, in which KPMG were invited to take part, Deloitte LLP were selected to be the new Group auditors from 2022. During the year the Group obtained services from Deloitte LLP (2021: KPMG LLP), as detailed below:

Audit services	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000
Fees payable to the Society's auditor for the audit of the annual accounts	1,079	552	1,079	552
Audit of the accounts of subsidiaries	179	71	–	–
Audit-related assurance services	229	147	–	–
Other assurance services	127	25	18	25
Total	**1,614**	795	**1,097**	577

Excluded from the numbers above is £98k (2021: £93k) incurred in connection with audits of the unit trusts and open ended investment company managed by a subsidiary company, of which £38k (2021: £34k) was borne by the Society.

10. Operating lease rentals

Group and Society	2022 £'000	2021 £'000
Operating lease amounts payable:		
– less than one year	1,186	444
– between one and five years	3,074	1,625
– over five years	67	466
Total	**4,327**	2,535
Payments made under operating leases (recognised as an expense)		
Hire of fixtures and fittings – rental under operating leases	492	446
Property rental expenses in the year	314	154
Total	**806**	600

These payments relate to leases for software, office equipment and property rentals.

11. Staff costs

	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000
Wages and salaries	26,530	24,575	26,201	24,575
Social security costs	2,884	2,639	2,844	2,639
Defined contribution pension costs	1,510	1,494	1,496	1,494
Total staff costs	**30,924**	28,708	**30,541**	28,708

The average number of full time equivalent (FTE) employees in the Group and Society during the year, including directors, is as follows:

Full time equivalent (FTE) employees	Group 2022 FTE	Group 2021 FTE	Society 2022 FTE	Society 2021 FTE
Administration	357	358	352	358
Management	34	38	34	38
Marketing	144	90	144	90
Total number of staff	**535**	486	**530**	486

All staff are employed and remunerated by either Family Assurance Friendly Society Limited (FAFSL) or a subsidiary company. The directors have been wholly remunerated by FAFSL for their services to the Society and other Group undertakings. During 2022, the total remuneration paid to the directors was £2,168k (2021: £2,306k) and the total remuneration paid to the highest paid director was £1,021k (2021: £930k).

Key management compensation

Compensation to key management personnel (including executive directors) in the year was £3,297k (2021: £3,365k).

12. Other technical income

	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000
Annual management rebates	**396**	524	**396**	524
Fee income	**569**	701	**569**	701
Mortgage interest receivable	**13**	12	**13**	12
Other income	**–**	–	**3,331**	3,532
Total other technical income	**978**	1,237	**4,309**	4,769

Other income includes charges from the Society to subsidiaries as a management charge on the child trust fund business, and other administration charges.

13. Other income

	Group 2022 £'000	Group 2021 £'000
Annual management charges	**50,810**	53,212
Lifetime mortgage fee income	**1,358**	1,069
Other operating income	**4,242**	2,746
Total other income	**56,410**	57,027

14. Taxation

Analysis of the tax charge for the year:

The tax charge for the Group is £300k (2021: tax charge £1,103k).

The applicable UK corporation tax rate is 19% (2021: 19%).

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly.

The Society primarily writes tax exempt business, with a small proportion of taxable business. The UK rate of income tax applicable to this taxable business is 20% (2021: 20%).

Tax charge/(credit)	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000
Technical account	**(714)**	(547)	**(714)**	(547)
Non-technical account	**1,014**	1,650	**–**	–
Total tax charge/(credit)	**300**	1,103	**(714)**	(547)
Analysed as follows:				
Corporation tax				
Tax charge/(credit)	**300**	1,103	**(714)**	(547)
Total tax charge/(credit)	**300**	1,103	**(714)**	(547)

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

14. Taxation (continued)

Reconciliation of current year tax charge	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000 Restated
Excess of income over expenditure	**20,493**	19,329	**15,120**	19,016
Tax on result (2022: 19%, 2021: 19%)	**3,894**	3,673	**2,873**	3,613
Factors affecting tax charge:				
Accounting result not subject to tax	**(3,029)**	(1,682)	**(2,873)**	(3,613)
Items taxed on a different basis	**153**	(2)	**–**	–
Adjustments in respect of prior periods	**2**	–	**–**	–
Utilisation of unrecognised losses	**(6)**	(339)	**–**	–
Tax on excess of income over expenditure on ordinary activities	**1,014**	1,650	**–**	–

Items taxed on a different basis include profits taxed in subsidiaries.

The Group recognises a net deferred tax liability of nil. This comprises £91k (2021: £392k) deferred tax liability in relation to net unrealised capital gains which is fully offset by a deferred tax asset in relation to deductible expenses carried forward.

The Society recognises a net deferred tax liability of nil. This comprises £321k (2021: £754k) deferred tax liability in relation to net unrealised capital gains which is fully offset by a deferred tax asset in relation to deductible expenses carried forward.

The Group has total deductible expenses and tax losses carried forward of £46,928k (2021: £32,034k) (equivalent to a deferred tax asset of £9,356k (2021: £6,376k)). The Society has total deductible expenses and tax losses carried forward of £43,946k (2021: £28,948k) (equivalent to a deferred tax asset of £8,789k (2021: £5,790k)). It is considered unlikely that the remaining net deferred tax asset will be used and therefore it continues to not be recognised.

15. Goodwill

	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000
Cost				
At 1 January	**2,863**	2,863	**1,147**	1,147
Result of acquisition	**6,718**	–	**–**	–
At 31 December	**9,581**	2,863	**1,147**	1,147
Amortisation				
At 1 January	**1,746**	1,460	**775**	660
Provided in the year	**286**	286	**115**	115
At 31 December	**2,032**	1,746	**890**	775
Net book value at 31 December	**7,549**	1,117	**257**	372

16. Intangible assets

Group Cost	IT, systems & project development £'000	Acquired funds under management £'000	Acquired present value of in force business – insurance £'000	Acquired present value of in force business – investment £'000	Total £'000
At 1 January 2022 – As restated	6,208	6,875	27,591	21,215	**61,889**
Result of acquisition	2,646	–	–	–	**2,646**
At 31 December 2022	**8,854**	**6,875**	**27,591**	**21,215**	**64,535**
Amortisation					
At 1 January 2022 – As restated	6,025	3,188	15,172	5,973	**30,358**
Provided in the year	335	1,125	320	2,111	**3,891**
At 31 December 2022	**6,360**	**4,313**	**15,492**	**8,084**	**34,249**
Net book value at 31 December 2022	**2,494**	**2,562**	**12,099**	**13,131**	**30,286**
Net book value at 31 December 2021 – As restated	183	3,687	12,419	15,242	31,531

In 2016, the Group acquired contractual rights relating to Child Trust Fund (CTF) assets at a cost of £5,000,000. The acquired funds under management asset is amortised over its estimated useful economic life (UEL) of 10 years and the amortisation is included in administrative expenses. The remaining amortisation period is five years.

As part of the merger with Engage in 2015, the Group acquired in force business assets with a valuation of £48,806,000. The asset is amortised over its UEL of up to 40 years, based on persistency and lapse assumptions, and the amortisation is included in administrative expenses. The remaining amortisation is up to 33 years. An annual assessment is carried out to check if there are any indications of impairment.

Society Cost	IT, systems & project development £'000	Acquired present value of in force business – insurance £'000	Acquired present value of in force business – investment £'000	Total £'000
At 1 January 2022 – As restated	1,371	27,591	21,215	**50,177**
At 31 December 2022	**1,371**	**27,591**	**21,215**	**50,177**
Amortisation				
At 1 January 2022 – As restated	1,188	15,172	5,973	**22,333**
Provided in the year	138	320	2,111	**2,569**
At 31 December 2022	**1,326**	**15,492**	**8,084**	**24,902**
Net book value at 31 December 2022	**45**	**12,099**	**13,131**	**25,275**
Net book value at 31 December 2021 – As restated	183	12,419	15,242	27,844

17. Land and buildings

Group	Current value investment £'000	Total £'000	Historical cost investment £'000	Total £'000
At 1 January 2022	7,187	7,187	6,887	6,887
Revaluation/fair value adjustment	712	712	–	–
Balance at 31 December 2022	**7,899**	**7,899**	**6,887**	**6,887**
Group				
At 1 January 2021	6,708	6,708	6,887	6,887
Revaluation/fair value adjustment	479	479	–	–
Balance at 31 December 2021	7,187	7,187	6,887	6,887

Of the revaluation surplus of £712k in 2022, £108k has been recognised in the statement of comprehensive income and £604k has been recognised in the income statement. The revaluation surplus of £479k in 2021 was recognised in the income statement as it reverses revaluation deficits previously taken there.

Included within Land and buildings is £2,934k (2021: £nil) which is categorised as investment property.

Society	Current value investment £'000	Total £'000	Historical cost investment £'000	Total £'000
At 1 January 2022	8,997	8,997	6,887	6,887
Revaluation/fair value adjustment	53	53	–	–
Balance at 31 December 2022	**9,050**	**9,050**	**6,887**	**6,887**
Society				
At 1 January 2021	8,651	8,651	6,887	6,887
Revaluation/fair value adjustment	346	346	–	–
Balance at 31 December 2021	8,997	8,997	6,887	6,887

The revaluation surplus of £53k (2021 restated: £346k) has been recognised in the income statement.

Included within Land and buildings is £9,050k (2021: £8,997k) which is categorised as investment property.

Land and buildings at 31 December 2022 relates to a freehold property held for own use in West Street, Brighton. A full external professional valuation of the property was carried out by G L Hearn, Chartered Surveyors at 31 December 2022. During 2022, the Group signed a lease to let out part of the property to a 3rd party.

18. Investment in Group undertakings

Society investments	Society 2022 £'000	Society 2021 £'000 Restated
Cost		
At 1 January	**54,532**	51,532
Investments during year	**1,500**	3,000
Result of acquisition	**10,300**	–
At 31 December	**66,332**	54,532
Impairment		
At 1 January	**(19,810)**	(15,768)
Provided in the year	**(5,090)**	(4,042)
At 31 December	**(24,900)**	(19,810)
Carrying value of investments at 31 December	**41,432**	34,722

During 2022, the Society made investments of £1m into OneFamily Lifetime Mortgages Limited and £0.5m into OneFamily Advice Limited.

Investments are carried at cost less impairment. Following an impairment review of adverse circumstances in the lifetime mortgage market, included in Investment expenses and charges is an impairment of £5.1m in OneFamily Lifetime Mortgages Limited (OFLM). This will be kept under review as OFLM looks for opportunities to re-enter the market.

Set out below are the Society's investments in subsidiary undertakings as at 31 December 2022 all of which are included in the consolidation; the carrying value of these subsidiaries cancel out on consolidation. All companies are incorporated in England and Wales.

Name of subsidiary undertaking	Nature of business
Engage Mutual Funds Limited	Child Trust Fund management
Family Equity Plan Limited	Child Trust Fund management
Family Investment Management Limited	Fund management
Family PEP Managers Limited	ISA fund management
OneFamily Advice Limited	Financial advice services
OneFamily Foundation Limited	Individual and community grant funding
OneFamily Lifetime Mortgages Limited	Provider of mortgage products
BGL Direct Life Limited	Insurance agent and brokerage
EMFL Nominees Limited[1]	Dormant
Family Assurance Staff Pension Scheme Trustees Limited[1]	Dormant
Family Money Limited[1]	Dormant
Family Nominees Limited[1]	Dormant
Family.co.uk Limited[1]	Dormant
FEPL Nominees Limited[1]	Dormant
FPML Nominees Limited[1]	Dormant

[1] The Society has taken advantage of the exemption from audit offered by Section 480 of the Companies Act 2006.

18. Investment in Group undertakings (continued)

The subsidiaries are wholly owned by the Society and the Society holds 100% of ordinary and preference shares within all the subsidiaries.

The registered address of all subsidiaries, apart from BGL Direct Life Limited, is 16-17 West Street, Brighton, BN1 2RL.

The registered address of BGL Direct Life Limited is Pegasus House, Southgate Park, Bakewell Road, Orton Southgate, Peterborough, PE2 6YS.

On 30 November 2022, Family Assurance Friendly Society acquired 100% of the shares in BGL Direct Life Limited (trading as Beagle Street). The acquisition significantly expands OneFamily's product range and increases the support it can give to members in the protection market, in particular affordable life insurance and critical illness cover. This expansion is considered to improve OneFamily's competitive position in the market by reaching more customers with a wider product range, giving the opportunity of cost efficiencies and providing the potential for increased profitable income streams through direct and partnership channels.

The following table summarises the total consideration, the amounts recognised as at the acquisition date for goodwill and the identifiable assets acquired and liabilities assumed.

	£'000
Consideration	
Cash paid	**9,900**
Other payments	**400**
Total consideration	**10,300**

	£'000
Identifiable assets and liabilities	
Intangible assets	**2,634**
Tangible assets	**16**
Debtors	**15,300**
Other creditors including taxation and social security	**(12,117)**
Accruals and deferred income	**(2,251)**
Net identifiable assets and liabilities	**3,582**
Goodwill	**6,718**
Total investment in group undertakings	**10,300**

The total goodwill arising from the acquisition consists largely of existing and future new business and synergies from cost efficiencies and improving the product set, and is amortised over a period of 10 years. None of the goodwill recognised is expected to be deductible for income tax purposes. Intangible assets consist of IT platforms and systems (see Note 15. Goodwill and Note 16. Intangible assets).

19. Financial instruments

Management consider that the carrying value of all financial assets and liabilities in the financial statements are equal to or approximate to their fair value.

The financial investments held by the Group are valued as:	**2022 £'000**	2021 £'000
Linked financial investments	**937,317**	1,131,449
Non-linked financial investments	**204,202**	250,422
Debtors	**35,822**	21,274
Cash at bank	**62,045**	77,611
Total Group financial investments	**1,239,386**	1,480,756
Financial liabilities		
Financial liabilities held at fair value through profit and loss	**937,317**	1,131,449
Financial liabilities held at amortised cost	**19,375**	5,636
Total Group financial liabilities	**956,692**	1,137,085

The above investments, which exclude land & buildings, and the financial liabilities, can then be further analysed out into the following categories:

Group financial assets held at fair value through profit and loss	**Fair value 2022 £'000**	Fair value 2021 £'000	**Cost 2022 £'000**	Cost 2021 £'000
Shares, other variable yield securities and holdings in collective investment schemes	**910,437**	1,194,146	**748,249**	882,526
Debt securities and other fixed income securities	**154,129**	105,342	**181,282**	93,533
Investment property	**7,950**	7,903	**5,091**	5,091
Financial assets held at fair value through profit and loss	**1,072,516**	1,307,391	**934,622**	981,150
Loans and receivables				
Loans secured by mortgage	**181**	231	**181**	231
Deposits with credit institutions	**129,482**	149,653	**129,482**	149,653
Accrued income and receivables	**37,207**	23,481	**37,207**	23,481
Loans and receivables	**166,870**	173,365	**166,870**	173,365
Total Group financial assets (excluding land & buildings)	**1,239,386**	1,480,756	**1,101,492**	1,154,515

19. Financial instruments (continued)

Group analysis – linked and non-linked, excluding land & buildings

Group financial assets held at fair value through profit and loss	**Linked fair value 2022 £'000**	**Non-linked fair value 2022 £'000**	**Total fair value 2022 £'000**	Linked fair value 2021 £'000	Non-linked fair value 2021 £'000	Total fair value 2021 £'000
Shares, other variable yield securities and holdings in collective investment schemes	**860,545**	**49,892**	**910,437**	1,049,297	144,849	1,194,146
Debt securities and other fixed income securities	**–**	**154,129**	**154,129**	–	105,342	105,342
Investment property	**7,950**	**–**	**7,950**	7,903	–	7,903
Financial assets held at fair value through profit and loss	**868,495**	**204,021**	**1,072,516**	1,057,200	250,191	1,307,391
Loans and receivables						
Loans secured by mortgage	**–**	**181**	**181**	–	231	231
Deposits with credit institutions	**67,437**	**62,045**	**129,482**	72,042	77,611	149,653
Accrued income and receivables	**1,385**	**35,822**	**37,207**	2,207	21,274	23,481
Loans and receivables	**68,822**	**98,048**	**166,870**	74,249	99,116	173,365
Total Group financial assets	**937,317**	**302,069**	**1,239,386**	1,131,449	349,307	1,480,756
Financial liabilities						
Financial liabilities held at fair value through profit and loss	**937,317**	**–**	**937,317**	1,131,449	–	1,131,449
Financial liabilities held at amortised cost	**–**	**19,375**	**19,375**	–	5,636	5,636
Total Group financial liabilities	**937,317**	**19,375**	**956,692**	1,131,449	5,636	1,137,085

19. Financial instruments (continued)

The financial investments held by the Society are valued as:	2022 £'000	2021 £'000
Linked financial investments	**937,317**	1,131,449
Non-linked financial investments	**204,203**	250,422
Debtors	**20,232**	21,838
Cash at bank	**46,839**	65,422
Total Society financial investments	**1,208,591**	1,469,131
Financial liabilities		
Financial liabilities held at fair value through profit and loss	**937,317**	1,131,449
Financial liabilities held at amortised cost	**5,484**	6,314
Total Society financial liabilities	**942,801**	1,137,763

The above investments, which exclude land & buildings, and the financial liabilities, can then be further analysed out into the following categories:

Society financial assets held at fair value through profit and loss	Fair value 2022 £'000	Fair value 2021 £'000	Cost 2022 £'000	Cost 2021 £'000
Shares, other variable yield securities and holdings in collective investment schemes	**910,437**	1,194,146	**748,249**	882,526
Debt securities and other fixed income securities	**154,129**	105,342	**181,282**	93,533
Investment property	**7,950**	7,903	**5,091**	5,091
Financial assets held at fair value through profit and loss	**1,072,516**	1,307,391	**934,622**	981,150
Loans and receivables				
Loans secured by mortgage	**181**	231	**181**	231
Deposits with credit institutions	**114,276**	137,464	**114,276**	137,464
Accrued income and receivables	**21,618**	24,045	**21,618**	24,045
Loans and receivables	**136,075**	161,740	**136,075**	161,740
Total Society financial assets	**1,208,591**	1,469,131	**1,070,697**	1,142,890

19. Financial instruments (continued)

Society analysis – linked and non-linked, excluding land & buildings

Society financial assets held at fair value through profit and loss	Linked fair value 2022 £'000	Non-linked fair value 2022 £'000	Total fair value 2022 £'000	Linked fair value 2021 £'000	Non-linked fair value 2021 £'000	Total fair value 2021 £'000
Shares, other variable yield securities and holdings in collective investment schemes	**860,545**	**49,892**	**910,437**	1,049,297	144,849	1,194,146
Debt securities and other fixed income securities	**–**	**154,129**	**154,129**	–	105,342	105,342
Investment property	**7,950**	**–**	**7,950**	7,903	–	7,903
Financial assets held at fair value through profit and loss	**868,495**	**204,021**	**1,072,516**	1,057,200	250,191	1,307,391
Loans and receivables						
Loans secured by mortgage	**–**	**181**	**181**	–	231	231
Deposits with credit institutions	**67,437**	**46,839**	**114,276**	72,042	65,422	137,464
Accrued income and receivables	**1,385**	**20,233**	**21,618**	2,207	21,838	24,045
Loans and receivables	**68,822**	**67,253**	**136,075**	74,249	87,491	161,740
Total Society financial assets	**937,317**	**271,274**	**1,208,591**	1,131,449	337,682	1,469,131
Financial liabilities						
Financial liabilities held at fair value through profit and loss	**937,317**	**–**	**937,317**	1,131,449	–	1,131,449
Financial liabilities held at amortised cost	**–**	**5,484**	**5,484**	–	6,314	6,314
Total Society financial liabilities	**937,317**	**5,484**	**942,801**	1,131,449	6,314	1,137,763

19. Financial instruments (continued)

VALUATION METHODS – These are based on FRS 102 (section 34) disclosure requirements on the three levels indicated, see accounting policy I for details.

2022 Group	Level 1 Active quoted prices	Level 2 Other observable inputs	Level 3 Other	Total
Financial assets held at fair value through profit and loss	£'000	£'000	£'000	£'000
Shares, other variable yield securities and holdings in collective investment schemes	**337,235**	**573,201**	**1**	**910,437**
Debt securities and other fixed income securities	**111,619**	**42,116**	**394**	**154,129**
Investment property	**–**	**–**	**7,950**	**7,950**
Financial assets held at fair value through profit and loss	**448,854**	**615,317**	**8,345**	**1,072,516**
Financial liabilities held at fair value through profit and loss	**–**	**937,317**	**–**	**937,317**

2021 Group	Level 1 Active quoted prices	Level 2 Other observable inputs	Level 3 Other	Total
Financial assets held at fair value through profit and loss	£'000	£'000	£'000	£'000
Shares, other variable yield securities and holdings in collective investment schemes	481,717	712,428	1	1,194,146
Debt securities and other fixed income securities	46,470	57,358	1,514	105,342
Investment property	–	–	7,903	7,903
Financial assets held at fair value through profit and loss	528,187	769,786	9,418	1,307,391
Financial liabilities held at fair value through profit and loss	–	1,131,449	–	1,131,449

Level 3 assets consist of investment property, venture capital and certain debt securities.

Investment properties are valued by reference to independent valuations as detailed in Note 17. The Investment Method of Valuation is used to value the investment property classified at level 3 in the fair value hierarchy. A key unobservable input is the present value of future market rents, adjusted for risk factors that are envisaged to exist at point of sale in an arms-length transaction.

19. Financial instruments (continued)

2022 Society	Level 1 Active quoted prices	Level 2 Other observable inputs	Level 3 Other	Total
Financial assets held at fair value through profit and loss	£'000	£'000	£'000	£'000
Shares, other variable yield securities and holdings in collective investment schemes	**337,235**	**573,201**	**1**	**910,437**
Debt securities and other fixed income securities	**111,619**	**42,116**	**394**	**154,129**
Investment property	**–**	**–**	**7,950**	**7,950**
Financial assets held at fair value through profit and loss	**448,854**	**615,317**	**8,345**	**1,072,516**
Financial liabilities held at fair value through profit and loss	**–**	**937,317**	**–**	**937,317**

2021 Society	Level 1 Active quoted prices	Level 2 Other observable inputs	Level 3 Other	Total
Financial assets held at fair value through profit and loss	£'000	£'000	£'000	£'000
Shares, other variable yield securities and holdings in collective investment schemes	481,717	712,428	1	1,194,146
Debt securities and other fixed income securities	46,470	57,358	1,514	105,342
Investment property	–	–	7,903	7,903
Financial assets held at fair value through profit and loss	528,187	769,786	9,418	1,307,391
Financial liabilities held at fair value through profit and loss	–	1,131,449	–	1,131,449

20. Debtors

Group and Society	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000
Amounts owed from Group undertakings	–	–	11,198	11,011
Amounts owed from policyholders	486	482	486	482
Amounts owed from intermediaries	346	409	346	409
Debtors arising out of reinsurance operations	2,744	2,539	2,744	2,539
Other debtors	32,246	17,844	5,458	7,397
Total	**35,822**	21,274	**20,232**	21,838

Amounts owed from Group undertakings in the Society include £nil (2021: £nil) falling due after more than one year. Other debtors include £10,024k (2021: £nil) falling due after more than one year.

21. Tangible assets

Group Cost	Computer equipment £'000	Fixtures, fittings and office equipment £'000	Total £'000
At 1 January 2022	885	1,171	2,056
Additions	195	–	195
Result of acquisition	15	–	15
At 31 December 2022	**1,095**	**1,171**	**2,266**
Depreciation			
At 1 January 2022	553	1,171	1,724
Provided in the year	145	–	145
At 31 December 2022	**698**	**1,171**	**1,869**
Net book value at 31 December 2022	**397**	**–**	**397**
Net book value at 31 December 2021	332	–	332

The charge for depreciation for the Group in the year ended 31 December 2022 was £145k (2021: £278k).

Depreciation is included in operating expenses.

21. Tangible assets (continued)

Society Cost	Computer equipment £'000	Fixtures, fittings and office equipment £'000	Total £'000
At 1 January 2022	467	1,171	1,638
Additions	195	–	195
At 31 December 2022	**662**	**1,171**	**1,833**
Depreciation			
At 1 January 2022	135	1,171	1,306
Provided in the year	144	–	144
At 31 December 2022	**279**	**1,171**	**1,450**
Net book value at 31 December 2022	**383**	**–**	**383**
Net book value at 31 December 2021	332	–	332

The charge for depreciation for the Society in the year ended 31 December 2022 was £144k (2021: £272k).

22. Technical provisions

Group and Society	Long-term business provision £'000	Reinsurers share £'000	Provision for outstanding claims £'000
At 1 January 2022	292,835	(122,963)	7,538
Movement in provision for outstanding claims	–	–	569
Change in long-term business provision	(109,763)	36,611	–
At 31 December 2022	183,072	(86,352)	8,107

Provisions for outstanding claims represent amounts where notification of a claim has been received but full supporting documentation is still outstanding which means that it cannot be processed. Typically these amounts would be expected to unwind in the first half of the following accounting period.

22. Technical provisions (continued)

Uncertainties and estimation techniques

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies and principally arises in respect of the technical provisions of the company. As a consequence of this uncertainty, the insurance company needs to apply sophisticated estimation techniques to determine the appropriate provisions.

Long-term business provisions (LTBPs) are computed using statistical and other mathematical techniques, which are expected to give approximately the same results as if an individual liability were calculated for each long-term contract. The computations are made by suitably qualified personnel engaged by the Group on the basis of recognised actuarial methods. This methodology takes into account the risks and uncertainties of the particular classes of long-term business written and the results are certified by the professionals undertaking the valuations.

Allowance for prudence

Under FRS 102 the value of policyholder liabilities must be valued on a prudent basis. The approach taken to calculate the prudent value of liabilities uses a best-estimate of those liabilities plus a prudence margin. The prudence margin is calculated by considering the cost of holding capital against the Society's key demographic and expense risks.

Process for determining assumptions

The process used to determine any assumptions is intended to result in the best estimates of the most likely, or expected, outcome. The assumptions are set using internal and external information, combined with expert judgement and undergo robust challenge as part of the Group's governance process.

For insurance contracts the Group regularly considers whether the long-term business provision is reliable and adequate, and whether the assumptions are appropriate. The assumptions that are considered include the expected number and timing of deaths, other claims and investment returns, over the period of risk exposure.

The principal assumptions underlying the calculation of the long-term business provision are:

Mortality – Assumptions for current mortality are based on the latest relevant industry standard tables published by the Continuous Mortality Investigation (CMI), with adjustments to reflect the Group's historic and expected future experience and considerations of external factors, such as the continued evolution of COVID-19. For protection business, the permanent assurances rates from the CMI's '00' series are used, with adjustments to fit historic and future expected experience. For annuity business, the mortality assumptions use the CMI's '16' series pension annuity in-payment tables, again with adjustments to reflect OneFamily's own experience and future expected experience. For the annuitants, improvements in future mortality are allowed for via the latest industry standard information published by the CMI.

Discount rate and investment return – this is set to be the basic Solvency II risk-free interest rate curve, as prescribed and published by the PRA.

Expenses – these assumptions are determined from the results of an internal expenses investigation. The expense investigation performs a detailed analysis of budgeted costs and allocation of these costs across products based on appropriate cost drivers. It is performed on an annual basis.

Persistency – assumptions about the rate at which policyholders will stop paying premiums and lapse their policy are determined primarily based on actual experience.

22. Technical provisions (continued)

With-Profits bonuses

The calculation of the LTBP uses policyholder guaranteed benefits as at the valuation date, including reversionary bonuses declared over the previous year. The cost of terminal bonuses on with-profits policies is included in "Gross claims incurred" in the Long-term business – Technical account.

23. Technical provisions for linked liabilities

Policies defined as investment, rather than insurance contracts are accounted for on a deposit basis.

Group and Society	**2022 £'000**	2021 £'000
At 1 January	**1,131,449**	1,114,214
Deposits received from policyholders	**13,075**	14,474
Withdrawals by policyholders	**(93,221)**	(111,480)
Annual management charges	**(10,193)**	(11,486)
Change in fair value of gross liabilities	**(103,793)**	125,727
At 31 December	**937,317**	1,131,449

Group and Society	**2022 £'000**	2021 £'000
Amounts owed in respect of reinsurance	**920**	990
Total	**920**	990

24. Other creditors including taxation and social security

	Group 2022 £'000	Group 2021 £'000	**Society 2022 £'000**	Society 2021 £'000
Amounts owed to group undertakings	**–**	–	**68**	1,168
Other taxes and social security costs	**1,325**	696	**1,248**	610
Other creditors	**17,130**	3,950	**3,248**	3,546
Total	**18,455**	4,646	**4,564**	5,324

All other creditors are payable within one year.

25. Fund for Future Appropriations

Group and Society	**2022 £'000**	2021 £'000
At 1 January	**20,596**	24,274
Transfers to the long-term business technical account	**(4,062)**	(3,678)
At 31 December	**16,534**	20,596

26. Retained earnings

	Group 2022 £'000	Group 2021 £'000	**Society 2022 £'000**	Society 2021 £'000 Restated
At 1 January	**173,015**	155,336	**192,718**	173,702
Recognised gains in the year	**19,587**	17,679	**15,120**	19,016
At 31 December	**192,602**	173,015	**207,838**	192,718

27. Pension commitments

Defined benefit schemes

Following the merger of Homeowners Friendly Society Limited and Family Assurance Friendly Society Limited on 1 April 2015, the Group operates two defined benefit pension schemes. The following note summarises the pension valuation and commitments under FRS 102 for each Scheme individually.

Defined contribution schemes

Following the closure of these defined benefit schemes to future accrual, the Group makes pension contributions to a defined contribution stakeholder pension scheme on behalf of staff when they become eligible for pension benefits.

The stakeholder scheme is provided by Legal and General Assurance Society Limited. The defined pension contributions for 2022 were £1,496k (2021: £1,495k).

Family Assurance Friendly Society Defined Benefit Scheme (the Family Scheme)

The Society operates a defined benefit pension scheme, the Family Assurance Staff Pension Scheme ("the Scheme"). The Scheme funds are administered by trustees and are independent of the Society's finances.

Contributions are paid to the Scheme in accordance with the recommendations of an independent actuary.

The defined benefit scheme closed to all further benefit accrual with effect from 31 December 2009. In its place the Society makes pension contributions to a defined contribution pension scheme on behalf of staff eligible for pension benefits. The defined contribution scheme is administered by Legal & General Assurance Society Limited.

Details in respect of the Scheme are provided below in accordance with FRS102.

The funding plan is for the Scheme to hold assets equal to the value of the benefits earned by employees, based on a set of assumptions used for funding the Scheme. The funding assumptions differ from the assumptions used to calculate the figures for these accounts, and therefore produce different results. If there is a shortfall against this funding plan, then the Society and trustees agree on deficit contributions to meet this deficit over a period. As part of the actuarial valuation with an effective date of 31 December 2019 it was agreed that the Society would pay contributions of £33,333 per month until 31 December 2020.

No further contributions are due in respect of periods after 31 December 2020.

Our calculations are based on membership data as at 31 December 2019 provided by the LCP administration team for the formal valuation of the Scheme at this date, updated to the accounting data by an independent qualified actuary in accordance with FRS102, allowing for contributions, benefit payments made and changes in market conditions.

As required by FRS102, the defined benefit liabilities have been measured using the projected unit method.

The following table sets out the key FRS102 assumptions used for the Scheme. The table also sets out, as at 31 December 2022 and 2021, the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS102 liabilities and the surplus or deficit of the assets over the FRS102 liabilities (the gross pension asset or liability).

27. Pension commitments (continued)

Under FRS102, a pension asset can only be recognised on the balance sheet to the extent that is recoverable by the employer through reduced contributions for future pensionable service or refunds (either over the course of the Scheme's life, or when it is ultimately wound up), and where that is within the control of the employer. The Trustees of the Scheme have full control over all investment and benefit decisions of the Scheme and therefore the Society does not have the necessary control to support recognition of the net surplus on the balance sheet. The impact of this limit on the balance sheet, profit and loss, and the actuarial gains and losses entries are shown in the figures below.

Family Scheme assumptions	**2022**	2021
Retail prices index inflation	**3.20%**	3.30%
Consumer prices index inflation	**2.75%**	2.85%
Revaluation in deferment	**2.75%**	2.85%
Pension increases:		
- pre April 1997 pension	**0.00%**	0.00%
- post April 1997 pension	**3.05%/2.70%***	3.15%/2.80%*
- post April 2005 pension	**2.00%***	2.05%*
Salary growth	**N/A**	N/A
Discount rate	**4.75%**	1.95%
Life expectancy:		
- male aged 65 at the statement of financial position date	**22.0 years**	22.1 years
- male aged 65 in 2047 (25 years from the statement of financial position date)	**23.7 years**	23.8 years

* assumptions for members who transferred into the scheme from the Family Assurance Friendly Society Limited staff pension scheme

27. Pension commitments (continued)

Family Scheme fair value of assets	**2022 £'000**	2021 £'000
Equities	**–**	16,379
Diversified growth/absolute return on funds	**–**	5,313
LDI portfolio (including liquidity fund)	**17,196**	23,507
Asset-backed securities	**5,685**	5,839
Buy-in policy	**8,401**	11,817
Cash	**9,622**	90
Other net assets	**(849)**	(607)
Total fair value of assets	**40,055**	62,338
Present value of defined benefit obligations	**(33,959)**	(53,536)
Pension surplus	**6,096**	8,802
Adjustment for asset limit	**(6,096)**	(8,802)
Recognised pension asset	**–**	–

The Scheme does not invest directly in property occupied by the Society or in financial securities issued by the Society.

Changes in present values of the defined benefit obligations (DBO) are as follows:

Family Scheme change in present value	**2022 £'000**	2021 £'000
Opening defined benefit obligation	**53,536**	56,942
Interest on obligation on funds	**1,031**	706
Actuarial (gain)	**(19,314)**	(3,139)
Benefits paid	**(1,294)**	(973)
Closing defined benefit obligation	**33,959**	53,536

27. Pension commitments (continued)

Changes in the fair value of the scheme assets are as follows:

Family Scheme change in fair value	2022 £'000	2021 £'000
Opening value of scheme assets	**62,338**	60,962
Interest on scheme assets	**1,203**	756
Actuarial (loss)/gain	**(22,192)**	1,593
Benefits paid	**(1,294)**	(973)
Closing value of scheme assets	**40,055**	62,338

The actual return on the Family Scheme's assets over the year was a loss of £20,989k (2021: £2,349k gain).

Changes in the value of the asset limit are as follows:

Family Scheme change in value of asset limit	2022 £'000	2021 £'000
Opening asset limit	**(8,802)**	(4,020)
Net interest on asset limit	**(172)**	(50)
Change to asset limit	**2,878**	(4,732)
Closing asset limit	**(6,096)**	(8,802)

There are no amounts included within income and expenditure under FRS 102 (2021: £nil).

27. Pension commitments (continued)

The following amounts are recognised in the statement of other comprehensive income:

Family Scheme change in comprehensive income	2022 £'000	2021 £'000
Experience (loss)/gain on scheme assets	**(22,192)**	1,593
Experience (loss) on scheme liabilities	**(2,703)**	(1,010)
Actuarial gain due to the changes in assumptions of the DBO	**22,017**	4,149
Actuarial (losses)/gains	**(2,878)**	4,732
Gain/(loss) due to movement in the statement of financial position limitation	**2,878**	(4,732)
Loss recognised outside income and expenditure	**–**	–

Family Scheme sensitivity of defined benefit obligation to alternative assumptions as at 31 December 2022	Increase in surplus £'000
Discount rate – Effect of 0.5% increase	**2,100**
Inflation – Effect of 0.1% pa reduction	**300**
Long term impact of COVID-19 – Removing the allowance for long-term impact of COVID-19	**(100)**

Updating the assumptions as described above could increase the FRS102 measure of the pension scheme surplus as noted, however this surplus would continue to be limited to £nil on the balance sheet.

Homeowners Friendly Society Defined Benefit Scheme (the Engage Scheme)

The Society operates a defined benefit pension scheme, the Homeowners Friendly Society Pension Scheme ("the Scheme"). The Scheme funds are administered by trustees and are independent of the Society's finances.

Contributions are paid to the Scheme in accordance with the recommendations of an independent actuary.

The defined benefit scheme closed to all further benefit accrual with effect from 31 December 2012. In its place the Society makes pension contributions to a defined contribution pension scheme on behalf of staff eligible for pension benefits. The defined contribution scheme is administered by Legal & General Assurance Society Limited.

Details in respect of the Scheme are provided below in accordance with FRS102.

27. Pension commitments (continued)

The funding plan is for the Scheme to hold assets equal to the value of the benefits earned by employees, based on a set of assumptions used for funding the Scheme. The funding assumptions differ from the assumptions used to calculate the figures for these accounts, and therefore produce different results. If there is a shortfall against this funding plan, then the Society and trustees agree on deficit contributions to meet this deficit over a period. As part of the actuarial valuation with an effective date of 31 December 2019 it was agreed that the Society would pay contributions of £8,333 per month until 31 December 2020.

No further contributions are currently due in respect of periods after 31 December 2020.

Our calculations are based on membership data as at 31 December 2019 provided by the LCP administration team for the formal valuation of the Scheme at this date, updated to the accounting data by an independent qualified actuary in accordance with FRS102, allowing for contributions, benefit payments made and changes in market conditions.

As required by FRS102, the defined benefit liabilities have been measured using the projected unit method.

The following table sets out the key FRS102 assumptions used for the Scheme. The table also sets out, as at 31 December 2022 and 2021, the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS102 liabilities and the surplus or deficit of the assets over the FRS102 liabilities (the gross pension asset or liability).

Under FRS102, a pension asset can only be recognised on the balance sheet to the extent that is recoverable by the employer through reduced contributions for future pensionable service or refunds (either over the course of the Scheme's life, or when it is ultimately wound up), and where that is within the control of the employer. The Trustees of the Scheme have full control over all investment and benefit decisions of the Scheme and therefore the Society does not have the necessary control to support recognition of the net surplus on the balance sheet. The impact of this limit on the balance sheet, profit and loss, and the actuarial gains and losses entries are shown in the figures below.

Engage Scheme assumptions	**2022**	2021
Retail prices index inflation	**3.25%**	3.30%
Consumer prices index inflation	**2.45%**	2.45%
Revaluation in deferment	**2.45%**	2.45%
Pension increases:		
- pre April 1997 pension (Homeowners Friendly Society Limited)	**0.00%**	0.00%
- post April 1997 pension (Homeowners Friendly Society Limited)	**3.10%**	3.15%
- post April 2005 pension (Homeowners Friendly Society Limited)	**2.10%**	2.10%
- pre April 1997 pension (UKCS)	**3.00%**	3.00%
- post April 1997 pension (UKCS)	**3.70%**	3.70%
- post April 2005 pension (UKCS)	**3.70%**	3.70%
Salary growth	**N/A**	N/A
Discount rate	**4.80%**	1.95%
Life expectancy:		
- male aged 60 at the statement of financial position	**27.1 years**	27.2 years
- male aged 60 in 2042 (20 years from balance sheet date)	**28.5 years**	28.6 years

27. Pension commitments (continued)

Engage Scheme fair value of assets	**2022 £'000**	2021 £'000
Equities	**–**	5,328
Fixed interest gilts	**3,770**	6,294
Index linked gilts	**6,480**	13,180
Buy-in policy	**7,422**	10,470
Cash and net current assets	**4,467**	(1,755)
Other net assets	**174**	155
Total fair value of assets	**22,313**	33,672
Present value of defined benefit obligations	**(17,481)**	(25,908)
Pension surplus	**4,832**	7,764
Adjustment for asset limit	**(4,832)**	(7,764)
Recognised pension asset	**–**	–

The Scheme does not invest directly in property occupied by the Society or in financial securities issued by the Society.

Changes in the present value of the defined benefit obligation are as follows:

Engage Scheme change in present value	**2022 £'000**	2021 £'000
Opening defined benefit obligation	**25,908**	27,732
Interest on obligation on funds	**497**	343
Actuarial (gain)	**(8,121)**	(1,551)
Benefits paid	**(803)**	(616)
Closing defined benefit obligation	**17,481**	25,908

27. Pension commitments (continued)

Changes in the fair value of the scheme assets are as follows:

Engage Scheme change in fair value	2022 £'000	2021 £'000
Opening value of scheme assets	**33,672**	33,725
Interest on scheme assets	**649**	418
Actuarial (loss)/gain	**(11,205)**	145
Benefits paid	**(803)**	(616)
Closing value of scheme assets	**22,313**	33,672

The actual return on the Engage Scheme's assets over the year was a loss of £10,556k (2021: £563k gain).

Changes in the value of the asset limit are as follows:

Engage Scheme change in value of asset limit	2022 £'000	2021 £'000
Opening asset limit	**(7,764)**	(5,993)
Net interest on asset limit	**(152)**	(75)
Change to asset limit	**3,084**	(1,696)
Closing asset limit	**(4,832)**	(7,764)

There are no amounts included within income and expenditure under FRS 102 (2021: nil).

27. Pension commitments (continued)

The following amounts are recognised in the statement of other comprehensive income:

Engage Scheme change in comprehensive income	2022 £'000	2021 £'000
Experience (loss)/gain on scheme assets	**(11,205)**	145
Experience (loss) on scheme liabilities	**(958)**	(341)
Actuarial gain due to the changes in assumptions of the DBO	**9,079**	1,892
Actuarial (losses)/gains	**(3,084)**	1,696
Gain/(loss) due to movement in the statement of financial position limitation	**3,084**	(1,696)
Loss recognised outside income and expenditure	**–**	–

Engage Scheme sensitivity of defined benefit obligation to alternative assumptions as at 31 December 2022	Increase in surplus £'000
Discount rate – Effect of 0.5% increase	**800**
Inflation – Effect of 0.1% pa reduction	**100**
Long term impact of COVID-19 – Removing the allowance for long-term impact of COVID-19	**–**

Updating the assumptions as described above could increase the FRS102 measure of the pension scheme surplus as noted, however this surplus would continue to be limited to £nil on the balance sheet.

Group Schemes change in comprehensive income	2022 £'000	2021 £'000
Loss outside the income and expenditure account for the Family Scheme	**–**	–
Loss outside the income and expenditure account for the Engage Scheme	**–**	–
Total scheme change in comprehensive income	**–**	–

28. Statement of information relating to the Chief Actuary

The Chief Actuary of the Group is Mr P Simmons of Willis Towers Watson plc. The following information has been provided, in accordance with Section 77 of the Friendly Societies Act 1992:

- Mr P Simmons was not a member of the Group at any time during 2022;
- No other member of his family was a member of the Group during 2022;
- Willis Towers Watson were paid fees for the year of £1,875k (2021 restated: £1,562k) for the services of the Chief Actuary and other actuarial services. 2022 fees include £238k (2021: 52k) of one off project costs.

29. Related party transactions

Transactions or balances between Group entities

Family Assurance Friendly Society Limited and its subsidiaries (collectively the Group) have a number of transactions between themselves all of which are undertaken in the normal course of business. As these accounts cover the Society and the Group, no transactions or balances between Group entities, which eliminate on consolidation, require disclosure in accordance with the exemption given in FRS 102.

No members of the Board of the Society or its key management had material transactions with any of the Group's related parties. No member of key management personnel, being any person having authority and responsibility for planning, directing or controlling the activities of the Society and Group, directly or indirectly, including any director (whether executive or otherwise) of the Society, nor their close family, had a material transaction with the Group.

The Society and Group had the following investment in Collective Investment Schemes managed by a subsidiary, Family Investment Management Limited, as at 31 December:

Related party transactions **Group and Society**	**2022** **£'000**	2021 £'000 Restated
Family Asset Trust	**28,104**	30,200
Family Charities Ethical Trust – Accumulation Units	**18,347**	19,249
Family Balanced International Fund – Share Class A	**9,985**	12,357
Family Balanced International Fund – Share Class C	**14,594**	13,666
Family Balanced International Fund – Share Class F	**480,725**	607,228
OneFamily Global Equity Fund – Share Class C	**56,300**	63,000
OneFamily Global Mixed Investment Fund – Share Class C	**36,120**	42,210
OneFamily Stockmarket 100 Trust	**29,103**	27,935
Total	**673,278**	815,845

29. Related party transactions (continued)

During 2022, the Society and the Group made the following investments. All purchases of units were made at arm's length based on the buying price:

Purchase of Investments **Group and Society**	**2022** **£'000**	**2022** **Units**	2021 £'000	2021 Units
Family Charities Ethical Trust – Accumulation Units	**69**	**7,781**	–	–
Family Balanced International Fund – Share Class A	**69**	**13,734**	–	–
Family Balanced International Fund – Share Class C	**2,833**	**1,742,354**	2,420	1,423,247
Family Balanced International Fund – Share Class F	**2,546**	**569,306**	1,232	267,509
OneFamily Global Equity Fund – Share Class C	**9,477**	**8,154,985**	–	–
Total	**14,994**		3,652	

30. Prior period adjustment

As permitted under FRS103 for insurance contracts, the Society has changed its accounting policy for the presentation of the acquired present value of in-force (PVIF) business. As a result of this change, the PVIF is now presented within intangible assets on the statement of financial position rather than netted against the long-term business provision. The Board considers that this change results in a more appropriate presentation of the asset. Included within the PVIF is £13.1m (2021: 15.2m) in relation to investment contracts. This is a correction to the accounting treatment for this item.

As permitted under FRS102, the Society has changed the accounting policy for the valuation of Group undertakings from fair value to cost less impairment. The Board consider this change results in a valuation of subsidiaries that is more relevant to users of the accounts.

The Society has also changed the presentation of the West Street property. The property is let to another Group entity and has been reclassified to investment property with changes to fair value recognised in the income statement. The Board consider this change results in a more appropriate categorisation of the asset.

30. Prior period adjustment (continued)

Details of the changes and the restatement of comparatives for the period ended 31 December 2021 are shown below.

Group	Adjustment reference	2021 As previously reported £'000	2021 Adjustment £'000	2021 As restated £'000
Statement of financial position				
Assets				
Other intangible assets	1	3,870	27,661	**31,531**
Total assets	1	1,621,034	27,661	**1,648,695**
Total assets including the pension asset	1	1,621,034	27,661	**1,648,695**
Liabilities				
Technical provisions – Long-term business provision	1	265,174	27,661	**292,835**
Total liabilities	1	1,621,034	27,661	**1,648,695**

Details of adjustments are given below:

1 Change in presentation of PVIF

30. Prior period adjustment (continued)

Society	Adjustment reference	2021 As previously reported £'000	2021 Adjustment £'000	2021 As restated £'000
Technical Account – Long Term Business				
Unrealised gains/(losses) on investments	2, 3	41,286	5,687	**46,973**
Investment expenses and charges	2	(1,833)	(4,042)	**(5,875)**
Balance on the long-term business technical account	2, 3	17,371	1,645	**19,016**
Non Technical Account				
Excess of expenditure over income on ordinary activities before tax	2, 3	17,371	1,645	**19,016**
Excess of expenditure over income after tax	2, 3	17,371	1,645	**19,016**
Statement of other comprehensive income				
Unrealised gain/(loss) on property revaluation	3	346	(346)	**–**
Total recognised gain in the year	2	17,717	1,299	**19,016**
Statement of financial position				
Assets				
Other intangible assets	1	183	27,661	**27,844**
Investment in group undertakings	2	21,897	12,825	**34,722**
Total assets	1, 2	1,626,720	40,486	**1,667,206**
Total assets including the pension asset	1, 2	1,626,720	40,486	**1,667,206**
Liabilities				
Retained earnings	2	179,893	12,825	**192,718**
Technical provisions – Long-term business provision	1	265,174	27,661	**292,835**
Total liabilities	1, 2	1,626,720	40,486	**1,667,206**

Details of adjustments are given below:

1 Change in presentation of PVIF
2 Change in valuation of subsidiaries
3 Change in presentation of West Street property

30. Prior period adjustment (continued)

Group	Adjustment reference	2020 As previously reported £'000	2020 Adjustment £'000	2020 As restated £'000
Statement of financial position				
Assets				
Other intangible assets	1	3,075	30,409	**33,484**
Total assets	1	1,607,385	30,409	**1,637,794**
Total assets including the pension asset	1	1,607,385	30,409	**1,637,794**
Liabilities				
Technical provisions – Long-term business provision	1	281,314	30,409	**311,723**
Total liabilities	1	1,607,385	30,409	**1,637,794**

30. Prior period adjustment (continued)

Society	Adjustment reference	2020 As previously reported £'000	2020 Adjustment £'000	2020 As restated £'000
Statement of financial position				
Assets				
Other intangible assets	1	321	30,409	**30,730**
Investments				
Investment in group undertakings	2	24,238	11,526	**35,764**
Total assets	1, 2	1,612,705	41,935	**1,654,640**
Total assets including the pension asset	1, 2	1,612,705	41,935	**1,654,640**
Liabilities				
Retained earnings	2	162,176	11,526	**173,702**
Technical provisions – Long-term business provision	1	281,314	30,409	**311,723**
Total liabilities	1, 2	1,612,705	41,935	**1,654,640**

Details of adjustments are given below:

1 Change in presentation of PVIF
2 Change in valuation of subsidiaries

Glossary

Adjusted operating profit	This is an alternative performance measure and is the excess of income over expenditure on ordinary activities before tax adjusted for: • **Goodwill and intangibles amortisation** – As disclosed in the Income and Expenditure account • **Non-recurring model adjustments** – Movements in the Long-Term Business Provision as a result of one-off changes to either the model, for example enhancements; or one-off business decisions, for example changes to financing reassurance • **Market variances (including the revaluation of land and buildings)** – Removal of non-controllable market variances on assets and insurance liabilities where this differs to the business plan • **Assumption changes** – Removal of the impact on the Long-Term Business Provision of non-controllable assumption changes such as inflation and mortality
Alternative performance measure (APM)	A measure used by management but not defined in accordance with UK GAAP
Bonds	Generally corporate bonds, this is debt issued by a company to raise capital. Interest is paid through the term of the bond and at a set date the nominal value is returned to the investor
Child Trust Fund	Government backed product given to all children born between September 2002 and 2011
Conduct risk	The risk of failure to conduct business fairly and properly in relation to customers and other stakeholders
Consumer Duty	Regulation issued by the FCA that sets expectations for the standard of care firms across the financial services industry give to consumers in retail financial markets. It outlines four key outcomes in relation to: **1.** Products and services **2.** Price and value **3.** Consumer understanding **4.** Consumer support
Coverage ratio	Under Solvency II the ratio of eligible own funds to the solvency capital requirement
Customers' funds under management	This is an alternative performance measure which reflects the total value of all investments managed by the Group on behalf of customers. This includes investments backing customer policies which are not shown on the Statement of Financial Position, for example those relating to Child Trust Funds or ISAs
Customer satisfaction score	This is an alternative performance measure and reflects the general satisfaction of customers engagement with us and also their likelihood to recommend OneFamily
Equities	A shareholding in a company
ESG	Environmental, social and governance
Financial Conduct Authority (FCA)	The body that regulates the conduct of retail and wholesale financial services firms in the UK

Fund for Future Appropriations (FFA)	This balance represents all with-profits surpluses, the allocation of which to individual policies has not yet been determined by the end of the financial year
Gilts	Government issued bonds considered to be lower risk than corporate bonds
Income	This is an alternative performance measure. It reflects revenue received by the Group due to investment, insurance and other activities. It comprises: • Gross written premiums • Deposits received from policyholders • Other technical income • Other income
Intergovernmental Panel on Climate Change (IPCC)	The United Nations body for assessing the science related to climate change
Lapse risk	The risk that an insurance policy is cancelled before the end of the policy term, often because a policyholder ceases to pay premiums
Lifetime ISA	An investment product for customers under 40 saving for a first home or retirement
Lifetime mortgage	Mortgage for homeowners aged 55 and over who want to release capital in their property
Long-term business provision (LTBP)	The value of insurance liabilities calculated using the requirements of the current Solvency II (SII) regulatory regime adjusted to remove the SII risk margin and include a margin of prudence appropriate under United Kingdom reporting standards
Management actions	Activity taken to remove or mitigate risk, or aid the delivery of a desired outcome
Market risk	The risk associated with changes in the market price of investment assets
Minimum Capital Requirement (MCR)	The base capital level for a business that, in the event it is breached, triggers ultimate supervisory measures from the Prudential Regulation Authority
Morbidity risk	The risk associated with the likelihood that a policyholder will fall ill during the period of insurance cover
Mortality risk	The risk associated with the likelihood that a policyholder will die during the period of insurance cover
MSCI World Index	The MSCI World Index captures large and mid cap representation across 23 Developed Markets countries. With 1,585 constituents, the index covers approximately 85% of the free float-adjusted market capitalisation in each country. It is used as a common benchmark for 'world' or 'global' stock funds intended to represent a broad cross-section of global markets
Net Zero	Refers to achieving a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere
Non-profit fund	A fund where the investing policyholders do not share in the surplus in the fund
Non-technical account	The non-technical account reflects the income and expenditure of subsidiary companies
Operational risk	The risk associated with a failing in internal processes, personnel or systems, or from external events
Own Risk and Solvency Assessment (ORSA)	An internal assessment of risk and capital requirements

Own funds	Surplus of assets over liabilities under Solvency II regulations
Present Value of In-Force (PVIF)	The expected future profits from an existing book of insurance business
Prudential Regulation Authority (PRA)	Responsible for prudential regulation within the UK of banks, insurers, building societies, credit unions and major investment firms
Reinsurance recoverables	The amount paid by reinsurers to cover losses for insurance
Retained earnings	The retained profits in the non-profit fund
Reversionary bonus	An annual bonus paid to with-profits policyholders
Risk appetite statement	A statement setting out the Society and Group attitude to risk
Risk management framework	The Risk Management Framework sets out principles, policies, minimum standards and requirements which are designed to manage risk within the Board's risk appetite
Solvency II (SII)	The capital adequacy regime for the European insurance industry that establishes a comprehensive framework for insurance supervision and regulation
Solvency Capital Requirement (SCR)	The amount of capital to be held by an insurer to meet the Pillar I requirements under the Solvency II regime
Sunset clause	A court-sanctioned clause relating to with-profits funds which determines how a with-profit fund will be managed if it falls below a certain size
Surplus assets	Assets which are in excess of Solvency II capital requirements
System of governance	The governance framework under which the Society is operated to enable the Board and the Executive team to discharge its responsibilities
Taskforce on Climate-related Financial Disclosures (TCFD)	An organisation with the goal of developing a set of voluntary climate-related financial risk disclosures so that companies can inform investors and other members of the public about the risks they face related to climate change
Technical account	The technical account reflects the income and expenditure of the Society
Technical Provision for Linked Liabilities (TPLL)	A provision reflecting the amounts due to policyholders invested in linked funds
Terminal bonus	A discretionary maturity bonus paid to with-profits policyholders
With-profits fund	A ring-fenced fund where the policyholders participate in the surplus of the fund
WorkL	A colleague engagement survey which provides data for the *Sunday Times Best Places to Work Awards*

General information

Family Assurance Friendly Society Limited (FAFSL or the Society) is incorporated under the Friendly Societies Act 1992. FAFSL, together with its subsidiaries, forms the consolidated Group known as OneFamily.

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