Annual Report and Consolidated Financial Statements 31 December 2023

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onefamily
modern family finance

Welcome to the 2023 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.**

- **£115 million capital above requirements ***
- **287% Capital coverage ratio ***
- **93% customer satisfaction**
- **£5.5 billion funds under management**
- **Present value of new business premium of £570m**

* In our Non-Profit fund

Strategic report

This Strategic report on pages 5 to 49 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 157.

Chair's review
Steve Colsell

It is an honour to Chair the Board of Directors and to belong to the wider OneFamily community, which has nearly two million members. Our mission remains unchanged: the creation and protection of value for our members. As this report sets out, the world in 2023 posed macro-economic and social challenges. In the face of these big global problems, I am proud of the OneFamily team's resilience and focus. From interns to leaders, we continued to deliver the great products and excellent services our members and customers have come to expect.

The external environment

2023 was another year of heightened geopolitical tension and rising concern about the impact of climate change. In the UK, supply-chain issues, rising interest rates and stubborn inflation continued to impact on our members, customers, colleagues, and the costs faced by the Group.

OneFamily's Board remains alert to these impacts and during 2023 has focussed on developing products that support families' financial resilience, deepening our understanding of good outcomes for customers (making changes to our products and practices) and continuing the modernisation of our operations to better serve customers and improve efficiency.

The economic outlook for UK families remains challenging. By the end of 2023 the UK economy had entered a technical recession (which is defined as the economy shrinking for two consecutive quarters), following very modest growth in 2022 and inflation and higher mortgage rates continue to affect family finances. However, at the time of writing, the Consumer Prices Index annual inflation rate had fallen to its lowest level since September 2021 and modest GDP growth had been reported at the start of 2024.

The Bank of England's Monetary Policy Committee have maintained the Bank Rate at 5.25% since August 2023 and we may even start to see interest rates fall later in 2024.[1]

The key developments in OneFamily during 2023

2023 saw another year of careful execution of our modernisation strategy together with advances in leadership and regulation.

Building a better organisation

In 2023, we continued the careful transformation and modernisation of the organisation. We delivered the first phase of our digital customer-facing platform, further improvements to our member-offer, new distribution-partnerships, as well as enhanced wellbeing support services for our colleagues. Having acquired Beagle Street during 2022, 2023 saw considerable progress as we worked towards full integration of the teams and the business, adding capacity and scope to the products we offer as well as wider opportunities for our people. Ultimately this means that OneFamily can now write a broader range of protection business through Beagle Street and associated brands, supporting more customers than before with these increasingly important products.

All of this was delivered during an ongoing period of increased risk and uncertainty. The Board and I would like to thank all our colleagues for their contribution to delivering these achievements.

The new Consumer Duty

During the summer the Financial Conduct Authority's new Consumer Duty requirements became effective. For our open products, this included fair value assessments and introduction of consumer testing. The new duty puts the needs of the customer first, helping them make informed decisions about who to trust with their money and ensuring relentless focus on good customer outcomes. We welcome this development and hope that the duty will elevate standards across the sector, for the benefit of all customers.

[1] https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/december-2023#:~:text=The%20Bank%20of%20England's%20Monetary,-maintain%20Bank%20Rate%20at%205.25%25

Leadership changes successfully delivered

Our long-term strategy requires consistent focus, continued ambition, and leadership. Therefore, we have been building the strength and depth of our leadership team for a number of years.

During the year we chose Jim Islam to succeed Teddy Nyahasha as OneFamily's new Chief Executive Officer, following Teddy's resignation. We thank Teddy for his vision and leadership over the past seven years, notably during his three and a half years as CEO, which has strengthened the foundations for OneFamily's future success. Our decision to promote Jim from his role as our Chief Finance Officer was made straight-forward by Jim's commitment to our mission, vision and values, decades of experience as a leader in financial services, and his career-long championing of financial inclusion. We also promoted Philippa Herz from Chief Risk Officer to Chief Finance Officer. Philippa adds her own deep experience of the insurance sector, broad understanding of our business and the risks it must manage, together with a commitment to the financial wellbeing of OneFamily's members.

Our future

The world remains beset by both short and long-term challenges, but we also see concurrent opportunities. It is in order to address this landscape that OneFamily is modernising its technology, driving steady organic growth, building partnerships where they add value and ultimately creating a dynamic and entrepreneurial mutual. We are well placed for the future and confident in protecting and growing value for our members.

Steve Colsell
Chair

Chief Executive's report Jim Islam

This is my first Annual Report as OneFamily's Chief Executive Officer and I am privileged to be working with such a great team.

I joined OneFamily four years ago, as the Chief Finance Officer, and from day one I could see and feel the whole team's focus and determination. Ultimately our team helps our members to do two things: resist financial exclusion and to build-up their financial wellbeing.

We are a proud mutual, with a team of around 700 people dedicated to creating and protecting value for our members and inspiring better futures. Too many people are frozen out of financial wellbeing and I am determined that OneFamily is able to help. Nearly two million people are members of OneFamily, therefore we set our strategy, plan and operate using a model built on understanding of five key challenges in our members' lives.

1. Many of our members, like many other people, are experiencing the consequences of the cost of living crisis. For families going through an income shock, they find that the safety net provided by the state is worth little relative to their usual wage.

2. Levels of job security are, for more than four million people in the gig economy, very different to those their parents would have relied on.

3. These big economic changes are happening alongside the ageing of our population. The generation currently working have had their state pension start date pushed backwards and there are calls for this to be accelerated.

4. As governments and companies deal with these big economic changes, there is also the global effort to prevent catastrophic consequences of climate change. We are working hard to hit our own targets (see page 47) and every household's patterns of life will change significantly in the next decade.

Research by the Joseph Rowntree Foundation shows that 5.7 million low-income households are going hungry or skipping meals. The research also concluded that 6.5 million households were going without other essentials like showers, transport and toiletries.

5. Social mobility – millions of people cannot reach the first rung on the ladder of economic opportunity.

Our focus in 2023, and continuing into 2024, has been on challenges one and five above – safety nets and social mobility. The enhancements we have made, and continue to make, to our product range – for example the introduction of term assurance and critical illness products – allow us to help customers facing these challenges, through the provision of simple, accessible and low-cost life and investment products.

Building performance

As the Chair notes in his review, the economic, political and social backdrop in 2023 was uncertain and complex. But I want to recognise just how hard the OneFamily team worked to deliver great products and customer service through this time.

It's a pivotal time for OneFamily, with our protection product growth boosted by the integration of our Beagle Street business, and our investment in our customer-service and IT infrastructure. I'm focused on moving OneFamily forwards on its growth trajectory and cementing its place as a leading mutual. For more on our strategy including our sales model, please see the 'Our strategy' section.

Integration of Beagle Street

OneFamily and Beagle Street joined forces in late 2022, and throughout 2023 we have worked to integrate the organisations. For example, in September, OneFamily became the insurer of all new Beagle Street, Budget and Virgin Money branded term life insurance and critical illness policies. In our technology function, we have merged our IT teams into one new IT and Change Department. We also welcomed two of the Beagle Street team to join our Executive team.

Partnerships

We announced our new partnership with WHSmith in 2023; allowing WHSmith to offer OneFamily's Lifetime ISA and Junior ISA to their retail customer base across the UK. Also, we have teamed up with an innovative distribution business, Assura Protect, to bring a new life and critical illness insurance product to the market.

Building intermediary distribution

Intermediary distribution diversifies our customer base, generating growth with minimal fixed overheads. In 2024, we plan to extend our offer to these partners by offering Beagle Street products to the intermediary sales channel.

We are building a more focussed and efficient business

Another big step forward in modernisation

Technology underpins our modernisation and growth strategy. In wave one of the modernisation programme we migrated more than 1.3 million customers onto our new self-service platform. The new platform empowers our customers, giving them complete control and easier access to their finances. Features of the new platform include: the ability for customers to upload documents digitally; view all key documents online; view all product holdings in one location; and have the added comfort that all of their information is held securely.

Serving our customers

Our OneFamily Trustpilot score was 4.4 or above throughout the year, against a Trustpilot Financial Institution Industry Average of 3.1. Our customers continued to rate us highly, with an overall score of 93% for customer service experience and 88%

said they would recommend us to their family and friends. Lastly, but certainly not least, is a feature of our service much loved by our customers – we answer the phone in 90 seconds or less.

These great scores are also replicated within our Beagle Street operations, with an end of year Trustpilot score of 4.7.

Standing up for our members

Campaigning for vulnerable savers

As the UK's biggest child trust fund (CTF) provider, OneFamily has campaigned hard to make it easier for families of children who lack mental capacity to access the savings they've been putting aside for 18 years.

Please see the Inspiring Better Futures section for how we've continued to highlight this issue and support our customers through our common-sense approach.

ISA reform

Before the government's Autumn Statement in November, we took a pro-active stance by urging for improvements to be made to the Lifetime ISA. We recognise the challenges first time buyers are facing due to house prices, interest rates and lack of savings, and we want the government to reduce the penalty charge for withdrawal and increase the property price cap. More needs to be done to help first time buyers, as buying a first home feels impossible for many. Our call for change was reported in The Guardian and our customer's experience was written up in an article alongside Martin Lewis. We will build on our campaigning to further raise awareness about the importance of financial wellbeing in childhood.

> **Our customers continued to rate us highly, with an overall score of 93% for customer service experience and 88% said they would recommend us to their family and friends.**

Conclusion

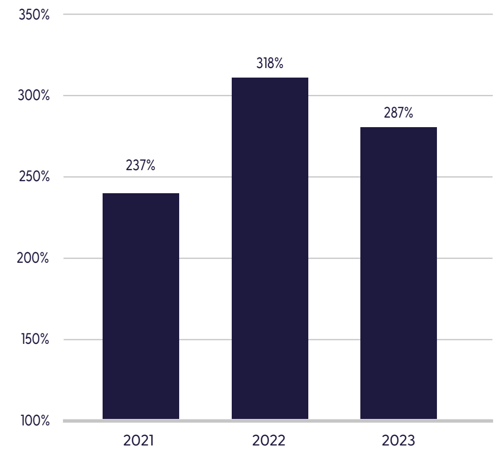
I have always tried to encourage my family and my colleagues to free their potential: to think big, set great aspirations and audacious goals. We are on a major journey and my vision is of an organisation that is truly dedicated to the financial wellbeing of its members, whatever their level of income. We put our members first in everything we do; an approach that is built into our values and ethos, so we actively listen to them and shape our services to fulfill their needs. But we can always do more. We should do more. We must do more.

We will continue to knock down the barriers that condemn some people to financial exclusion, and support those building their own household's financial wellbeing.

Jim Islam
Chief Executive Officer

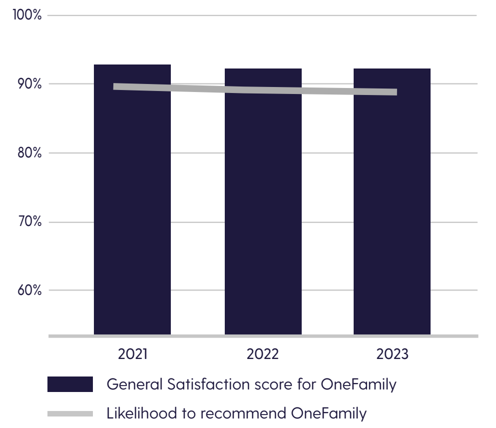
Group performance highlights

Non-Profit Fund Solvency II Coverage Ratio (Unaudited)



The Society's coverage ratio remains strong and well above regulatory requirements.

Customer satisfaction scores*

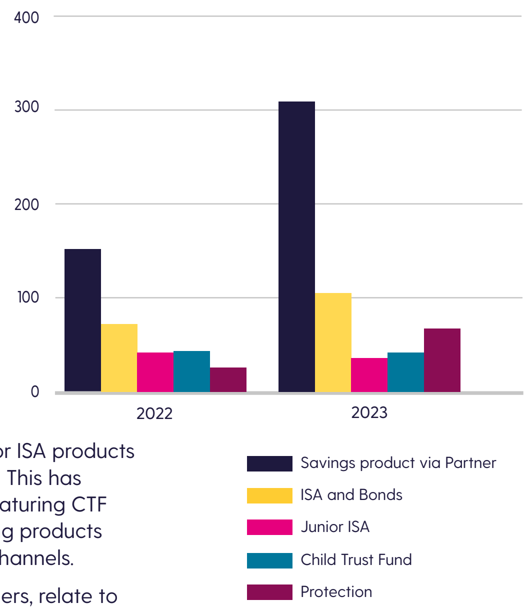


OneFamily continued to maintain its high customer satisfaction scores through a year of transformation to our systems and processes. The figures above exclude Beagle Street. Customer satisfaction for Beagle Street is measured through a Net Promoter Score (NPS – please see the glossary for a definition). Over the course of 2023, this improved from 42.4 to 52.8.

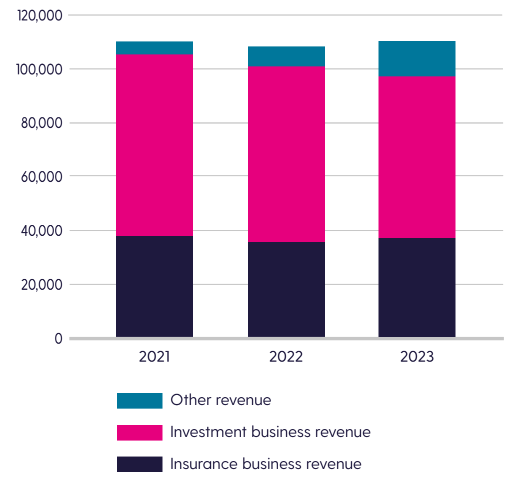
Present Value of New Business Premiums (£m)*

This new performance metric (see the glossary for a definition) demonstrates the benefits we are seeing from the acquisition of Beagle Street and OneFamily now underwriting the Beagle Street brand protection products, the investment in our direct sales team, and the modernisation programme:

- From September 2023, OneFamily has been the insurer behind the protection (Term and Critical Illness) products written through the Beagle Street (and associated) brands.
- The work of the direct sales team has led to new sales of Over 50s (protection) and Investment products; the reinvestment of maturing child trust fund (CTF) monies; and increased contributions to existing CTF and Junior ISA policies.
- From the end of July, our ISA, CTF, Lifetime ISA and Junior ISA products have all been administered on our new policy platform. This has made the purchase of new products, reinvestment of maturing CTF funds and payment of additional contributions to existing products easier for our customers through our enhanced digital channels.
- The contribution shown from savings products via partners, relate to products which we administer on behalf of third parties.



Income (£'000)*



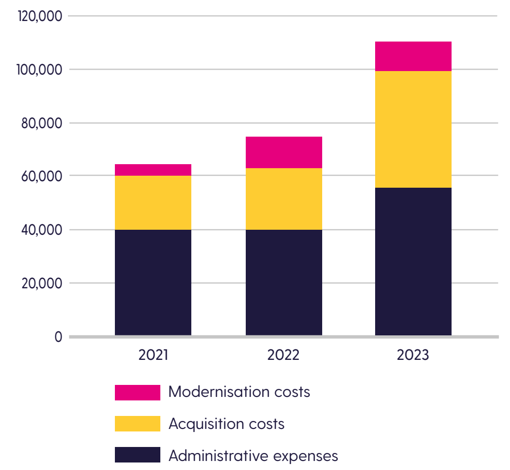
Income received in the year has benefited from an increase in insurance business revenue, which reflects the increased competitiveness of our Over 50s product and the new protection (Term Assurance and Critical Illness) products added to our product suite following the acquisition of Beagle Street and the commencement of OneFamily underwriting this business in September 2023. The increase in other revenue is largely due to a full year of commission income through the insurance intermediation activity of BGL Direct Life compared to just one month in 2022.

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

- Insurance business revenue reflects Gross written premiums (Note 4)
- Investment business revenue reflects Deposits from policyholders (Note 23) plus Annual management charges (within Note 13) and Annual management rebates (within Note 12)
- Other revenue reflects remaining income in Notes 12 and 13

		2021 £'000	2022 £'000	2023 £'000
Gross written premiums	(Note 4)	37,076	36,283	36,617
Deposits from policyholders	(Note 23)	14,474	13,075	12,112
Other technical income	(Note 12)	1,237	978	450
Other income	(Note 13)	57,027	56,410	61,146
		109,814	106,746	110,325

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 £35m due to factors such as:

- the inclusion of Beagle Street costs for the full year (compared to 1 month in 2022)
- increased acquisition costs, such as the significant expansion of our direct sales team and commission payable to partners, which have led to increased sales and retentions

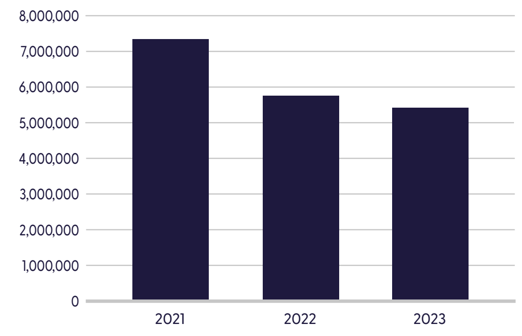
Adjusted operating (loss)/profit*

Adjusted operating (loss)/profit is an alternative performance measure and is defined as profit excluding the effect of market, assumption and other non-controllable variances in our valuation of assets and liabilities. We also make further adjustments for non-recurring elements. Please see the glossary for a full definition. A reconciliation of the figure can be seen below.

There was an adjusted operating loss for the year due to the investment we have made in our servicing and growth capability in the year. These costs have not been capitalised. We expect that the benefits of this investment will flow through to adjusted operating profit in future years, through increased sales of new products and operational efficiencies. Although acquisition costs are not a market variance or one-off cost, we have also shown the adjusted operating profit before these. We haven't deferred acquisition costs so at a time of significant increase in new business, these costs will impact our in year statutory results in advance of profits from that business emerging over future years.

	Group 2021 £'000	Group 2022 £'000	**Group 2023 £'000**
Excess of income over expenditure on ordinary activities before tax	19,329	20,493	**(15,995)**
Goodwill and intangibles amortisation	4,114	4,177	**5,382**
Non-recurring model changes	2,759	1,146	**666**
Market variances (including revaluation of land & buildings)	(13,392)	(13,006)	**(2)**
Assumption changes	1,903	(877)	**(2,458)**
Adjusted operating (loss)/profit	**14,713**	**11,933**	**(12,407)**
Modernisation costs	4,001	10,424	**13,394**
Adjusted operating profit before modernisation costs	**18,714**	**22,357**	**987**
Acquisition costs	18,195	20,114	**41,492**
Adjusted operating profit before modernisation and acquisition costs	**36,909**	**42,471**	**42,479**

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



The decrease in customers' funds under management is largely due to an outflow of funds relating to matured Child Trust Fund policies. A further factor is an outflow of funds in short-term savings products managed through our relationship with one of our key partners.

*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.

Chief Finance Officer's report Philippa Herz

Overview

2023 was an important year of progress for OneFamily. We achieved the go-live of our new policy administration platform, with 1.3 million policies now on the new system following the first phase of migration. This is an exciting development. As well as bringing benefits for our customers, including enhanced ability to manage policies online, it also means that we are laying the foundations for both a more efficient operation and greater potential for creating and distributing our products in the future. It's with this outlook in our sights that we have been making the considerable investments that are reflected in our financial performance.

Following the acquisition of Beagle Street in late 2022, we were pleased to have been able to take the steps needed for the Society to become the insurer behind the Beagle Street, Virgin Money and Budget brands, from September 2023. This, coupled with the actions we've taken to build our direct distribution through both digital and telesales channels, is reflected in the growth in present value of new business premiums.

In managing the Group's financial health we take a long-term view, consistent with our mutual status. We look to ensure that our plans will allow us to build our economic capital so we can continue to deliver our products and services to more customers well into the future. We also prioritise remaining financially strong so that we can meet our obligations to our customers even in the event of extreme circumstances, and we conduct regular scenario testing to give us confidence in our resilience.

We undertake various initiatives to mitigate our risks. During the year we reviewed our reinsurance arrangements, securing new treaties for our term assurance and critical illness business, and we also reviewed our investment strategies to manage our exposure to the interest rate risk associated with our non-profit non-linked business.

Economic and investment markets review

The geopolitical and macroeconomic environment brought significant uncertainty in 2023, and it continues to do so. Throughout the year inflation weighed heavily on our customers and brought increased costs for the Group. Interest rates remained elevated across the main global economies in an attempt to curb inflation levels, and in the UK the Bank base rate was held at 5.25% at the end of the year. As a result, UK inflation fell to 4.0% for the 12 months to December 2023, however this is still 2% above the Bank of England's target level.

Whilst equities globally saw a significant upturn to the previous year, in the UK the improvement lagged with the FTSE 350 (excluding investment trusts) increasing by 7.8% in the year.

Financial performance

I will now explain some of the numbers that you see within the financial statements, and also explain some alternative performance metrics shown on pages 11 to 13.

Financial strength

Our insurance business is long-term in nature and it is important that our capital position allows us to withstand turbulent years and also invest in the future. The capital coverage ratio of our non-profit fund (measured under Solvency II) remains high at 287% as at the end of 2023 (compared to 318% at the end of 2022). This is very much above the base level regulatory requirement and reflects investment of some of our surplus capital in driving our long-term strategic growth and efficiency initiatives. The surplus capital in our non-profit fund also continues to be robust in absolute terms at £115m (2022: £125m).

The movement in capital coverage in the year reflects the positive impact on capital coverage resulting from the change in the industry-wide methodology for calculating the Solvency II Risk Margin, approved by HM Treasury in the year.

Present Value of New Business Premiums (PVNBP)

This metric represents the present value of future premiums (for insurance products) and direct debits (for investment products) that we expect to receive from new contracts written during the year; the present value of increased/new direct debits on existing investment policies; and ad-hoc contributions made by customers to investment products during the year. This is an alternative performance measure (APM) as it is not defined in accordance with UK GAAP.

2023 saw significant growth across all lines of business compared to the prior year (from £333m to £570m). ISA and CTFs benefited from the work of the Direct Sales team in the year, as they explained to customers the benefits of investing for the long term or increasing their contributions to existing policies. Our digital customer journeys have also proved increasingly effective in supporting our customers in making additional and new investment.

Term and Critical Illness business, only sold from mid-September as a product of the Society, has already added £20m to the PVNBP in 2023.

The savings product sold via a partner is a cash ISA. We work closely with the partner who is responsible for setting the rates offered on this product.

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. A smaller proportion of our income is now coming from annual management charges from our Child Trust Fund business compared to previous years as increasing numbers of customers have now reached age 18 and been able to access their investments. We are therefore pleased that we achieved an increase in income in the year, partly due to increased interest rates but also due to a rise in gross written premiums within insurance business revenue.

The increase in gross written premiums reflects two key items – the commencement (in September) of sales of OneFamily backed term assurance and critical illness using the Beagle Street, Virgin Money and Budget brands, and the increase in sales of Over 50s policies through intermediaries and our own direct sales team. The growth in our other income includes commissions received by the BGL Direct Life subsidiary on sales of term assurance and critical illness cover. We acquired BGL Direct Life on 30 November 2022 and so 2023 was the first full financial year to include this income.

Net operating expenses

Net operating expenses across the technical account (Society – insurance related) and non-technical account (subsidiary related), increased from £73.7m in 2022 to £112.0m in 2023. This increase reflects inclusion of a full year of costs relating to the Beagle Street business (£11.0m), as the 2022 figure only included one month of Beagle Street costs (£1.1m) following its acquisition.

These figures include modernisation costs (which have been expensed rather than capitalised) of £10.4m in 2022 and £13.4m in 2023. Excluding these costs, operating expenses increased from £63.3m to £98.6m. This investment in the future of the Group is for the benefit of all our members and customers, and we expect that the benefits from this transformation programme will drive growth and efficiency across the Group for many years.

Modernisation costs aside, most of the remaining increase in operating expenses relates to costs incurred in acquiring and writing new business (an increase from £20.1m in 2022 to £41.5m in 2023). These costs reflect factors such as the growth in our direct sales teams and the increased commission paid to intermediaries based on their increased sales. This commission is often paid on an indemnity basis, so is paid upfront but can be clawed back over a period, for example four years, if the policy lapses.

The benefit of these increased acquisition costs can be seen in the new alternative performance metric – Present Value of New Business Premium on page 11 and above.

Statutory result

The 2023 statutory result reflects increased operating expenses from new business acquisition costs and our investment in the modernisation programme, as well as the ongoing transition in the mix of business from which we receive income. Our total recognised loss in the year of £16.3m compares to a gain in 2022 of £19.5m. We perform investigations to confirm that the new business we are writing will be profitable. These profits will emerge through the statutory result in future years.

The statutory result differs from the adjusted operating loss (as shown on page 13) of £12.4m because it reflects all impacts on our investments and liabilities rather than just focusing on those within our control.

Adjusted operating profit/(loss)

Adjusted operating profit/(loss), which measures underlying performance of the business, was a loss of £12.4m. This performance was significantly impacted by the costs of the modernisation programme incurred in the year of £13.4m as well as increased new business acquisition costs. Removing both modernisation and acquisition costs (which have been paid upfront with the benefit arising over time) from operating profit gives an adjusted result of £42.5m, in line with the previous year.

Adjusted operating profit/(loss) is also an alternative performance metric, 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 13.

OneFamily investment fund performance

As noted above, equity markets saw an improvement across 2023 and this is evidenced by the 1-year performance across our funds and the resultant annual management charge income. However, there were fluctuations throughout the year.

Market movements impact our customers where their policy is linked to underlying assets, as they will see volatility in the value of their holding. Investing in stocks and shares is typically for the longer term and while investment values can fall as well as rise, 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*

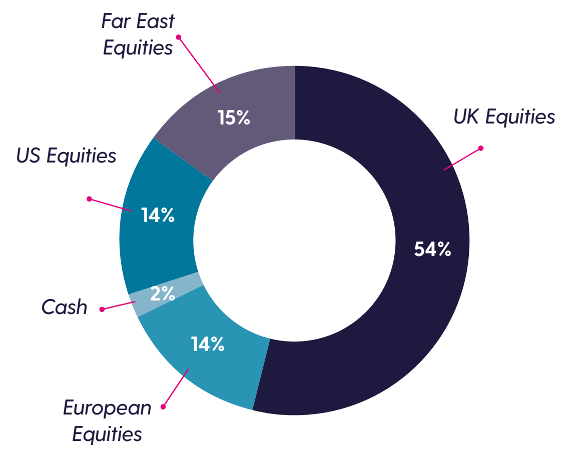
Funds**	One Year	Three Year	Five Year
Family Investments Child Trust Fund	9.28%	18.98%	37.67%
Family Sovereign Fund	8.46%	6.86%	23.40%
OneFamily Stockmarket 100 Trust	5.96%	26.81%	27.05%
Family Balanced International Fund	7.80%	5.31%	21.74%
Family Charities Ethical Trust	5.77%	25.17%	27.16%
OneFamily Global Equity Fund	15.57%	26.73%	44.88%
OneFamily Global Mixed Investment Fund	9.37%	-2.22%	17.23%
Family Asset Trust	7.70%	25.67%	29.71%

* 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.

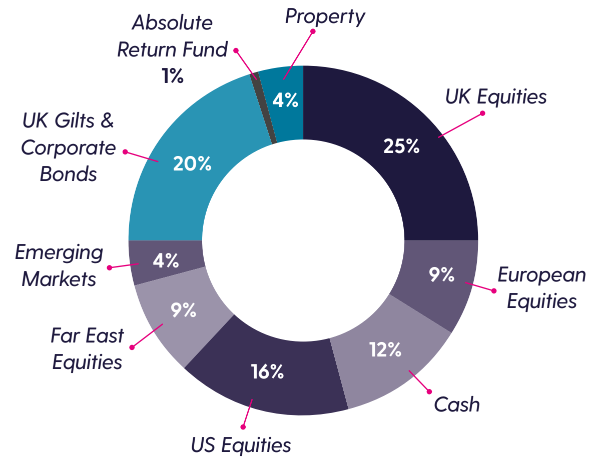
** The table above shows the performance of the eight largest funds managed by the Group. Funds are valued at bid price. With the exception of the Family Sovereign Fund, which is a unit-linked fund within the Society, all other funds are collective investment schemes managed by a subsidiary company and are not consolidated within these financial statements. They are only included by way of any investment holding through the Society. Please see note 1.E for further details.

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 2023 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. The former invests 100%, and the latter up to 35%, 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 companies within the portfolio 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.

During 2023, these climate friendly funds were available to all ISA and Lifetime ISA policyholders.

Our with-profits fund also has an ESG focus with fixed income assets and equities being ESG centric.

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, State Street Global Advisers, works with companies on ESG issues to seek long-term value. Their stewardship programme has three pillars – Thought Leadership; Engagement; and Proxy Voting. They engage with companies to understand their approach to material ESG issues, encouraging them to improve practices as needed. They share their perspectives on salient ESG issues with the market through letters, publications and media interviews. Core multi-year campaigns include, proactively addressing diversity and inclusion; and climate risk and reporting.

Outlook

With geopolitical tensions continuing into 2024 and elections – both at home and overseas – it is likely that global markets will be volatile in the year. The UK ended 2023 in a technical recession and growth (measured by gross domestic product) in 2024 is expected to be very low at 0.25%[2]. However, inflation in the UK is expected to come down further, having lagged the recovery in other countries, and we expect that base rates may start to be reduced in the latter half of 2024.

In the face of this uncertainty we will continue to allocate our capital carefully. We remain focused on completing the effective transformation of our business and building on our progress in increasing our streams of profitable new business. This will enable us to continue delivering the products, services and partnerships that bring our purpose to life for our members.

Philippa Herz

Philippa Herz
Chief Finance Officer

[2] www.reuters.com/world/uk/what-can-we-expect-uk-economy-2024-after-recession-2024-02-15/

Our **strategy**

> **"Different generations have always lived different financial lives. However, a variety of socio-economic factors have coalesced in recent years, deepening the financial differences between generations. The combination of an ageing population, a prolonged period of low interest rates, a long-term rise in house prices over the last 30 years, a shift in the labour market towards self-employment, changes to student funding, technology and government policy changes have reshaped the financial lives of UK consumers".**
>
> Financial Conduct Authority, 2020

Our strategic approach

Friendly Societies and Mutuals were established 200 years ago to help shield their members from crises they could not manage on their own. 200 years on, waves of change, ranging from the cost of living crisis to the tech revolution, continue to impact everyday life for us all. Today, OneFamily continues to uphold these mutual values by helping to protect the financial wellbeing of those who otherwise would have limited safety nets. We remain focused on improving the financial wellbeing of our members by providing good value, effective products for them whilst at the same time modernising the systems we use to help deliver this.

MISSION: Create and protect value for our members

VISION: Inspiring Better Futures

GOALS: Support customers' needs, removing barriers to access

BUSINESS OPERATING PRINCIPLES:

- Targeted investments to deliver value creation
- Increase operating cost efficiency
- Grow and retain profitable business
- Strengthen organisational effectiveness

2023: A year of delivery

Modernising our policy administration platforms

In July 2023 we began administering ISAs, Lifetime ISAs, Junior ISAs and Child Trust Funds using our newly implemented policy administration system – so far 1.3 million policies have been transferred from legacy platforms to the new system.

Developing our sales model

When the first wave of Child Trust Funds came to maturity in 2020, we had relatively little capacity to offer additional products and services. We have addressed this and now we are in a far better

> **"Financial wellbeing is about feeling secure and in control. It is knowing that you can pay the bills today, can deal with the unexpected, and are on track for a healthy financial future. In short: confident and empowered".**
>
> The Money and Pensions Service

position: we have used our new technology to add significant sales capabilities; we have acquired Beagle Street adding further life insurance products (Term Assurance and Critical Illness Cover) to our existing Over 50s product, and we have many more colleagues selling directly to consumers. The growth in our direct sales team has led us to add a new Leeds based office to our existing locations of Brighton, Peterborough and Swindon.

A great workforce is focussed on delivering our strategy

We are among the 38 best big organisations to work for in the UK, according to research by The Sunday Times' 'Best Places to Work 2023'. The happiness and wellbeing of our colleagues is of huge importance to us and this rating shows that our team continues to feel supported and comfortable at work.

We have continued to develop our colleague wellbeing programme which covers topics such as mental health and personal finances to provide ongoing support and advice. We operate hybrid working patterns to help ensure everyone has a good home and work life balance, as well as accommodating childcare needs.

For more on how we are investing in our colleagues, please see page 26.

Our charity partnerships

Financial wellbeing is an issue for the communities we call home and this is where we see and experience the 'five key challenges' mentioned in the Chief Executive's report having immediate and close-up impact. Supporting the local community is something that the OneFamily team is very passionate about, which is why all our employees are given three volunteering days a year to support a cause that is important to them. Our 'Inspiring Better Futures' section, describes in detail the achievements of our charity partnerships.

Looking forwards...

We have made great progress reforming our technology platforms and applications. Moving 1.3 million policies to the new platform was a crucial milestone. Over the next two years we will continue the transition until we complete the modernisation of policy administration.

We are growing our capacity and capability by further building our direct sales and intermediary channels.

Beagle Street's expertise and capabilities have already enhanced our product offering and infrastructure, and will deliver greater yields as we integrate this further.

Taken together, these changes are enabling us to become a major life insurer and a dynamic and modern mutual.

Our priorities for 2024 are to continue to offer simple, accessible and low-cost life and investment products to help customers facing the challenges related to social mobility and social security.

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 suppliers, customers 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

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.

The six stakeholder groups in the table below have been identified as key to us successfully delivering our strategy. OneFamily interacts with each of these groups of stakeholders 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.

Our members and customers

What they care about	How we engage
Good service and customer led engagement	AGM
Clear, fair and transparent products that meet their needs, offer value for money and are easy to access and manage	Customer satisfaction surveys
Financial security and particularly protection of loved ones in the event of illness or death of a family member	OneFamily Voice (online community)
Good investment performance outcomes	Other customer research including online surveys, interviews and focus groups
Clear strategy	Social media
Environmental and social issues	Through the provision of multiple channels for customers to contact us – including by phone
Creation and protection of value	Through our member benefits programme
How the organisation is governed and that rewards for directors are not disproportionate	
How we distribute member value	

Our colleagues

What they care about	How we engage
Having the means to serve customers well	Talking Family' colleague engagement forum with elected individuals
Personal growth and career development	Breakfast sessions with the CEO
Positive working culture & knowing their voice is heard	Team, departmental and all company meetings
Environmental and social issues	Regular 1-2-1s with line managers
Ensuring Health and Safety is taken seriously, including mental health & wellbeing	All colleague surveys
The cost of living	Regular email newsletter
Getting a fair deal and fair treatment	Intranet, Yammer and other digital channels
OneFamily's strategy and purpose	Wellbeing and diversity & inclusion events with guest speakers
Supporting our local communities and charities	
Equity, Diversity and Inclusion	

The Regulators

What they care about	How we engage
That the Group has a sustainable long-term business model and remains solvent	Regular meetings with Prudential Regulation Authority (PRA)
That the Group delivers good customer outcomes and is operated in line with regulations	Proactive engagement with the PRA and Financial Conduct Authority (FCA) to discuss proposed business initiatives
That the Group is operationally resilient and sustainable	Communication of Board discussions and decisions to PRA and FCA
That the Group is proactive and seeks to understand and work to comply with evolving regulation	Participation (where relevant) in thematic surveys
That the Group acts as a good custodian of member capital	Open communication with HMRC and ICO
That the Group is applying tax legislation appropriately both as a business and for policyholders	Triennial HMRC Business Risk Review
That the correct level of tax is paid to HMRC	Updates to the Board on key interactions with the regulators by the Chief Risk Officer
Good governance and culture	

Third party partners and suppliers

What they care about	How we engage
Collaborative, long-term relationships	Through allocated relationship managers
Partners:	Holding regular partnership meetings for key partners
Partnering for mutual success	Intermediary satisfaction research
Delivery to agreed service level agreements	Regular due diligence reviews
Ring-fenced data	Regular resilience testing
Dedicated partnership support	
Developing trusted partner relationships	
Suppliers:	
Being paid on time	

The wider community

What they care about	How we engage
Local people and places	Through grants
Support of people in need	Through charity partners
Access to education and training	Colleague volunteering days
Support finding people employment opportunities	Colleague fundraising matching

Those impacted by our influence on the environment

What they care about	Parties influencing our actions
The OneFamily Group's impact on the environment	Members and customers
The provision of ESG funds for customer investment	Colleagues
The identification and measurement of financial risks associated with climate change	Regulators
	The wider community

During 2023, 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
Modernisation programme	Throughout the year the Board received regular updates on progress of the Group's modernisation programme, which encompasses a range of improvements within the Group including, for example, the replacement of legacy policy administration platforms, improvements to IT infrastructure and implementation of a customer relationship management system. The Board maintained oversight of the reasons for the delay from the original proposed implementation date in the first half of 2023 and the resulting impact on customers and colleagues. They continued to be updated with business readiness prior to the first wave of the new policy administration platform going live for 1.3 million customers at the end of July.
Integration of Beagle Street	During the year, the Board considered the impact of the Society becoming the insurer behind the Beagle Street and associated brands. This change was considered by the Board to be a significant step forward in the delivery of the Group's strategy and purpose for members and had been a key component in the decision, in 2022, to acquire Beagle Street.
Buy-in of Group pension schemes liabilities by the Society	During 2023, the Board received papers in relation to the proposed 'buy-in' of the Group's pension schemes liabilities by the Society. The Board considered the proposal both as the receiving insurer and the sponsor of both schemes. The decision impacted members of the Society as well as colleagues and former colleagues who are members of the pension schemes. The proposal was approved by the Board and the 'buy-in' was undertaken in January 2024. See note 27 for further details.
With-Profits Fund 1 (WP1) conversion to non-profit	During 2023, the With-Profits Sub-Committee continued to receive papers relating to the conversion, approved in 2022, of the WP1 fund to non-profit. Considerations in 2023 related to the exact nature of the products the with-profits policies were converting to, liaison with the FCA, and member communications.
Consumer Duty	During 2023, the Member & Customer Sub-Committee received regular reporting on progress against plans for implementation of the Consumer Duty. In September 2023, the Committee received an interim annual assessment for new and existing products confirming that implementation had occurred by the deadline of 31 July 2023. The first full Consumer Duty Annual Board Assessment covering the implementation period and outcomes for 2023 was reviewed by the Committee in February 2024 and recommended to the Board for approval. In 2023, the Board also had a deep dive session into the Consumer Duty.
Cost of Living payments and 2023 Colleague pay review	As part of the 2023 salary review process, the Remuneration Sub-Committee agreed that the monthly Cost of Living Allowance (being paid, until February 2023, to those earning less than a certain level) would be embedded into the salaries of eligible colleagues from March 2023.
Culture	During the year, the role of the Member & Customer Sub-Committee was expanded to include Culture becoming the Member, Customer & Culture Sub-Committee. The Committee's remit includes oversight of the Company's culture including Diversity and Inclusion (D&I) strategy.

Inspiring Better Futures

We've continued to deliver on our Inspiring Better Futures vision to do the right thing for our members and customers, colleagues, and communities. We're doing this through focusing on sustainable growth, delivering value for our members, and being a courageous, principled, and effective team. Our charity partnerships, volunteering and fundraising enable us to make a difference to those who need it most, staying true to our mutual ethos of supporting our local communities.

Here's how we've been bringing our vision to life in 2023:

Doing the right thing for our members and customers

Putting our members first, thinking about their needs and improving the financial wellbeing of those who need it most is firmly built into our values.

Growing our business

To be a modern, dynamic mutual, we need to be invested in our purpose, aligned to our vision and values, and committed to the growth and financial sustainability of our business.

You can read about how we've grown the business, via protection products and new partnerships with Assura protect and WHSmith in the Chief Executive's report.

Within his report you can also read about the first phase of our modernisation programme going live, with the migration of more than 1.3 million customers onto our new self-service platform.

Doing the right thing for our members

As the UK's biggest CTF provider, OneFamily has campaigned hard to make it easier for families of children who lack mental capacity to access the savings they've been putting aside for 18 years.

Three years on from the first child trust funds maturing, little seems to have changed to make access simpler for these families. However, we've continued to support our customers by applying a common-sense approach to allow access to savings without having to go to court. Our commitment to ensuring that all CTF customers are treated fairly, equitably, and inclusively was highlighted in a news story by BBC News Disability Correspondent, Nikki Fox, who visited our Brighton office in June to speak with former CEO Teddy Nyahasha.

Following the announcement of the government's Autumn Statement in November, we took a pro-active stance to urge for improvements to be made to the Lifetime ISA. We recognise the challenges first time buyers are facing due to house prices, interest rates and lack of savings, and we want the government to reduce the penalty charge for withdrawal and increase the property price cap. More needs to be done to help first time buyers, as buying a first home feels impossible for many.

Supporting our members' financial wellbeing

Our member benefits programme continued to be rolled out to our members, giving them access to discounts and savings on shopping, days out, wellbeing, advice and much more. We'll be inviting more of our members to sign up in 2024, as well as looking at how we can enhance the scheme to provide even more value.

30 members took advantage of their lifetime mortgage advice benefit in 2023 – where OneFamily pays the £950 fee on their behalf – saving a total of £28,500.

We continued to offer free Wills to OneFamily members via legal experts, HoneyPro. Having a Will in place is a vital step towards protecting your family and assets, and the only way you can be certain about what will happen to your money when you're no longer around. From December 2023, HoneyPro's member offer expanded to include discounted Lasting Power of Attorney, providing extra peace of mind that someone you trust will be able to make decisions for you if you ever reach the point that you can't make them yourself.

Help and support

Our customers have rated us highly, with a customer satisfaction score of 93.5%, and a score of 94.4% for our knowledge[3].

Supporting our members and listening to their feedback is important to us. In October/November we ran a survey on our Help and Support web pages to get insight into the user experience and what we can improve. We received 387 responses and identified some key areas for improvement relating to logging in, managing accounts and finding contact information.

Supporting access to education

As well as working with charities that support access to education for young people from disadvantaged backgrounds, we also give our members the opportunity to apply for a Young Person's Education Grant for someone aged 15-19. The cost of buying a laptop, travelling to a work placement, or getting the right equipment for an apprenticeship can be a barrier for many. So, we're proud to have awarded over £28,000 to 111 young people in 2023, helping them move closer to realising their ambitions.

Investing in our colleagues

We want to empower our colleagues to lift the lives of others. Through creating a collaborative, inclusive and dynamic workplace culture, we can make a real impact where it counts. We launched our culture initiative at the end of 2023 to support our vision, and help ensure we remain focused on innovation, growth, progress, and our people. Central to this initiative is the refresh of our colleague values. We consulted with many areas of the business, resulting in the adoption of the following value-set: Principled, Courageous and Effective. We continue to embed these, not least by linking them to colleagues' performance appraisals, and our newly-launched recognition hub, which allows anyone to publicly recognise a colleague demonstrating these values and other achievements.

The results of the 2022 WorkL Employee Engagement Survey drove a lot of activity in 2023, plus they earned us a place on the Sunday Times Best Places to Work list! Over the past 12 months we've invested in mental health awareness sessions and training, we launched our first LGBTQ+ network, and our managers have pledged to prioritise supporting the personal growth and wellbeing of our people, along with sharing more company information with them. These initiatives have been well received, and we're proud that the WorkL Survey carried out in November 2023 showed an even higher overall engagement score (72% in 2023, compared to 71% in 2022). We'll continue to run initiatives and embed policies and processes based on colleagues' responses in the survey and elsewhere, to help ensure that OneFamily is a fulfilling and happy place to work. Our internal employee forum Talking Family – which provides impartial representation and guidance on a wide variety of matters – also continues to support colleagues, enabling productive discussions and collaboration across the business.

[3]Source: Bright survey, December 2023

Wellbeing

Colleague wellbeing remains a key focus for us, and we supported this in a range of ways in 2023.

- We ran two sessions on the Menopause – hosted by MYLA Health – to educate and offer support and advice
- Mental health and wellbeing sessions – delivered by PUSH Mind & Body – were attended by around 100 colleagues. Training was also given to managers to help them to support their teams
- Several financial wellbeing sessions were given to support colleagues with budgeting, saving, and making the most of their money
- As part of 'Self-Care November' we offered 150 free health checks to colleagues via Benenden. We also held webinars - hosted by PUSH Mind & Body – on nutrition, sleep, alcohol, and loneliness, as well as 'Men's Mental Wellbeing – Time to Talk' sessions, supported by our Mental Health First Aiders
- Our People Services team attended meetings across the business to remind colleagues of their Reward Hub benefits – where staff can get a range of discounts, as well as access wellbeing tools and advice. We also hosted a webinar to help colleagues get the most out of their health benefit, Medicash
- We trained an additional six Mental Health First Aiders, and will continue to increase this number in 2024 to ensure visibility across our sites

Developing our colleagues

Giving our colleagues the opportunity to grow, develop and invest in our vision is important to us, and it helps build a stronger team. Here are some of the ways we've been prioritising their personal development in 2023.

- 70 colleagues progressed their career through promotions, secondments and moving to a new role, and 10 colleagues are undertaking apprenticeships to develop their skills
- Managers completed Communication, Coaching and Feedback training, with 201 attendees across the four modules. We also launched a Manager Induction programme for new managers, and held the first Quarterly Manager Community forum where managers shared ideas and best practice to support engagement across the business
- Our managers in Customer Operations took part in a 'Dragon's Den' style training programme, working together to come up with some practical actions and innovative ideas that were presented to a panel of 'Dragons', some of which will be implemented across their teams
- We became members of Silicon Brighton, a community-led initiative supporting digital growth. This provides great opportunities for our colleagues to connect with the local tech community and to benefit from networking, training, and development

Equity, Diversity and Inclusion

Our Equity, Diversity and Inclusion (ED&I) programme continued to grow in 2023. Some highlights include:

- We launched a leadership development programme (STRIDE) specifically for women, as part of our commitment to support female representation at a senior level
- We established an LGBTQ+ network to understand the lived experience of our LGBTQ+ colleagues and identify areas where we can improve. This paved the way for colleagues to share their personal stories during Pride Month, as well as webinars to educate staff on the lived experience of non-binary and trans colleagues and customers. Due to the success of this group, we'll be launching a Race and Ethnicity network in 2024
- Following two successful internships we ran via the 10,000 Black interns programme in 2022, our partnerships and cyber security teams welcomed a further three interns in 2023. After a positive 12 weeks with us, our cyber security intern has now become a permanent member of staff
- We've achieved Disability Confident Employer (level 2), in recognition of the actions we're taking to make sure disabled people get a fair chance in work
- Our relationships continued with Stonewall, Race at Work Charter, Women in Finance, and the Disability Confident Scheme

Gender equality and pay

Our 2023 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.

Women continue to make up 47% of OneFamily colleagues, the same as last year. Across the organisation, our mean gender pay gap has slightly improved at 18.0% (2022: 18.8%). Our median pay gap has significantly improved, standing at 13.4% (2022: 21.8%). The proportion of women in the senior quartiles has grown since 2022, however they still hold a larger pecentage than men of the more junior roles.

Gender diversity plays a key role in our corporate objectives, and we continue to be committed to the Women in Finance charter that aims to build a more balanced and fair industry. We're focused on closing the gender pay gap, supporting our female population, and creating an open and inclusive culture.

Supporting our communities

As well as putting our customers at the heart of what we do, our mutual ethos gives us the power to fuel positive change in society. Serving the underserved is one of the core reasons we exist, and that extends to supporting the communities we live and work in through our charity partnerships, fundraising and volunteering.

Our charity partnerships

We've continued to give funding and hands-on support to our charity partners in Brighton. The charities make a huge difference within our focus areas of improving life chances, financial wellbeing, and access to education and training and we're proud to partner with them for a further year.

IntoUniversity supports young people facing disadvantage to attain their chosen aspiration. At each of their 41 learning centres, students receive structured pastoral and academic support through four core programmes: Academic Support, Mentoring, FOCUS (immersive educational workshops which support students' aspirations, attainment and development of key soft skills) and Student Opportunities.

How we got involved this year
Seven colleagues continued to mentor a young person in 2022/23, supporting with UCAS applications, researching their career and education options, and even helping with the practical parts of planning a gap year. Other colleagues did some more physical work by redecorating the training room in their Brighton centre, making it a better learning environment for the students.

Spear Brighton Trust runs an award winning, six-week coaching programme designed to get 16-24 year-olds into work by helping them overcome their personal barriers, giving practical support and guidance, and by challenging their attitudes and behaviours. Spear continues this support for a further 12 months as the young people start their work journey.

How we got involved this year
OneFamily volunteers supported young people from the Spear programme with mock interviews to prepare them for employment. We also welcomed two groups of young people to our office in Brighton, where colleagues from our People Services and Robotics teams gave a motivating talk on careers and on wellbeing.

Team Domenica provides personalised education and employment programmes to support young people with learning disabilities. The charity aims to develop each candidate's confidence, communication, and work skills so they're ready to enter meaningful employment.

How we got involved this year
We continued to support Team Domenica with fundraising and lifting their profile in the local area. We're encouraging colleagues to become involved in the charity's work, and a colleague ran the Brighton Half Marathon in February to raise money for them.

The Clock Tower Sanctuary runs the only drop-in day centre in Brighton & Hove for 16-25 year-olds experiencing homelessness. The charity provides a range of support and facilities to help young people to move from crisis to stability.

How we got involved this year
Three colleagues took part in the charity's Hike Against Homelessness, trekking 12.5 miles across the South Downs. One hardy colleague braved the December cold (and rain!) to sleep outside for the night, raising awareness and much needed funds for the charity via their Big City Sleep Out. We also donated food and clothing throughout the year and helped to repaint the outside of their Day Centre.

Our national charity partner – RedSTART

We've been working with RedSTART since our customers voted them to become our national charity partner in 2022. They're working to improve financial education for children in the UK, levelling the playing field and transforming the life chances of children in some of the UK's most deprived areas.

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 in life.

By July 2023 they'd delivered around 347 school-based activities and workshops to 45 schools across the UK, supported by around 600 volunteers. Additional schools have joined in the 23/24 academic year in Hackney, Edmonton, Crawley, Edinburgh, Newcastle, Cardiff and Bristol.

Volunteering and donations

Our colleagues across all locations made good use of their three paid volunteering days, clocking up 257 volunteering sessions throughout the year! Some of our volunteering highlights in 2023 were:

- Sorting toy donations for the Swindon Christmas Toy Appeal, as well as food donations for the Swindon Food Collective
- Donning our gardening gloves for Little Miracles and Railworld (Peterborough) and the Martlets Hospice and Stanmer Community Gardens (Brighton & Hove)
- Packing 4,000 sexual health kits for Terrence Higgins Trust in Brighton

As well as volunteering their time, our colleagues also donated more than 65 coats to The Rotary Club for their Wrap Up campaign, helping those who need it most to stay warm this winter. We sponsored Swindon's Big Dog Art Trail, raising money for Julia's House children's hospice, and the Shaun by the Sea art trail for Martlets Hospice in Brighton. Three of our colleagues with nerves of steel also completed the 450ft 'Shear Drop' from Brighton's i360 to raise money for Martlet's Shaun by the Sea initiative!
We donated £10,000 in December to The Swindon Christmas Toy Appeal, SMASH, The Big Breakfast Plus, and Swindon Food Collective. Each organisation received £2,500 to help with their

work to support the most vulnerable people in Swindon.

Colleague fundraising is matched by OneFamily up to the amount of £500, helping them to donate as much as possible to the causes they care about. We contributed £8.6K in 2023, supporting Family Action, Mind, Motor Neurone Disease Association, Cancer Research and many more.

We started our partnership with the International Cooperative and Mutual Insurance (ICMIF) Foundation, supporting the Insurance Innovation Challenge (IIC) Fund. Through the IIC Fund, The United Nations Development Programme and the ICMIF Foundation aim to promote innovative mutual insurance schemes to better protect the most vulnerable in developing countries.

Our environment

With the world facing a climate emergency, the more we can do to support companies in reducing their carbon footprint, the better. One way we do this is by offering climate-friendly investing, with our ISAs and Lifetime ISAs having the option to either entirely or partly invest in climate-friendly funds.

We've also taken steps to reduce our impact on the environment in our offices. These include:

- Centralised collection points on all floors to encourage recycling
- A cycle-to-work scheme to encourage colleagues to reduce their carbon footprint
- Compliance with the Energy Savings Opportunity Scheme, Streamlined Energy and Carbon Reporting
- Installing a more efficient system for heating and cooling, which has improved the energy performance rating at our Brighton office

We firmly believe in our Inspiring Better Futures vision and we're proud of our commitment to do the right thing for our members, colleagues, and communities. We'll continue to live our vision and values in 2024 and beyond.

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 articulates the approach to taking and managing current and emerging risks.

The Board reviews and sets a risk appetite at least annually, in the context of the current business and economic conditions. This covers capital, liquidity, market, insurance, ESG (environmental, social and governance) and operational risk.

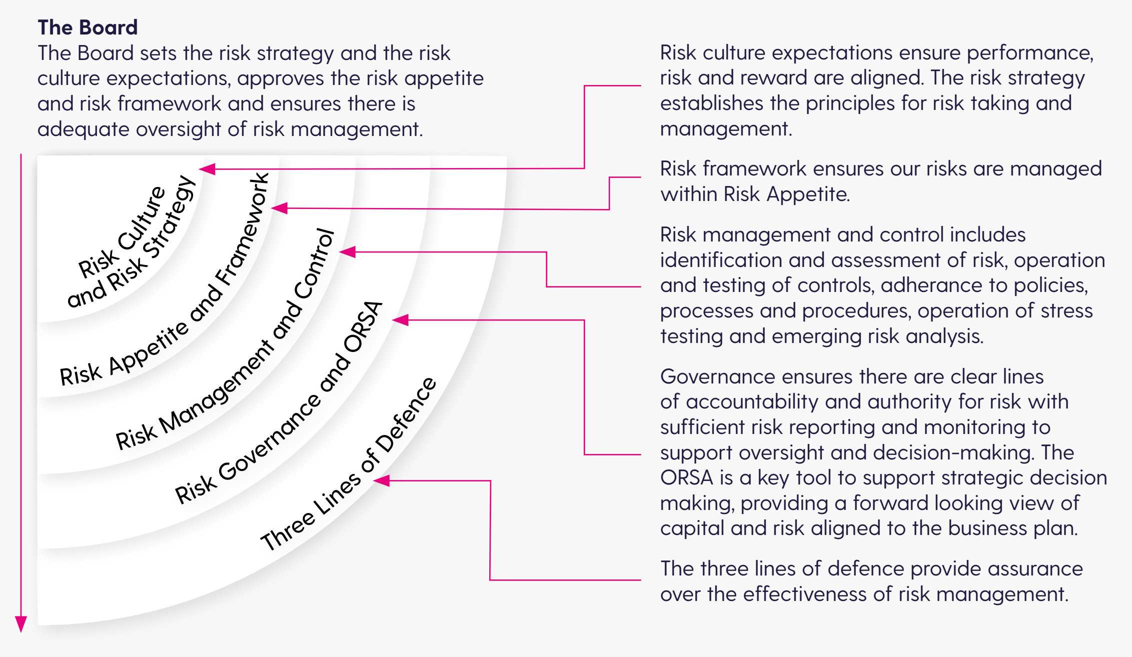
The table of principal risks and uncertainties, trends, and how these are managed, are set out in the section below.

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 culture and strategy set the foundation; to take rewarded risks that are understood and consistent with our purpose and business strategy while helping to ensure that we remain compliant with all regulatory and legislative requirements, as well as our values.

The Board sets the risk culture expectations, which promotes a culture of openness and transparency in decision making, balancing performance with principles to do what's right for all our stakeholders. 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 Management Framework



To enable appropriate focus on risk matters, the Board has ultimate accountability for risk management and receives recommendations from the Risk Sub-Committee. 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 and both it and the Risk Sub-Committee receive reports on its operation and evidence of its effectiveness. The Risk Sub-Committee and the Audit Sub-Committee are comprised of independent non-executive directors.

The Own Risk and Solvency Assessment (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. It is overseen by the Risk Sub-Committee and recommended to the Board for approval annually.

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 taking risks and dealing with risk exposures. The second line produces independent reports on its opinions for the Board and Executive team providing close challenge and oversight of business plans, strategic initiatives, regulatory compliance and business operations.

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 Executive Committee – which oversees the work of other management committees and ensures appropriate prioritisation of activities. This includes a Growth, Efficiency and Mandatory (GEM) project change review and recommendation process
- The Capital Management and Reporting Committee – covering matters relating to capital management, ORSA, financial reporting and the actuarial key function
- The Conduct Risk and Culture Committee – covering matters relating to conduct risk including compliance with the Consumer Duty, 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, climate 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.

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.

Recent years have seen significant new risks emerge including COVID-19 and war returning to Europe. These have in large part shaped the economic and operational environment impacting consumer behaviour, volatility in investment values and changes in the operational environment such as cyber, operational resilience and fraud. Management and mitigation of these risks which includes major strategic change, strategic business development, cyber and operational resilience programmes inform our view of the outlook.

During 2024 we will be increasing our insurance, credit and liquidity risk exposures as we grow our protection business. We continue to monitor the potential impact on our principal risks and uncertainties and take mitigating action accordingly.

Risk	Impact	Management and mitigation	Outlook[4]	Change from last year
Strategic Risk: Risk of not delivering a sustainable operation caused by failing to achieve operating cost efficiency or effectively manage 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. • Resourcing provided to meet our modernisation programme.		• First phase of modernisation delivered covering 60% of customers, with benefits anticipated as more customers interact with us through digital channels. We have learnt from some of the change related servicing delays experienced during 2023 and have adjusted our testing protocols accordingly. • Some benefits realised from ongoing Beagle Street integration with more expected in 2024. Robust prioritisation, oversight, scheduling, resourcing and coordination of all business change overseen by the Executive Steering Committee. • The strategic modernisation programme is well advanced and is due to deliver the second implementation phase in 2024.

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

Risk	Impact	Management and mitigation	Outlook[4]	Change from last year
Strategic Risk: Risk new business and fund retention initiatives fail to produce an adequate return on capital	• A prolonged recession coupled with cost of living challenges may reduce customers' ability to save and/or 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 help 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, having started writing business to OneFamily's balance sheet with reinsurance in line with our risk appetite. • The risk profile has moved further towards insurance risk with marginally less investment risk. • Reduced market risk exposure. • Increased appetite for credit (intermediary and reinsurance) and liquidity risk, with a commensurate increase in monitoring of these risks.

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. Continued uncertainty with the Ukraine and Middle East conflicts 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 help 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 ongoing stress testing and resilience gap closure. • **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. The first wave of Nexus provided more experience to support our de-risking of cyber exposures, and good progress made on closing legacy vulnerabilities. Cyber security incidents for corporates in the UK has increased as foreseen although cyber claims are reported as moderating. • **Operational Resilience:** A number of enhancements have been made to cyber and operational controls. Further testing and contingency planning has been undertaken to help mitigate the impact of potential power outages, climate events, postal strikes and prolonged systems outages. • **Third Parties and Outsourcing:** Our material suppliers are managed in line with a third party risk management framework, with the objective of 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.		• We made a number of executive director and executive changes during the year, thus demonstrated the effectiveness of our succession planning. • There is an expectation of elevated levels of sales staff turnover albeit with moderating conditions on recruitment and retention in the labour market for some roles. There do remain challenges for some specialist roles. • Launch of the new employee value proposition.

Risk	Impact	Management and mitigation	Outlook[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, reflecting regulatory initiatives of Consumer Duty, Solvency II reforms, Operational Resilience and Climate 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 helps ensure we assess our compliance levels and take action to remain compliant over time. • Second line reviews of major projects, acquisitions and product developments 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 of further books of business to the new platform occurs. • Increased resourcing within the second and third lines to ensure adequate compliance guidance and monitoring in line with the growth in protection business and for some specialist areas such as the client assets risk framework.

Risk	Impact	Management and mitigation	Outlook[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. • We anticipate an abatement in inflation, although the higher costs of running the business become baked in. • 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 remains elevated with the conflict in Ukraine and the Middle East, bringing with it heightened market risks, particularly those driven by inflation. • For the UK, worries around a deep recession appear to have receded with an improving outlook for 2024 underpinned by anticipated cuts in interest rates and an improving inflationary outlook. • The Groups absolute exposure to equity risk is expected to steadily reduce, concurrently with the increase in insurance risk as a result of the strategy of growing the protection business.
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. • Longer term, the degree of increase in mortality arising from long term 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.		• Impact of the strategy to grow the protection business is expected to increase the exposure to mortality and lapse risk. • Current experience of excess COVID-19 mortality does not indicate that this will have a material impact, although it continues to be monitored for potential longer term effects. • New reinsurance arrangements for protection products operating at improved margins.

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 Management Framework whereby the design and review processes help ensure customer needs and conduct risk are considered throughout the product lifecycle.		• Our revised Product Management framework has embedded in 2023. • Consumer Duty phase II, relating to books of business not open to new customers, is progressing to plan.
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.	• Our Inspiring Better Futures vision defines 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 their progress in monitoring climate change impacts.		• 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.

Risk	Impact	Management and mitigation	Out-look[4]	Change from last year
Liquidity Risk: Risk of not having sufficient financial resources to meet obligations as they fall due or of only being able to secure them at excessive cost.	• A lack of available funds could impact the ability to meet obligations to counterparties and stakeholders. • This could include obligations such as maturities, claims, withdrawals, expenses, third party suppliers, reinsurers and payroll. • Loss of value due to selling financial assets below fair value.	• Continuous monitoring of cash flow requirements and availability of liquid funds across key transactions in the business. • Setting investment strategies with consideration to the level of liquid and readily marketable assets, to allow for timely adjustments to match expected liabilities, if required. • Holding an appropriate liquidity buffer. • Maintaining a liquidity recovery plan.		• In line with the strategy to grow protection business, there is an expectation that there will be an increase in demands for liquidity to support advance intermediary commission payments, given the timing difference between when commissions are paid and when profits emerge from the business written. • In line with the liquidity policy, these increased demands are being closely monitored with further mechanisms to support liquidity being evaluated which may include financial reinsurance.

Emerging risks

Emerging risks are assessed and reviewed annually, with reference to internal and external sources. If a risk emerges which might materially impact the Group's execution of the business plan, these are brought into the ORSA process for risk mitigation and management actions.

Risk developments in 2023

Insurance protection sales growth

From September 2023, the Beagle Street branded protection products were written directly to OneFamily's balance sheet, using OneFamily's own reinsurer arrangements. This change will start to increase the proportion of insurance relative to investment business with the accompanying change in exposures primarily to lapse and interest rate risk. Given the more capital intensive nature of this business, new business capital strain will be monitored closely against capital and liquidity risk appetite with appropriate optimisation tools applied as this business develops.

Consumer Duty

The first phase of Consumer Duty was implemented by 31 July 2023 aligned to the FCA's four key outcome areas of Products & Services, Price & Value, Consumer Understanding and Consumer Support. These were embedded through enhancements to the product management framework and value assessments; implementing a formal consumer testing process and providing additional consumer support. For the remainder of 2023 and going forward, the focus is on continuing to embed compliance with the Consumer Duty and implementing the Consumer Duty changes for books of business not open to new customers.

Implementation of the modernisation programme phase 1

The implementation of the first phase of the modernisation programme was achieved in July 2023 which covered the vast majority of investment products. This saw 1.3 million customers successfully migrated to the new platform. This implementation delivers a number of significant strategic, customer and operational risk mitigations. From a strategic perspective the new system provides a platform for growth in new products, distribution channels and partnerships. From an operational risk perspective it reduces the residual risk of operating on legacy platform with unsupported software and reduces reliance on legacy skills. The customer experience is improved through an increase in straight through processing and the increased level of digital self-serve capability.

Artificial Intelligence

The impacts of artificial intelligence (AI) are yet to emerge, We continue to monitor and research the opportunities for AI to assist in the customers' journey and business processes.

During 2023 an Artificial Intelligence risk management policy was developed and then approved in 2024.

Climate-related financial disclosure

As a UK financial services mutual our environmental footprint is small in comparison to many other businesses.

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.

Although we are not currently subject to mandatory climate disclosure requirements, we support the aims of the Taskforce on Climate-related Financial Disclosures (TCFD). To this end our disclosures are informed by TCFD.

Pillar 1 – Governance

The Board retains ultimate accountability for climate-related risks and opportunities. In 2023 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 2023 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 oversees the risk management processes to review the climate change exposures and actions. This covers both the OneFamily activities to reduce our carbon footprint, and also our investment and supply chain exposures and climate scenario analysis. Climate analysis is an integral part of the Own Risk and Solvency Assessment which gives a forward-looking view of the impact of financial risk on our risk profile.

The Audit Sub-Committee oversees internal controls and financial reporting procedures and recommends for approval by the Board the Annual Report and Consolidated Financial Statements, which includes this climate change section.

The Remuneration Sub-Committee oversees the implementation of the OneFamily remuneration policy, and this includes approval of the design and targets for performance related pay, which includes climate objectives.

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).

Pillar 2 – Strategy

Identification of climate related risks and opportunities

Our approach is focussed on the key climate-related risks and as they relate to our business. These are 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 mitigation measures. Our responsiveness to changes in regulation, litigation and customer sentiment are all appropriate to the 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 our product mix beyond a 10-year horizon will see a higher proportion of climate friendly funds, relative to legacy funds.

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 risks to reputation, customer, and operational continuity.

Risk Category	Potential Materiality	Risk Potential Impact[5]
Strategic	Low/Medium	Transition: 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	Medium	Transition: 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**
	Medium	Physical: 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	Low	Transition: 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	Low	Physical: 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	Low	Transition: 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**

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

Risk Category	Potential Materiality	Risk Potential Impact[5]
Insurance	Low	Physical: 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**

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

Opportunity Category	Potential Materiality	Opportunity Potential Impact
Strategic	Low/Medium	Transition: Enhanced business profitability as a result of new propositions, or modification of existing ones to meet the growing demand for savings products, which address customer demand and expectations for combating climate change. **Short to Medium-Term**
Market	Medium	Transition and Physical: 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	Low	Physical: Enhanced operational availability, lower costs and travel from flexible working arrangements and greater resource and energy efficiency. **Short to Medium-Term**
Insurance	Low	Physical: 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

Investments, products and services

Our climate friendly funds, where we write the majority of our new investment business, are supportive of the pathway towards Net Zero[6] and help ensure consistency with the 1.5°C Paris Agreement target. These funds aim for performance over time to trend toward Net Zero. We continue to see a reduction in the size of our highest carbon emitting funds, which support 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.

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

We actively engage with and influence our investment managers to drive better climate stewardship, including through collaboration with industry initiatives such as "The Net Zero Asset Managers" initiative and "Climate Action 100+".

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. Our plans reflect the key messages of our customer and member research in seeking to enhance our recycling, reduction of water pollution and investment in renewable energy.

Operations

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). In 2023 we achieved a B EPC rating of our Brighton office. In addition, we continue to make progress in reducing our environmental impact through energy efficiency, removal of direct sources of emissions from our operations and transitioning to renewable energy sources over time. We are participants in phase 3 of the energy savings opportunity scheme (ESOS). This scheme is run by the UK Environment Agency and identifies cost-effective opportunities to reduce energy and carbon emissions. 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 disaster recovery testing, loss of main premises, and the resilience of the supply chain.

Supply chain

In accordance with our Third Party Supplier and Outsourcing Policy, a supply chain due diligence and annual review is in place which includes considerations for environmental and climate matters. During 2023, the Operational Resilience programme undertook stress testing activity to assess material operational continuity risks arising from our supply chain.

Climate scenario analysis

Our scenario methodology and scope is informed by The Bank of England's 2021 Climate Biennial Exploratory Scenario (CBES), which is itself based upon a subset of the Network for Greening the Financial System (NGFS) climate scenarios. Climate scenario analysis is a key tool which allows us to better understand the impact of the physical and transition risks in future possible scenarios. Our approach is to assess, over a 30-year horizon the impact of three climate 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 warming potential. We recognise that there are inherent limitations of any long-term scenarios whilst following the CBES approach.

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 of 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. However, as these funds are expected to run-off before 2030 the overall impact is not significant. Actions are being considered 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.

Pillar 3 – Risk management framework

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, Market and Credit
- Pension
- Operational
- Reputational

We also include climate change risk in our annual emerging/horizon risk review.

Climate change is integrated into the Risk Management Governance Framework and reporting. These can be seen in the Risk Management section of this Annual Report. The Risk Management section addresses our risk appetite setting, risk identification, risk measurement, risk management and risk reporting.

Pillar 4 – Metrics and targets

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 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[7] • Brown Revenue[8] to be 90% lower than benchmark • Green Revenue[9] to be 300% or greater than benchmark • Fossil fuel reserves[10] to be 90% lower than benchmark • Climate Adaptation[11] score to be better than target	At the end of 2023: • 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

Whilst being broadly guided by 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.

[7] Average of the Morgan Stanley All World Index
[8] 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.
[9] Green revenue (FTSE Russell) measures revenue exposure in the transition to the green economy.
[10] Fossil Fuel Reserves: (S&P Trucost) are defined as total GHG emissions from proven and probable fossil fuel reserves expressed in million tons CO2
[11] Adaptation Score (ISS ESG) is a measure of a company's position and actions on climate change, higher is better.

Greenhouse gas emissions data

Operational Emissions[12]

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, we have established our base year against the 2020 recorded emissions.

Streamlined Energy and Carbon Reporting (SECR) data

Emissions	Category	2023	2022	2021	2020 (Baseline)	% Change 2023 vs Baseline
Scope 1 GHG Emissions (tCO2e)	Natural Gas	55	134	294	169	-67%
Scope 2 GHG Emissions (tCO2e)	Location-based	173	158	161	227	-24%
Scope 3 GHG Emissions (tCO2e)	Electricity Transmission	15	15	13	20	-24%
	Transport – Grey Fleet	21	21	10	21	-4%
	Transport – Taxi Journeys	N/A	0.01	N/A	N/A	N/A
	Homeworking	222	412	469	426	-48%
	Paper Consumption	60.97 tonnes	–	–	–	–
	Waste Water	$3113m^3$	–	–	–	–
	Water	$3278m^3$	–	–	–	–
Total		**485**	**740**	**948**	**863**	**-44%**

Carbon Intensity/FTE	**0.67**	1.38	1.95	1.91	-65%
Carbon Intensity/£m Income	**4.40**	7.02	8.69	8.14	-46%
Energy Consumption (KWh)	**1,220,692**	2,190,000	2,387,000	1,813,000	-33%
Waste Water/FTE	**$7.3m^3$**	N/A	N/A	N/A	100%
Paper/FTE	**0.1m**	N/A	N/A	N/A	100%

[12] 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 2023 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.

Our emissions have reduced by 44% based upon recorded emissions in 2020 to 2023. For scope 1 our emissions reduced by 67% relative to 2020 as a result of reducing our office occupancy in our main premises in West Street. We completed a programme to replace all gas-based heating to electricity in our West Street building and also achieved a B EPC rating for this office.

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.

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.

The following improvements were undertaken to reduce our carbon emissions in our main premises in West Street, Brighton:

- Replaced all computers with laptops
- Removed the 2 rooftop chillers
- Removed the 4 gas fired boilers
- Installed a new energy efficient UPS (Uninterrupted Power Supply) system that feeds the essential services
- Replaced all lighting with LED lighting
- Disconnected the heating in the two staircases
- Installed the most efficient 3 pipe heat recovery system we could find on the market for heating and cooling on floors 1 – 5 which has a central control. This only operates during normal working hours and turns off outside of normal working hours.

Some of the key measures we plan to take to further 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.

Corporate Governance

Corporate governance on pages 51 to 82 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 a non-executive director role with Pepper Money Group.

Alison Davies Non-Executive Director

Alison was appointed to the Board on 28 March 2023. She is Chair of the Member, Customer & Culture Committee and is a member of the Risk, Remuneration, and Nominations Sub-Committees.

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.

Non-Executive Directors (continued)

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, Remuneration, 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 KPMG 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.

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 Remuneration Sub-Committee, and is also a member of the Risk, Audit, Member, Customer & Culture 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 as Managing Director of 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 a non-executive director of Vanquis Bank where he chairs the Remuneration Sub-Committee.

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 & Culture 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

Jim Islam Chief Executive Officer

Jim was appointed as Chief Executive Officer (CEO) of OneFamily in December 2023, having previously held the role of Chief Finance Officer since joining the Group Board in January 2020.

A qualified actuary, Jim has over 23 years' leadership experience at board level in the insurance, investment management, savings and pensions sectors.

As Chief Finance Officer (CFO) of OneFamily, Jim has developed the business's new growth strategy and cultivated the additional capabilities it needed to deliver this. He has led on OneFamily's modernisation programme and progressed the commercial culture within the organisation, which has included the acquisition of Beagle Street and books of business from other providers.

Before joining OneFamily, Jim held senior finance and general management roles at Lloyd's of London and Legal & General, including Divisional CEO, CFO, Chief Operating Officer (COO) and Board Director roles. Within 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 Pension, and is a trustee of the RNLI, the charity that saves lives at sea. A leader on Diversity and Inclusion, Jim is an active LGBTQ+ Ally.

Philippa Herz Chief Finance Officer

Philippa has over 30 years of insurance company leadership – and a wealth of Board level experience. She has been Chief Finance Officer of OneFamily since December 2023, having previously held the role of Chief Risk Officer from July 2016. In her current role, Philippa is responsible for OneFamily's Finance, Actuarial and Investment functions.

Prior to joining OneFamily, Philippa was Group Enterprise Risk Director at Bupa, working to implement risk management frameworks across the global group and deliver reporting to the Group Board covering both insurance and healthcare provision businesses. She has also previously held leadership positions at Friends Life and Legal & General, as well as roles in the Actuarial and Regulatory consultancy practices of PwC.

Philippa is a qualified actuary and has a degree in Economics & Statistics from UCL. She is an active leader of diversity and inclusion within the organisation and a mentor to several colleagues. Outside of work she volunteers as a mentor for sixth form students from disadvantaged backgrounds and serves as Safeguarding Governor of her local primary school.

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.

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

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.

Our mission ('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.

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.

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.

The Board considers the outcomes of the annual externally facilitated colleague survey and management's response to this. Our 2023 survey confirmed that confidence in management and a sense of empowerment remains strong.

In 2023 the role of the Member & Customer Sub-Committee was expanded to include Culture. This allows the oversight of Culture across the organisation to be overseen as a whole by a single sub-committee.

During 2023 the OneFamily INVESTED programme was launched providing clear steer to colleagues on the desired values and behaviours to achieve the organisation's objectives.

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

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. 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.

The Chair, supported by the Company Secretary, leads an annual evaluation of the Board and its sub-committees, including the composition of the Board. The evaluation is normally facilitated externally every three years. The review for 2023 was postponed to Q1 2024 to allow the changes in board membership to take effect. Board Alchemy carried out an evaluation based on interviews with Board members and other regular attendees of Board and sub-committee meetings, observation of a Board meeting and review of meeting papers. The results were presented to the Board for discussion and follow up action planning.

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 and 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, that the Nominations Sub-Committee will consider candidates against objective criteria with due regard for the benefits of diversity on the Board. Following the appointment of Philippa Herz to CFO in December 2023, female representation increased to 4/7th.

Directors are required to disclose details of other significant appointments before joining the Board. Any subsequent proposed changes must also be approved by the board. This helps ensure that directors have sufficient time available to carry out their duties.

The Nominations Sub-Committee oversees Board composition and succession planning for the Board and senior executive team. During 2023, the Nominations Sub-Committee oversaw the appointments of Jim Islam and Philippa Herz to CEO and CFO respectively, taking into account factors such as the candidates' suitability for the role against objective criteria, board composition and diversity.

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

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, which the Society voluntarily elects to follow.

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 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.

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.

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

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.

The Board regularly reviews progress against strategic plans. This is supported by balanced scorecards of key metrics to enable early identification of any emerging issues. 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.

Further information on how we apply this principle is included in the Risk management report on page 32 and the overview of the Risk Sub-Committee on page 59.

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

Information on how we apply this principle is included in the Directors' remuneration report on page 72, and the overview of the Remuneration Sub-Committee on page 58.

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

Information on how we apply this principle is included in the Inspiring Better Futures report on page 25 and the Section 172 report on our stakeholders on page 22.

Attendance at board meetings

The table on page 63 shows the number of Board and standing sub-committee meetings held in 2023 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 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 24. The Board monitors performance against these objectives at regular intervals.

Board of directors

During 2023, and up to the date of signing this Annual Report and Consolidated Financial Statements, the Board comprised:

Non-executive directors

Steve Colsell (Chair)

Alison Davies (from 28 March 2023)

Melanie Hind

Graham Lindsay (Vice Chair and Senior Independent Director)

Sally Williams

Executive directors

Jim Islam (Chief Executive Officer from 1 December 2023, Chief Finance Officer to 30 November 2023)

Teddy Nyahasha (Chief Executive Officer to 30 November 2023)

Philippa Herz (Chief Finance Officer from 1 December 2023)

Secretary

Josie Green (from 1 November 2023)

Simon Allford (to 30 October 2023)

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

Nominations Sub-Committee

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

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 2023 the Sub-Committee oversaw the process to appoint Jim Islam and Philippa Herz as CEO and CFO respectively, following a robust assessment process, including independent benchmarking, and in line with succession plans.

The Sub-Committee also considered longer-term succession planning for the Board and Executive team during 2023. 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
Alison Davies (from 1 April 2023)
Melanie Hind (from 1 April 2023)

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.

Areas of consideration of the Sub-Committee during 2023 included:

- Review of the company wide remuneration policy
- Review of gender pay reporting results
- Review of incentive scheme principles and distribution of awards for employees throughout the organisation
- 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 72 to 82. The Chief Risk Officer (CRO) has appropriate input into the setting of the remuneration policy and remuneration decisions other than their own.

Risk Sub-Committee

Melanie Hind (Chair)
Alison Davies (from 1 April 2023)
Graham Lindsay
Sally Williams

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, 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, strategy and related policies
- Oversee and recommend to the Board the Own Risk and Solvency Assessment (ORSA) process
- Oversee and recommend to the Board the development of recovery & resolution and operational resilience plans, including information security and oversight of third parties and outsourcing risk
- Oversee the identification, management and monitoring of strategic, financial, operational and conduct risks, as well as climate-related and reputational risks
- Consider and approve the remit of the risk and governance department, and monitor its resourcing and independence

Additional key activities in 2023 included:

- Overseeing appropriate risk management within the OneFamily modernisation and Beagle Street integration programmes, with regular progress reports from the first and second lines
- Consideration of the governance of culture and people risk, recommending to the Board that the remit of the Member & Customer Sub-Committee to be expanded to cover these matters

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

Audit Sub-Committee

Sally Williams (Chair)
Melanie Hind
Graham Lindsay

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 51 to 53.

The key duties of the Sub-Committee are to:

- Monitor the integrity of the financial statements of OneFamily
- Monitor and review the application of appropriate accounting standards, estimates and judgements
- Review the 'Annual Report and Consolidated Financial Statements' and advise the Board on whether taken as a whole it is fair, balanced and understandable
- 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 the activities and effectiveness of internal audit and approve the 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 the effectiveness and quality of the external audit process, the independence of the external auditor and the findings from the audit with the external auditor
- Review and approve the Annual Compliance Monitoring Plan and resource
- Monitor the integrity of the annual regulator return, including the Solvency and Financial Condition Report
- Review and challenge the Client Assets risk framework and review and challenge the findings of the external audit of Client Assets and monitor progress of the resolution of any issues identified
- Review, challenge and approve the whistleblowing policy and receive any related reporting

Significant areas of judgement and estimation, in relation to the financial statements, considered by the Sub-Committee in the year

Area of focus	Audit Sub-Committee action in year	Outcomes
Annual report and consolidated financial statements	The Sub-Committee reviewed the Annual Report and Financial Statements, after reviewing processes for their production and challenging assumptions underlying the models and valuations which underpin them. The Sub-Committee reviewed and challenged significant areas of judgement such as the valuation of the long-term business provision (see below), asset impairment assessments, accounting for the surplus on the defined benefit pension schemes, valuation of Level 3 assets and accounting policies. The Sub-Committee reviewed and challenged the going concern assessment and the long-term viability statement prepared by management.	The Sub-Committee advised the Board that it considers that: • taken as a whole, the 2023 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 • they concur with the going concern and long-term viability statements included in the financial statements
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.
Effectiveness of internal controls supporting the financial statements	The Sub-Committee received regular reports regarding the operational effectiveness of the internal financial control framework from both the second line of defence (Compliance) and the third line (Internal Audit). These included progress reports on the mitigation of previously recognised issues. In addition, the Sub-Committee received from both the internal and 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. In addition, the Sub-Committee received from the Head of Internal Audit an annual assessment of the effectiveness of the risk management framework and internal control environment.	The Sub-Committee was satisfied that the internal financial controls are appropriately designed and effective in identifying risks faced by OneFamily.

Internal audit

The Sub-Committee is responsible for monitoring the effectiveness of the internal audit function. The Head of Internal Audit presented the annual internal audit strategy and plan to the Sub-Committee for review, discussion and approval. The Sub-Committee received reports from the Head of Internal Audit summarising the status of the internal audit plan, findings from internal audits and status of actions taken by management to implement recommendations arising. The Sub-Committee reviewed and approved the Internal Audit Charter. The Chair of the Sub-Committee undertook an annual review of the effectiveness of the internal audit function and its activities. The Sub-Committee considered the report and concluded that the internal audit function had operated effectively, has appropriate standing within the Group and that the Head of Internal Audit has the appropriate reporting lines to maintain independence.

External audit

The Sub-Committee considered the appropriateness of the annual external audit plan, including materiality and the proposed testing of key judgements, such as reserving, prior to approving this. The Sub-Committee reviewed and discussed reports from the external auditors on the progress and findings of the external audit process.

Following the 2022 year-end audit, the Sub-Committee considered the effectiveness of the external audit following a review of the audit process. Opportunities to enhance the effectiveness of the audit process were discussed during the year with the auditors and these were incorporated into the 2023 year-end process. Overall, the Sub-Committee concluded that the external audit was effective.

Deloitte was appointed as auditor to OneFamily in 2022. A resolution to appoint Deloitte as auditor for 2023 was approved by members at the 2023 Annual General Meeting and a resolution for their re-appointment for 2024 will be presented at the meeting in June.

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 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 non-audit services which could compromise its independence as external auditor. The policy is designed to protect objectivity, independence and compliance with legislation as a public interest entity. The Sub-Committee is responsible for reviewing and monitoring the external auditor's independence and objectivity and considered this at the year end. The Sub-Committee concluded that Deloitte remain independent.

With-Profits Sub-Committee

Sally Williams (Chair)
Steve Ferrari (from 1 June 2023)
Melanie Hind

The Sub-Committee normally meets four times a year. It normally comprises at least three members, a majority of whom will be independent non-executive directors. 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. 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 subsequently approved by the Board and implemented in June 2023.

During 2023 the Sub-Committee also focused on the run-off plan for the WP2 fund, the Market Value Adjustment Framework and the investment strategy review.

Member, Customer & Culture Sub-Committee

Alison Davies (member from 1 April 2023, Chair from 1 December 2023)
Graham Lindsay (Chair to 30 November 2023)
Philippa Herz
Jim Islam (from 1 December 2023)
Sally Williams

The following also served on the Sub-Committee during the year:

Teddy Nyahasha (to 30 November 2023)

During the year the Board reviewed the Terms of Reference for the Member & Customer Committee, broadening the remit to include Culture.

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

- Oversee the successful delivery of the Group's agreed values and desired culture including D&I strategy
- Review, and recommend to the Board where appropriate, the Executive's plans in relation to the Group's customer, community and broader corporate responsibility strategy, and the Society's membership. Review performance against these plans
- Have oversight of any membership, customer and community related issues considered by the Risk Sub-Committee and where appropriate, monitor delivery of actions escalated from the Risk Sub-Committee
- Review any significant changes to existing or new products from a Consumer Duty perspective, taking into account ESG factors

During 2023 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
- Monitoring of the Group's approach to meeting the FCA's Consumer Duty principles in line with the regulator's timeline expectations
- Review of the Employee Value Proposition and the INVESTED platform introduced in 2023

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 may be formed if a proposed corporate transaction needs to be considered in detail.

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 and BGL Direct Life Limited had non-executive director representation during 2023.

Attendance at meetings in 2023

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 & Culture Sub-Committee
Steve Colsell	9 (9)	4 (4)	5 (5)				
Alison Davies*1	8 (8)	4 (4)	3 (3)	3 (3)			3 (3)
Melanie Hind*2	9 (9)	4 (4)	3 (3)	4 (4)	5 (5)	4 (4)	
Graham Lindsay	9 (9)	4 (4)	5 (5)	4 (4)	5 (5)		3 (3)
Sally Williams	9 (9)	4 (4)		4 (4)	5 (5)	5 (5)	3 (3)
Philippa Herz*3	1 (1)						1 (1)
Jim Islam*4	9 (9)						1 (1)
Teddy Nyahasha*5	7 (8)						3 (3)

Notes
*1 Member of Board, Nomination Sub-Committee from 28 March 2023, member of Remuneration and Risk Sub-Committees from 1 April 2023
*2 Member of Remuneration and Risk Sub-Committees from 1 April 2023
*3 From 1 December 2023. Philippa Herz was a member of the Member, Customer & Culture Sub-Committee throughout the year. The table above shows attendance in her role as a director
*4 Member of Member, Customer & Culture Sub-Committee from 1 December 2023
*5 To 30 November 2023

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 2023 AGM meeting in Brighton, in 2024 the meeting will be returning to London. This will improve accessibility for members travelling from across the UK. The Member, Customer & Culture 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 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 three tools to oversee long-term risks and opportunities - 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 2023 thematic focus areas included:

- Climate risk management
- Human capital management
- Diversity, equity and inclusion
- Effective board oversight

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 2028. 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 2023 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 2024-28 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 and option volatilities, 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 reverse stress scenarios covering:

- Business model failure, with stresses against the investment and protection business a severe equity shock, higher levels of inflation than anticipated and an operational risk loss
- 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 have formed a judgement 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 34 to 41 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 2028; the business planning period.

Steve Colsell
Chair
8 April 2024

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).

The Directors who held office during the year and to the date of signing of this report were as follows:

Steve Colsell (Non-Executive Chair)
Graham Lindsay (Senior Independent Director)
Alison Davies (Non-Executive Director)
Melanie Hind (Non-Executive Director)
Sally Williams (Non-Executive Director)
Jim Islam (Chief Executive Officer from 1 December 2023, Chief Finance Officer to 30 November 2023)
Philippa Herz (Chief Finance Officer from 1 December 2023)
Teddy Nyahasha (Chief Executive Officer to 30 November 2023)

Directors' biographies can be found on pages 51 to 53.

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 in the internal financial control framework (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 59 to 62). The Board, through the Audit Sub-Committee, noted 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 2023, 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 24.

Principal risks faced by OneFamily, including liquidity risk, are summarised in the Risk management report on pages 32 to 42. 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 2023. The Board has considered the consequences of inflationary pressures, geopolitical uncertainty, 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 32 to 42.

As a result of the Board's consideration of the above factors, the directors have formed a judgement that there is a reasonable expectation 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 34 to 41 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 43 to 49.

Energy and Carbon Disclosures

Please see the Climate-related financial disclosure section on pages 43 to 49.

Employees

OneFamily employed an average of 703 full time equivalent employees during 2023 (2022: 535) at a total cost of £40.2 million (2022: £30.9 million). This equated to 712 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. 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 2023 the gender mix at management levels was:

	2023		2022	
	Male	Female	Male	Female
Board of Directors	43%	57%	67%	33%
Senior management	58%	42%	66%	34%

There is a statement on gender pay on page 28 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 27.

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; change to the Executive team; the Beagle Street integration activities; the OneFamily modernisation programme; and changes to our office accommodation through a number of regular communication channels including:

- Town Hall events held at all four office locations with updates from the CEO and other senior managers and opportunities to raise questions in 2023 on topical issues such as modernisation programme, the INVESTED programme and integration of Beagle Street
- Emails from our Internal Communications teams, including a weekly update to all colleagues from the CEO
- 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. In 2023, additional financial support was provided for colleagues most likely to be disproportionately impacted by the cost of living crisis.

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 2024 and future years we will continue to drive positive social outcomes, leveraging the capabilities provided by our modernisation programme to reach as many customers as possible and build commercial value for OneFamily, including:

- Investing in growth capabilities for our core protection and investments products, unlocking additional capacity through the modernisation programme, building direct distribution and partnership channels, and further integrating the Beagle Street 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
- Embed our refreshed employee value proposition

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 2023 we resolved 99% of complaints within four weeks (2022: 99%).

Appointment of auditor

A resolution to re-appoint Deloitte LLP as the external auditor will be proposed at the 2024 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 Chief Actuary and With-Profits Actuary functions 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 2023.

Charitable and political donations

In 2023 OneFamily made charitable donations of £106,232 (2022: £138,614). These provided support to our charity partners including financial education charity RedSTART and Spear Brighton Trust, a charity that runs an award winning six-week coaching programme designed to get 16 to 24 year olds into work. In addition, £20,860 was awarded to a variety of great causes, including one-off donations to a Christmas toy appeal, food poverty charities and donations to match colleague fundraising. OneFamily also continued sponsorship of Brighton Pride for the 8th year running. Our charity partnerships enable us to support initiatives that align with our Inspiring Better Futures vision. No political donations were made (2022: 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 29 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.

Josie Green

Josie Green
Secretary
8 April 2024

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 am pleased to present the Directors' remuneration report for 2023.

Remuneration Sub-Committee governance and reporting

OneFamily continues to be committed to high standards of corporate governance. 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) and while we are not required to meet the principles of the UK Corporate Governance Code, we continue to adopt its relevant best practice and report accordingly.

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 and in 2023 met five times.

OneFamily developments in 2023

2023 has been a year of change and transformation at OneFamily.

A key change in our governance was the resignation of our Chief Executive Officer (CEO), Teddy Nyahasha, and the appointment on 1 December 2023 of our previous Chief Finance Officer (CFO), Jim Islam to take his place. Teddy's vision had put OneFamily firmly on the path of transformation, and we are delighted that Jim will continue the strategy of growth and commitment to our strategic purpose. Philippa Herz, who has been with the Society since 2016 as our Chief Risk Officer, was promoted to replace Jim as the CFO.

Good progress has been made on modernisation, with migration of 1.3 million accounts to a new system enhancing the customer experience; we have made progress in integrating the Beagle Street business and OneFamily is now the insurer of all new Beagle Street policies. We have seen rapid growth in our telesales teams across multiple sites and established more partnerships in both the protection and investment sides of our business. More details can be found in other sections of the Annual Report.

Remuneration and fees in 2023

We reviewed our Remuneration Policy during the year to ensure that we continue to follow best practice and regulatory guidelines. OneFamily's success is dependent on the work and dedication of our colleagues. We are committed to offering fair pay and benefits to all and have renewed our commitment to paying at least the Real Living Wage to all our colleagues.

The level of inflation continued to impact many of our colleagues during the year. In the annual salary review, taking effect from 1 March 2023, we were able to consolidate into base pay the Cost of Living allowance that had been paid monthly to 83% of our colleagues between July 2022 and February 2023. In January 2023 we made a Winter Fuel payment of £200 to colleagues earning less than £40K (c69% of colleagues) and then in December we provided our lower paid colleagues with a £50 'Winter Wrapped Up' voucher which they could use at over 100 retail outlets, including supermarkets. We also highlighted where colleagues could access financial support and discounts via our Reward Hub portal.

In recognition of their work to grow and modernise the Society, we also awarded salary increases to the previous CEO and CFO, reflecting market benchmarks. The increase for each was below the average increase for core colleagues.

The salaries of the incoming CEO and CFO were benchmarked against the industry when they were appointed in December. Their short and long-term incentive opportunities match those that were applied to the previous CEO and CFO respectively. As both executives were only in role for one month of 2023, their short-and long-term incentives were pro-rated – one month at their new terms and the remainder on their previous terms. The outgoing CEO is not entitled to any 2023 short-term incentive or outstanding long-term incentive payments as he resigned from his post and has forfeited all deferred payments under both schemes.

In the annual review we made the same increase for our non-executive directors as agreed for our executive directors, after an independent benchmark review carried out by PwC, which considered the wider marketplace and reflected the time commitment required to fulfil their role.

2024 pay review and variable scheme awards in respect of 2023 performance

The progress in our business during 2023 has enabled the Sub-Committee to agree a salary rise for colleagues in March 2024 that considered the backdrop of continued Cost of Living increases and industry salary benchmarks. Our 2024 annual pay review took into consideration colleagues' performance in their role as well as market benchmark data. However, the new CEO and CFO were not eligible for an increase as they had only recently been appointed to their roles.

Depending on their role, most colleagues either benefit from the opportunity to earn additional payments under the sales scheme, or they are eligible for the staff bonus scheme. The scheme reflects the targets of the short-term incentive plan (STIP) in which executives and certain senior leaders are invited to participate, ensuring alignment of objectives throughout the business. These bonus awards are recommended by management and are overseen by the Sub-Committee.

In addition, the executive directors and two other senior leaders are eligible for Long-term Incentive Plan (LTIP) awards.

The same budgeted salary increase for colleagues was applied to the fees of our non-executive directors.

Colleague engagement

Through my regular attendance at Talking Family, the employee forum, as the nominated non-executive director for employee engagement, I ensure that colleagues are being listened to, update the Board regularly and keep in touch with issues affecting our colleagues. These have included concerns around the continued difficult economic climate, career progression opportunities, and improving our benefits offering.

In a year of change and challenge it is pleasing that our employee engagement survey conducted in November, via WorkL, has improved on the 2022 score.

Equity, diversity and inclusion (ED&I)

During the year, the Sub-Committee handed the responsibility for the development and roll out of OneFamily's ED&I strategy to the Member, Customer and Culture Sub-Committee. Regardless of where the responsibility sits, we are all committed to ensuring that OneFamily supports colleagues to be their authentic selves and know that they will be treated equitably. More details on this are in the Inspiring Better Futures section on page 27.

Finally, in thanking my fellow Sub-Committee members, I would also pass on my gratitude to all colleagues at OneFamily who, on a daily basis, show their commitment and enthusiasm for our vision and purpose of Inspiring Better Futures.

Graham Lindsay
Chair of the Remuneration Sub-Committee
8 April 2024

Report on remuneration

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

Remuneration opportunity for current executive directors in 2024

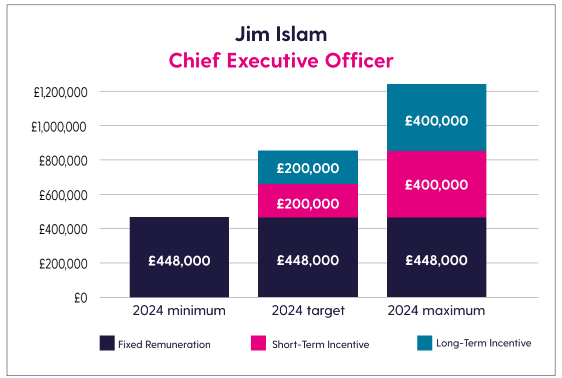
The charts illustrate the amounts that executive directors could be paid in 2024 under different performance scenarios:

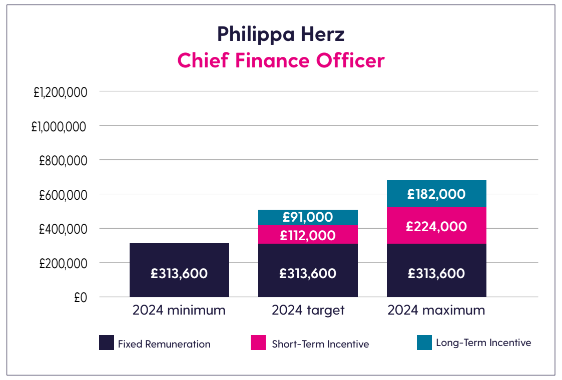
Minimum – fixed remuneration elements only (base salary, incentives, and pension)

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 2024

	2024 £000's
Steve Colsell	135
Graham Lindsay	80
Sally Williams	69
Melanie Hind	66
Alison Davies	64

Summary of Remuneration Policy

This Remuneration Policy sets out how we remunerate our colleagues to ensure that we follow a fair and consistent approach across our colleague population.

Equity, diversity and inclusion stand at the forefront of our values. We understand that a varied and inclusive workforce is not just a strength but a necessity for our sustained growth. Equitable pay is key to achieving diversity and inclusion and this policy ensures all colleagues at OneFamily are fairly remunerated, based on their skills and their overall performance.

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 the 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. During 2023 we carried out a thorough review of the policy with reference to regulatory guidelines. As a result, we recommended an extension of the deferral periods for both the short- and long-term incentive plans. This change was approved by the Sub-Committee. Details are in the table overleaf.

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

Remuneration in context

OneFamily is proud to offer a valued total reward package that includes base pay, pension, employee benefits and a variable pay element that allows all colleagues to share in the success of the Group, while driving behaviours that are consistent with our purpose, values, and strategy. The Sub-Committee believes the reward practices to be fair and consistent with the reward policies for all OneFamily's colleagues and is committed to paying at least the Real Living Wage.

The Sub-Committee reviews a range of data about remuneration fairness across the Group including the gender pay gap results and broader diversity and inclusion initiatives detailed 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.

The Sub-Committee recognises that management is committed to ensuring this effectiveness.

To remain competitive, we benchmark salaries using information from Willis Towers Watson and 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 help ensure that OneFamily is an enjoyable, fulfilling and supportive place to work.

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 to reward ongoing contribution to the role.	Base salaries are determined by the scope and responsibilities of each role, individual performance and by reference to appropriate market rates obtained from external sources. They reflect individuals' skills and experience and are reviewed annually in the context of annual performance assessment. 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.
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.	Participation in the defined contribution pension plan is 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.

Element	Purpose	Operation	Potential value
Short-term incentive scheme	To drive and reward performance against annual financial and non-financial objectives that are consistent with the business strategy, purpose and values that align to members' interests.	Short-term incentive awards are calculated based on business performance against corporate objectives. These fall into four areas: customer, colleague, strategy and financial performance. 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 anniversaries 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. With effect from 2024, the deferral period for payment of awards will be extended to four years, whereby 42% of any incentive earned will be deferred and payable in three equal parts in the three years following the initial payment. Malus provisions will still apply to an unvested award and claw back provisions will apply to the vested amount for five years from the end of the relevant performance period to which the variable pay award relates.	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 baseline 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 members' interests and OneFamily 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 after 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. With effect from the 2024-2026 plan, payment will be in four tranches, 52% after the end of the third and final business year to which the award refers, and 16% each in the January of the following three years. Malus provisions will continue to apply to an unvested award and with effect from the 2024 scheme claw back provisions will exist for five years from the end of the relevant performance period to which the variable pay award relates.	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 baseline 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 of accrued holiday, may be provided in connection with 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 is available to all colleagues other than sales agents, who benefit from a sales scheme. The staff bonus scheme pays out a range up to a maximum of 20% of base pay and is based around the corporate objectives. The short-term incentive plan (STIP) is awarded to executives and other material risk takers; and the long-term incentive plan (LTIP) is awarded to certain executives. The schemes are designed to incentivise, retain, and reward performance to help 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. Awards for those eligible who join the Society part way through the year will be pro-rated.

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 scheme outcomes for 2023

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.

The metrics for the staff bonus and STIP schemes were based on four key areas: financial, strategic, customer, and colleague engagement. Metrics for the LTIP scheme were based on a wider series of metrics. Our capital performance in the year, along with other achievements particularly in IT transformation ensured payments under all schemes. Those executive directors who were in role for only part of the year were awarded payments pro-rata.

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.

Non-executive director fees for 2024

Non-executive directors' fees are set in the light of responsibilities and required skills and time commitment. They reference market competitive ranges. Fees were reviewed in 2023, 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 have a service contract; they have letters of appointment.

Non-executive director fees structure	2024* £'000	2023* £'000
Chair	135	128.75
Base fee	56.5	53.75
Vice chair	70	67
Audit Sub-Committee chair	10	10
Risk Sub-Committee chair	10	10
Remuneration Sub-Committee chair	10	10
Member, Customer and Culture Sub-Committee chair	7.5	5
With-Profits Sub-Committee chair	2.5	2.5

* Changes are effective from 1 March

Engagement with members

Members cast an advisory vote on the directors' remuneration report at the AGM. The results at the AGM in June 2023 were as follows:

For	Against	Vote withheld
10,512	732	181

We encourage engagement with members, and this is achieved in several ways. In addition to the full directors' remuneration 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 2023.

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	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Executives												
Teddy Nyahasha[3]	**370**	380	**–**	342	**–**	263	**33**	34	**3**	2	**406**	1,021
Jim Islam	**307**	283	**227**	194	**126**	99	**17**	24	**20**	12	**697**	612
Philippa Herz[4]	**23**	–	**14**	–	**74**	–	**3**	–	**–**	–	**114**	–
Nici Audhlam-Gardiner[5]	**–**	159	**–**	–	**–**	–	**–**	20	**–**	14	**–**	193
Non-Executives												
Christina McComb[6]	**–**	56	**–**	–	**–**	–	–	–	**–**	–	**–**	56
Steve Colsell	**127**	93	**–**	–	**–**	–	**–**	–	**–**	–	**127**	93
Alison Davies[7]	**42**	–	**–**	–	**–**	–	**–**	–	**–**	–	**42**	–
Melanie Hind[8]	**62**	20	**–**	–	**–**	–	**–**	–	**–**	–	**62**	20
Graham Lindsay	**81**	78	**–**	–	**–**	–	**–**	–	**–**	–	**81**	78
Jackie Noakes[9]	**–**	35	**–**	–	**–**	–	**–**	–	**–**	–	**–**	35
Sally Williams	**66**	60	**–**	–	**–**	–	**–**	–	**–**	–	**66**	60
	1,078	**1,164**	**241**	**536**	**200**	**362**	**53**	**78**	**23**	**28**	**1,595**	**2,168**

[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 30/11/2023

[4] Appointed as a director on 1/12/2023 having previously served as Chief Risk Officer (Short-Term Incentive Scheme remuneration relates only to the element earned for the period in which Philippa Herz was a director. The remainder of the amount vested in the year is disclosed within Key Personnel remuneration in note 11. The Long-Term Incentive scheme amount relates to the full amount vested in 2023, which includes amounts earned prior to her appointment as a director.)

[5] Resigned 29/4/2022

[6] Resigned 21/6/2022

[7] Appointed 28/3/2023

[8] Appointed 1/9/2022

[9] 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 2022 £'000	Bonus paid during 2023 £'000	Bonus vested in 2023 to be paid in 2024 £'000	Bonus vested in 2023 but payment deferred to 2025/2026 £'000	Deferred bonus cancelled due to leaver £'000	Value of deferred bonus at 31 Dec 2023 £'000
Teddy Nyahasha Performance period						
2020	47	(47)	–	–	–	–
2021	132	(66)	–	–	(66)	–
2022	342	(205)	–	–	(137)	–
2023	–	–	–	–	–	–
	521	(318)	–	–	(203)	–
Jim Islam Performance period						
2020	23	(23)	–	–	–	–
2021	76	(38)	–	–	–	38
2022	194	(117)	–	–	–	77
2023	–	–	136	91	–	227
	293	(178)	136	91	–	342
Philippa Herz **See note 4 above** Performance period						
2023	–	–	8	6	–	14
	–	–	8	6	–	14
Total	**814**	**(496)**	**144**	**97**	**(203)**	**356**

Long-Term Incentive Scheme

	Value of deferred bonus as at 31 Dec 2022 £'000	Bonus paid during 2023 £'000	Bonus vested in 2023 to be paid in 2024 £'000	Bonus vested in 2023 but payment deferred to 2025/2026 £'000	Deferred bonus cancelled due to leaver £'000	Value of deferred bonus at 31 Dec 2023 £'000
Teddy Nyahasha Performance period						
2018-2020	30	(30)	–	–	–	–
2019-2021	101	(51)	–	–	(50)	–
2020-2022	263	(132)	–	–	(131)	–
2021-2023	–	–	–	–	–	–
	394	(213)	–	–	(181)	–
Jim Islam Performance period						
2019-2021	41	(21)	–	–	–	20
2020-2022	99	(49)	–	–	–	50
2021-2023	–	–	63	63	–	126
	140	(70)	63	63	–	196
Philippa Herz – **See note 4 above** Performance period						
2021-2023	–	–	37	37	–	74
	–	–	37	37	–	74
Total	**534**	**(283)**	**100**	**100**	**(181)**	**270**

Payments to past directors

Payments to past directors in 2023 related to:

- Retirement benefits payable to previous executive directors
- Retained 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 36% (2022: 42%) of the net operating expenses.

Relative importance of spend on pay	2023 £m	2022 £m	Change %
Net operating expenses	112.0	73.7	52.0
Overall staff costs	40.2	30.9	30.0

As noted in the CFO report on page 16, our net operating expenses include costs of modernising OneFamily of £13.4m in 2023 and £10.4m in 2022. Excluding these modernisation costs – which will drive long-term efficiency and enable our growth strategy – net operating expenses have increased by 56% in the year. Please see the CFO report for more details on the reasons for these increases.

Board Remuneration Sub-Committee external advisor

The Sub-Committee appointed PwC as its 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 during the 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 2023 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 and members' reserves;
- the Group and Society statements of financial position;
- the statement of accounting policies; and
- the related notes 2 to 29.

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.

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 matter that we identified in the current year is: • Significant assumptions used in determining the valuation of the long-term business provision, specifically: - base mortality and mortality improvement; - persistency; and - maintenance expenses. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £4.4m 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	We concluded that model risk in respect of the long term business provision no longer represented a key audit matter in 2023. Since there have been no significant changes to the models in 2023, no significant model replication audit procedures were performed. Therefore, we do not consider this to be a key audit matter for the 2023 year-end audit.

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 procedures:

- 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 of the Group and Society by assessing management's base case liquidity and solvency projections used in the going concern assessment with those in the Solvency II regulatory reporting, specifically the Own Risk and Solvency Assessment ("ORSA");
- Making enquiries of Group management about the assumptions, including climate risk considerations, used in their going concern assessment, and assessing the reasonableness of those assumptions;
- Inspecting the Group's 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; and
- Assessing the appropriateness of going concern disclosures in the financial statements.

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. Significant assumptions used in determining the valuation of the long-term business provision, specifically: base mortality and mortality improvement, persistency and maintenance expenses.

Key audit matter description	The long-term business provision was valued at £197.2m (2022: £183.1m) as at 31 December 2023. The valuation of the 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: 1. Demographic assumptions - Base mortality & mortality improvements and persistency Setting these assumptions requires a high degree of judgement. Factors to consider include portfolio experience, industry trends, management views on future trends, and external factors arising from market developments. Management has engaged actuarial experts to support on the demographic assumption setting. 2. Maintenance expenses assumptions 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, inflation assumption used, and any short or long-term expense overlays. We consider expenses as a whole, given the allocation to one block of business will impact the allocation to another. See page 61 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	Demographic assumptions (Mortality: base & improvements, and persistency)
	• We have identified and tested the relevant controls surrounding the demographic basis setting.
	• Together with our actuarial specialists, we have performed the following procedures:
	  • 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.
	  • Additionally, we have reperformed the analyses of actual versus expected ("A/E") decrements related to the assumptions; namely Over 50s 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 those made in relation to Covid-19, rising cost of living and other past and future, internal and external, events.
	• We have assessed the competence, capability and objectivity of management's expert in their role.
	We have tested the external sources of data used in the analysis, including the CMI mortality tables used within the process.
	Maintenance expenses 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 the business plan through reconciliation of actual cost data back to the ledger and tested the reasonableness of projected policy counts.
	• We have challenged key judgements relating to expense assumptions. Specifically, we have:
	  • assessed the derivation of per policy expense assumptions based on the business plan and projected policy counts;
	  • challenged expert judgements made in relation to expense assumptions, including 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 reasonableness 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 maintenance expenses assumptions used in the 2023 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.

6. Our application of materiality

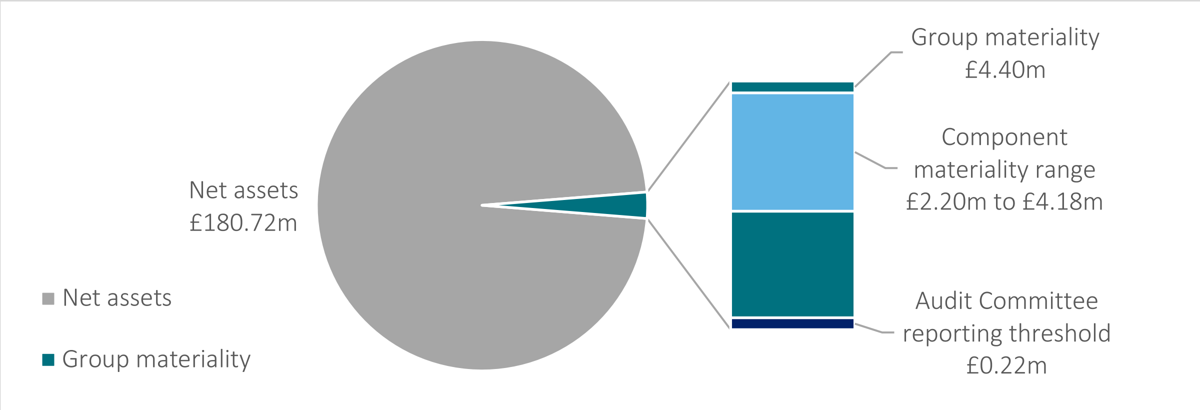
6.1. Materiality

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	£4.40m (2022: £5.10m)	£4.18m (2022: £4.85m)
Basis for determining materiality	2.5% of retained earnings and funds for future appropriation (2022: 2.5% of retained earnings and funds for future appropriation).	Society materiality was determined on a consistent basis to the Group materiality, but capped at 95% of Group, equating to 2.31% of retained earnings and funds for future appropriation (2022: 2.38% of retained earnings and funds for future appropriation, based on the Group materiality capped at 95%).
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 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

	The materiality determined equates to 0.33% (2022: 0.37%) of total assets and 2.25% (2022: 2.75%) of long term business provision.	are the same as 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% (2022: 60%) of Group materiality	60% (2022: 60%) of Society materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors; • the quality of the control environment and the history of misstatements; and • our cumulative audit knowledge from our prior year audit.	

6.3. Error reporting threshold

We agreed with the Audit Sub-Committee that we would report them all audit differences in excess of £0.22m (2022: £0.26m), 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

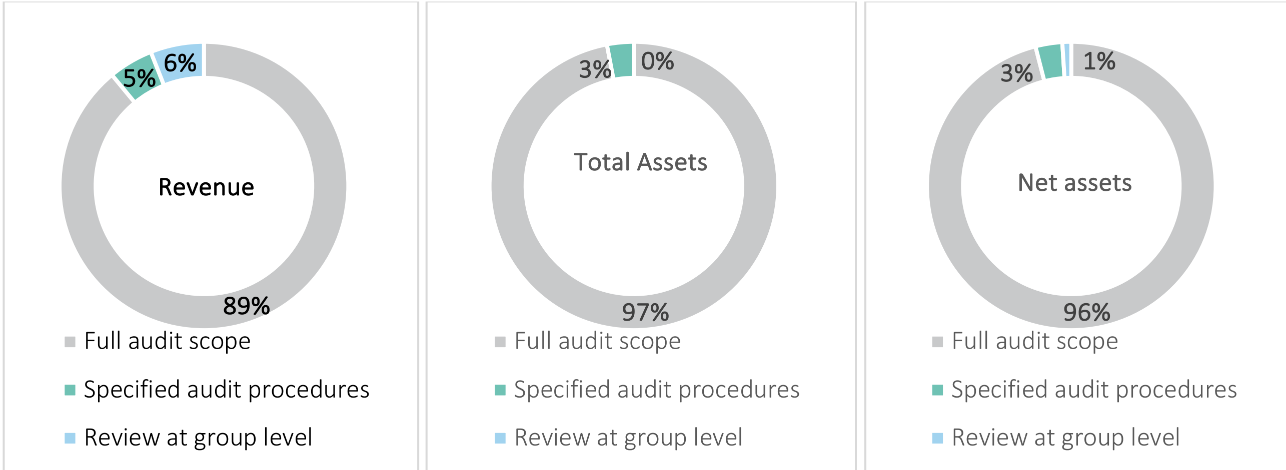
7.1. Identification and scoping of components

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 three (2022: five) further components 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 97% (2022: 99%) of the Group total asset position, 96% (2022: 95%) of the Group net asset position and 89% (2022: 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 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 pages 43-49 of the Group Strategic Report section of the annual report.

We held discussions with management 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 it is 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, the directors and the Audit Sub-Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- 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 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 significant assumptions used in determining the valuation of 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 the 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 the significant assumptions used in determining the valuation of the long-term business provision, specifically: base mortality and mortality improvement, persistency and maintenance expenses 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 and returns; or
- we have not received all the information and explanations 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, we were appointed by the Group's members on 21 June 2022 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is two years, covering the years ending 31 December 2022 to 31 December 2023.

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 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

8 April 2024

Group and Society statement of income and expenditure accounts for the year ended 31 December 2023

Technical account Long-term business	Notes	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Earned premiums, net of reinsurance					
Gross premiums written	4	**36,617**	36,283	**36,617**	36,283
Outward reinsurance premiums	4	**(13,511)**	(12,125)	**(13,511)**	(12,125)
Investment income	5	**48,334**	34,908	**56,334**	39,408
Unrealised gains/(losses) on investments	5	**37,773**	(187,482)	**37,593**	(188,032)
Other technical income	12	**450**	978	**3,477**	4,309
Income from Group companies relating to recharged operating expenses		**-**	-	**39,770**	40,883
Claims incurred, net of reinsurance					
Gross claims incurred	6	**(37,455)**	(36,233)	**(37,455)**	(36,233)
Outward claims reinsurance	6	**18,427**	15,721	**18,427**	15,721
Change in long-term business provision, net of reinsurance	22	**16,047**	73,152	**16,047**	73,152
Change in gross liability for investment contracts	23	**(67,160)**	113,986	**(67,160)**	113,986
Goodwill and intangibles amortisation	15, 16	**(2,279)**	(2,684)	**(2,279)**	(2,684)
Net operating expenses	8	**(57,284)**	(26,325)	**(97,054)**	(67,208)
Investment expenses and charges	5	**(1,565)**	(2,026)	**(10,976)**	(7,116)
Taxation credit	14	**605**	714	**605**	714
Transfer from the fund for future appropriations		**1,642**	4,062	**1,642**	4,062
Balance on the long-term business technical account		**(19,359)**	12,929	**(17,923)**	15,120

The notes to the financial statements on pages 99 to 155 are an integral part of these financial statements.

Group and Society statement of income and expenditure accounts (continued) for the year ended 31 December 2023

Non-technical account	Notes	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Balance on the long-term business technical account		**(19,359)**	12,929	**(17,923)**	15,120
Other income	13	**61,146**	56,410	**–**	–
Net operating expenses	8	**(54,679)**	(47,353)	**–**	–
Goodwill and intangibles amortisation	15, 16	**(3,103)**	(1,493)	**–**	–
Excess of (expenditure over income)/income over expenditure on ordinary activities before tax		**(15,995)**	20,493	**(17,923)**	15,120
Tax on Excess of (expenditure over income)/ income over expenditure on ordinary activities	14	**(708)**	(1,014)	**–**	–
Excess of (expenditure over income)/income over expenditure on ordinary activities after tax		**(16,703)**	19,479	**(17,923)**	15,120

The notes to the financial statements on pages 99 to 155 are an integral part of these financial statements.

Group and Society statement of other comprehensive income
for the year ended 31 December 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Excess of (expenditure over income)/income over expenditure on ordinary activities after tax		**(16,703)**	19,479	**(17,923)**	15,120
Remeasurement of defined benefit scheme	27	**500**	–	**500**	–
Unrealised (loss)/gain on property revaluation	17	**(108)**	108	**–**	–
Total recognised (loss)/gain in the year	26	**(16,311)**	19,587	**(17,423)**	15,120

Group and Society statement of changes in equity and members' reserves
for the year ended 31 December 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Retained earnings					
Reported at 1 January		**192,602**	173,015	**207,838**	192,718
Excess of (expenditure over income)/income over expenditure after tax		**(16,703)**	19,479	**(17,923)**	15,120
Other comprehensive income	17, 27	**392**	108	**500**	–
As at 31 December		**176,291**	192,602	**190,415**	207,838

The notes to the financial statements on pages 99 to 155 are an integral part of these financial statements.

Group and Society statement of financial position
as at 31 December 2023

Assets	Notes	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Intangible assets					
Goodwill	15	**6,535**	7,549	**142**	257
Other intangible assets	16	**25,936**	30,286	**23,111**	25,275
Investments					
Investment in land and buildings	17	**7,652**	7,899	**8,731**	9,050
Investment in group undertakings	18	**–**	–	**33,021**	41,432
Non-linked financial investments	19	**193,477**	204,202	**193,477**	204,203
Assets held to cover linked liabilities	19	**912,598**	937,317	**912,598**	937,317
Debtors	19, 20	**52,625**	35,822	**41,244**	20,232
Reinsurers' share of technical provisions					
Long-term business provision	22	**106,039**	86,352	**106,039**	86,352
Other assets					
Tangible assets	21	**562**	397	**556**	383
Cash at bank	19	**27,808**	62,045	**15,103**	46,839
Prepayments and accrued income					
Accrued interest and rent		**4,253**	3,212	**1,412**	1,108
Other prepayments and accrued income		**4,136**	3,451	**4,136**	3,451
Total assets		**1,341,621**	1,378,532	**1,339,570**	1,375,899
Net pension asset	27	**–**	–	**–**	–
Total assets including the pension asset		**1,341,621**	1,378,532	**1,339,570**	1,375,899

The notes to the financial statements on pages 99 to 155 are an integral part of these financial statements.

Group and Society statement of financial position (continued)
as at 31 December 2023

Liabilities	Notes	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Retained earnings	26	**176,291**	192,602	**190,415**	207,838
Fund for future appropriations (FFA)	25	**4,425**	16,534	**4,425**	16,534
Technical provisions					
Long-term business provision	22	**197,180**	183,072	**197,180**	183,072
Claims outstanding	22	**7,539**	8,107	**7,539**	8,107
Technical provision for linked liabilities	23	**912,598**	937,317	**912,598**	937,317
Creditors					
Creditors arising out of insurance operations		**908**	920	**908**	920
Other creditors including taxation and social security	24	**17,382**	18,455	**6,350**	4,564
Deffered tax liability	14	**312**	–	**312**	–
Accruals and deferred income		**24,986**	21,525	**19,843**	17,547
Total liabilities		**1,341,621**	1,378,532	**1,339,570**	1,375,899

The notes to the financial statements on pages 99 to 155 are an integral part of these financial statements.

The financial statements were approved at a meeting of the Board of Directors on 8 April 2024 and signed on its behalf by:

Jim Islam
Chief Executive Officer

Steve Colsell
Chair

Josie Green
Secretary

Notes to the financial statements

for the year ended 31 December 2023

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 2023.

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.

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.

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.

1. Statement of accounting policies (continued)

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.

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

1. Statement of accounting policies (continued)

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.

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.

1. Statement of accounting policies (continued)

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.

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.

1. Statement of accounting policies (continued)

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

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.

1. Statement of accounting policies (continued)

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).

For insurance intermediary services, new business commission income is recognised at the point of sale and servicing income over the life of the service.

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.

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.

1. Statement of accounting policies (continued)

Project development costs are capitalised where they will generate economic benefit to the Group in future periods and where UK GAAP criteria for capitalisation are met.

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, details of which can be found in note 16.

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.

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.

1. Statement of accounting policies (continued)

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.

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

1. Statement of accounting policies (continued)

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 which will only be confirmed by the occurrence of uncertain future events not wholly within the Group's control. The liability is not recognised because either (i) it is not probable that there will be an outflow of resources or (ii) the amount cannot be reliably measured at the reporting date.

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, customer satisfaction, colleague engagement and Equity, Diversity & Inclusion. 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 a 100% ring-fenced with-profits fund. The surplus of the with-profits fund is for the benefit of the with-profits policyholders, as such the surplus has been deemed a liability 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 32.

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 2023 £'000**	Group 2022 £'000	**Society 2023 £'000**	Society 2022 £'000
Non-linked financial investments subject to credit risk	**149,041**	147,624	**149,041**	147,624
Debtors	**52,586**	35,679	**41,205**	20,088
Cash at bank	**27,808**	62,045	**15,103**	46,839
Reinsurers share of technical provisions	**106,039**	86,352	**106,039**	86,352
Total assets bearing credit risk	**335,474**	331,700	**311,388**	300,903
Debt and other assets rated as:				
UK government	**84,877**	111,065	**84,511**	110,949
A rated and above	**191,137**	175,005	**172,035**	153,992
B rated – BBB	**21,649**	19,314	**21,649**	19,314
Not rated	**37,811**	26,316	**33,193**	16,648
Total assets bearing credit risk	**335,474**	331,700	**311,388**	300,903

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 strategy to grow protection business, there is an expectation that there will be an increase in demands for liquidity to support advance intermediary commission payments, given the timing difference between when commissions are paid and when profits emerge from the business written. In line with the liquidity policy, these demands are closely monitored with further mechanisms considered as appropriate to support liquidity, which may include financial reinsurance. See the Risk management report for further details.

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 fund as well as ensuring an equitable treatment between policyholders surrendering and those remaining in the with-profits fund.

2. Management of financial and insurance risk (continued)

An analysis of the expected maturity periods of the policyholder insurance liabilities, on a non-discounted basis, net of reinsurance, is set out below.

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 2023					
Long-term business					
Non profit fund	**145,594**	**(8,656)**	**(16,653)**	**35,582**	**135,321**
With-profits fund 2	**21,978**	**2,924**	**7,836**	**8,094**	**3,124**
Total	**167,572**	**(5,732)**	**(8,817)**	**43,676**	**138,445**
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

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 £912,598k (2022: £937,317k) 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 2023					
Other liabilities					
Claims outstanding	**7,539**	**7,539**	**–**	**–**	**–**
Creditors arising out of insurance operations	**908**	**908**	**–**	**–**	**–**
Other creditors including taxation and social security	**17,382**	**17,382**	**–**	**–**	**–**
Accruals and deferred income	**24,986**	**23,252**	**1,734**	**–**	**–**
Total	**50,815**	**49,081**	**1,734**	**–**	**–**
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	–	–

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 help 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 2023.

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 fund is only available to meet the capital requirements or be allocated to policyholders of the fund. 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.

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)

2023	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	(2,720)	3,384	(579)	598	2,731	(2,728)	(14,908)	18,896	–	–	–	–	2,174	(1,888)
With-profits fund 1	–	–	–	–	–	–	–	–	–	–	–	–	–	–
With-profits fund 2	(21)	22	(6)	6	–	–	(725)	843	564	(556)	(498)	555	6	(5)
Change in LTBP	(2,741)	3,406	(585)	604	2,731	(2,728)	(15,633)	19,739	564	(556)	(498)	555	2,180	(1,893)
Impact on asset valuations														
Fund														
Non profit fund	–	–	–	–	–	–	(13,684)	17,615	4,132	(4,144)	(2,598)	2,865	–	–
With-profits fund 1	–	–	–	–	–	–	–	–	–	–	–	–	–	–
With-profits fund 2	–	–	–	–	–	–	(852)	999	636	(636)	(698)	804	–	–
Change in asset valuations	–	–	–	–	–	–	(14,536)	18,614	4,768	(4,780)	(3,296)	3,669	–	–
Impact on retained earnings and the FFA														
Retained earnings (non-profit fund)	2,720	(3,384)	579	(598)	(2,731)	2,728	1,224	(1,281)	4,132	(4,144)	(2,598)	2,865	(2,174)	1,888
FFA (with-profits funds)	21	(22)	6	(6)	–	–	(127)	156	72	(80)	(200)	249	(6)	5

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)

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

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 2023.

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.

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	**2023 £'000**	2022 £'000
Gross premiums written	**36,617**	36,283
Less: reinsurers' share	**(13,511)**	(12,125)
Net earned premiums – insurance business	**23,106**	24,158

Long-term business only includes premiums in respect of insurance business. Consideration received in respect of investment contracts of £12,112k (2022: £13,075k) 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 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Income from other investments	**28,024**	27,545	**36,024**	32,045
Interest income	**2,712**	610	**2,712**	610
Realised gains on investments	**17,598**	6,753	**17,598**	6,753
Total investment income	**48,334**	34,908	**56,334**	39,408
Unrealised gains/(losses) on investments	**37,773**	(187,482)	**37,593**	(188,032)
Investment management expenses	**(1,565)**	(2,026)	**(1,565)**	(2,026)
Impairment of investments in Group undertakings	**–**	–	**(9,411)**	(5,090)
Total net investment return	**84,542**	(154,600)	**82,951**	(155,740)

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	**2023 £'000**	2022 £'000
Gross claims paid	**38,024**	35,664
Change in provision for claims outstanding at year-end	**(569)**	569
Gross claims incurred	**37,455**	36,233
Reinsurers share of claims incurred	**(18,427)**	(15,721)
Total claims incurred, net of reinsurance	**19,028**	20,512

Policies defined as investment rather than insurance contracts are accounted for on a deposit basis. The claims analysis above excludes £103,991k (2022: £93,221k) 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 £938k (2022: £3,408k). The reduction from 2022 reflects the conversion of With-Profits 1 fund to non-profit during the year.

8. Net operating expenses

Technical account – long-term business	**Group 2023 £'000**	Group 2022 £'000	**Society 2023 £'000**	Society 2022 £'000
Acquisition costs	**21,253**	9,428	**21,253**	9,428
Administrative expenses (including auditor's remuneration)	**36,031**	16,897	**36,031**	16,897
Expenses recharged to Group companies	**-**	-	**39,770**	40,883
Net operating expenses	**57,284**	26,325	**97,054**	67,208
Non-technical account				
Acquisition costs	**20,239**	10,686	**–**	–
Administrative expenses	**34,440**	36,667	**–**	–
Net operating expenses	**54,679**	47,353	**–**	–
Total net operating expenses	**111,963**	73,678	**97,054**	67,208

Acquisition costs relate to business written in the Society and its subsidiaries.

Total commission paid by the Group on new business was £18,336k (2022: £6,017k).

9. Auditor's remuneration

During the year the Group obtained services from Deloitte LLP, as detailed below:

Audit services	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Fees payable to the Society's auditor for the audit of the annual accounts	**992**	1,079	**992**	1,079
Audit of the accounts of subsidiaries	**222**	179	**–**	–
Audit-related assurance services	**510**	229	**–**	–
Other assurance services	**34**	127	**34**	18
Total	**1,758**	1,614	**1,026**	1,097

Excluded from the numbers above is £104k (2022: £98k) incurred in connection with audits of the unit trusts and open ended investment company managed by a subsidiary company, of which £104k (2022: £38k) was borne by the Society. 2022 fees above include one-off auditor transition costs.

In 2023, further audit service costs in relation to the 2022 audits were incurred. These included £52k in relation to the Society's auditor for the audit of the 2022 annual accounts; £60k in relation to the audit of accounts of subsidiaries; £187k in relation to audit related assurance services and £11k relating to the audit of unit trusts and open ended investment company.

10. Operating lease rentals

Group and Society	2023 £'000	2022 £'000
Operating lease amounts payable:		
– less than one year	**1,302**	1,186
– between one and five years	**2,480**	3,074
– over five years	**–**	67
Total	**3,782**	4,327
Payments made under operating leases (recognised as an expense)		
Hire of fixtures and fittings – rental under operating leases	**464**	492
Property rental expenses in the year	**987**	314
Total	**1,451**	806

These payments relate to leases for software, office equipment and property rentals.

11. Staff costs

	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Wages and salaries	**34,671**	26,530	**29,983**	26,201
Social security costs	**3,576**	2,884	**3,062**	2,844
Defined contribution pension costs	**1,948**	1,510	**1,673**	1,496
Total staff costs	**40,195**	30,924	**34,718**	30,541

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 2023 FTE	Group 2022 FTE	Society 2023 FTE	Society 2022 FTE
Acquisition	**279**	192	**260**	191
Administration	**210**	208	**187**	207
Development	**214**	135	**178**	132
Total number of staff	**703**	535	**625**	530

The presentation of staff by category has been amended from that shown in the prior year. This is to reflect management's view of resource involved (directly or indirectly) in writing new business, managing in-force business or developing business growth capability.

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 2023, the total remuneration paid to the directors was £1,595k (2022: £2,168k) and the total remuneration paid to the highest paid director was £697k (2022: £1,021k).

Key management compensation

Compensation to key management personnel (including executive directors) in the year was £3,810k (2022: £3,297k).

12. Other technical income

	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Annual management charge rebates	**379**	396	**379**	396
Fee income	**54**	569	**54**	569
Mortgage interest receivable	**9**	13	**9**	13
Other income	**8**	–	**3,035**	3,331
Total other technical income	**450**	978	**3,477**	4,309

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 2023 £'000	Group 2022 £'000
Annual management charges	**47,088**	50,810
Lifetime mortgage fee income	**442**	1,358
Other operating income	**13,616**	4,242
Total other income	**61,146**	56,410

Following the acquisition of BGL Direct Life in late 2022, Other operating income now includes commission income received by this subsidiary company.

14. Taxation

Analysis of the tax charge for the year:

The tax charge for the Group is £103k (2022: tax charge £300k).

The applicable UK corporation tax rate is 23.5% (2022: 19%).

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% (2022: 20%).

Tax charge/(credit)	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Technical account	**(605)**	(714)	**(605)**	(714)
Non-technical account	**708**	1,014	**–**	–
Total tax charge/(credit)	**103**	300	**(605)**	(714)
Analysed as follows:				
Corporation tax				
Tax charge/(credit)	**(209)**	300	**(917)**	(714)
Deferred tax				
Timing differences, origination and reversal	**312**	–	**312**	–
Total tax charge/(credit)	**103**	300	**(605)**	(714)

At 31 December 2023, the Group did not hold any provisions for uncertain tax positions.

14. Taxation (continued)

Reconciliation of current year tax charge for the Non-Technical account	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Excess of income over expenditure	**(15,995)**	20,493	**(17,923)**	15,120
Tax on result (2023: 23.5%, 2022: 19%)	**(3,759)**	3,894	**(4,212)**	2,873
Factors affecting tax charge:				
Accounting result not subject to tax	**4,019**	(3,029)	**4,212**	(2,873)
Items taxed on a different basis	**(33)**	153	**–**	–
Adjustments in respect of prior periods	**171**	2	**–**	–
Items disallowable in tax computation	**310**	–	**–**	–
Utilisation of unrecognised losses	**–**	(6)	**–**	–
Tax on excess of income over expenditure on ordinary activities	**708**	1,014	**–**	–

Items taxed on a different basis include profits taxed in subsidiaries.

Analysis of deferred tax asset	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Deferred tax provision on unrealised gains	**(312)**	–	**(312)**	–
Total recognised deferred tax provision	**(312)**	–	**(312)**	–
Deductible expenses	**8,890**	8,789	**8,890**	8,789
Tax losses carried forward	**745**	567	**–**	–
Unrealised capital gains	**206**	(91)	**(10)**	(321)
Total unrecognised deferred tax assets	**9,841**	9,265	**8,880**	8,468
Total	**9,529**	9,265	**8,568**	8,468

The Group and Society recognises a net deferred tax liability of £312k (2022: nil) in relation to unrealised gains on owner occupied properties. This has been calculated at a deferred tax rate of 25% which is the rate expected to apply to the gain/loss that may arise on the future disposal of the property.

The Group has an unrecognised net deferred tax asset of £9,841k (2022: £9,264k).

The Society has an unrecognised net deferred tax asset of £8,880k (2022: £8,468k).

It is considered unlikely that the net deferred tax assets will be used and therefore it continues to not be recognised.

15. Goodwill

	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Cost				
At 1 January	**9,581**	2,863	**1,147**	1,147
Result of acquisition	**–**	6,718	**–**	–
At 31 December	**9,581**	9,581	**1,147**	1,147
Amortisation				
At 1 January	**2,032**	1,746	**890**	775
Provided in the year	**1,014**	286	**115**	115
At 31 December	**3,046**	2,032	**1,005**	890
Net book value at 31 December	**6,535**	7,549	**142**	257

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 2023	8,854	6,875	27,591	21,215	**64,535**
Additions	21	–	–	–	**21**
Disposals	(3)	–	–	–	**(3)**
At 31 December 2023	**8,872**	**6,875**	**27,591**	**21,215**	**64,553**
Amortisation					
At 1 January 2023	6,360	4,313	15,492	8,084	**34,249**
Provided in the year	1,083	874	332	1,787	**4,076**
Impairment	292	–	–	–	**292**
At 31 December 2023	**7,735**	**5,187**	**15,824**	**9,871**	**38,617**
Net book value at 31 December 2023	**1,137**	**1,688**	**11,767**	**11,344**	**25,936**
Net book value at 31 December 2022	2,494	2,562	12,099	13,131	30,286

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 four 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 32 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 2023	1,371	27,591	21,215	**50,177**
Additions	–	–	–	**–**
Disposals	–	–	–	**–**
At 31 December 2023	**1,371**	**27,591**	**21,215**	**50,177**
Amortisation				
At 1 January 2023	1,326	15,492	8,084	**24,902**
Provided in the year	45	332	1,787	**2,164**
At 31 December 2023	**1,371**	**15,824**	**9,871**	**27,066**
Net book value at 31 December 2023	**–**	**11,767**	**11,344**	**23,111**
Net book value at 31 December 2022	45	12,099	13,131	25,275

17. Land and buildings

Group	Current value investment £'000	Total £'000	Historical cost investment £'000	Total £'000
At 1 January 2023	7,899	7,899	6,887	6,887
Revaluation/fair value adjustment	(247)	(247)	–	–
Balance at 31 December 2023	**7,652**	**7,652**	**6,887**	**6,887**
Group				
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

Of the revaluation deficit of £247k in 2023, £108k has been recognised in the statement of comprehensive income as it reverses revaluation surpluses previously taken there and £139k has been recognised in the income statement. Of the revaluation surplus of £712k in 2022, £108k was recognised in the statement of comprehensive income and £604k was recognised in the income statement as it reverses revaluation deficits previously taken there.

Included within Land and buildings is £2,831k (2022: £2,934k) which is categorised as investment property.

Society	Current value investment £'000	Total £'000	Historical cost investment £'000	Total £'000
At 1 January 2023	9,050	9,050	6,887	6,887
Revaluation/fair value adjustment	(319)	(319)	–	–
Balance at 31 December 2023	**8,731**	**8,731**	**6,887**	**6,887**
Society				
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

The revaluation deficit of £319k (2022: £53k) has been recognised in the income statement.

Included within Land and buildings is £8,731k (2022: £9,050k) which is categorised as investment property.

Land and buildings at 31 December 2023 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 2023. 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 2023 £'000	Society 2022 £'000
Cost		
At 1 January	**66,332**	54,532
Investments during year	**1,000**	1,500
Result of acquisition	**–**	10,300
At 31 December	**67,332**	66,332
Impairment		
At 1 January	**(24,900)**	(19,810)
Provided in the year	**(9,411)**	(5,090)
At 31 December	**(34,311)**	(24,900)
Carrying value of investments at 31 December	**33,021**	41,432

During 2023, the Society made investments of £1m 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 £386k in OneFamily Lifetime Mortgages Limited (OFLM). This will be kept under review as OFLM looks for opportunities to re-enter the market.

Following the acquisition of BGL Direct Life Limited in late 2022, during 2023 the Group put into action the planned change of underwriter behind the Beagle Street, Virgin Money and Budget brands to the Society. From September 2023 all new term assurance and critical illness cover business has been written into the Society and all profits from distributing and underwriting this business will be earned directly by the Society. As a result of this relocation of future new business, the Society's investment in BGL Direct Life Limited has been impaired. This impairment of £9,025k is included in Investment expenses and charges. Both of the above impairments can be found in Note 5 under Impairment of investments in Group undertakings.

Set out below are the Society's investments in subsidiary undertakings as at 31 December 2023 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.

18. Investment in Group undertakings (continued)

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	Dormant (liquidation commenced on 13 March 2024)
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

[1] The Society has taken advantage of the exemption from audit offered by Section 480 of the Companies Act 2006.

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 the Society and all subsidiaries is 16-17 West Street, Brighton, BN1 2RL. Please refer to General information section for details.

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:	**2023 £'000**	2022 £'000
Linked financial investments	**912,598**	937,317
Non-linked financial investments	**193,477**	204,202
Debtors	**52,625**	35,822
Cash at bank	**27,808**	62,045
Total Group financial investments	**1,186,508**	1,239,386
Financial liabilities		
Financial liabilities held at fair value through profit and loss	**912,598**	937,317
Financial liabilities held at amortised cost	**18,290**	19,375
Total Group financial liabilities	**930,888**	956,692

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 2023 £'000**	Fair value 2022 £'000	**Cost 2023 £'000**	Cost 2022 £'000
Shares, other variable yield securities and holdings in collective investment schemes	**886,152**	910,437	**691,492**	748,249
Debt securities and other fixed income securities	**150,193**	154,129	**171,573**	181,282
Investment property	**7,669**	7,950	**5,091**	5,091
Financial assets held at fair value through profit and loss	**1,044,014**	1,072,516	**868,156**	934,622
Loans and receivables				
Loans secured by mortgage	**149**	181	**149**	181
Deposits with credit institutions	**87,760**	129,482	**87,760**	129,482
Accrued income and receivables	**54,585**	37,207	**54,585**	37,207
Loans and receivables	**142,494**	166,870	**142,494**	166,870
Total Group financial assets (excluding land & buildings)	**1,186,508**	1,239,386	**1,010,650**	1,101,492

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 2023 £'000**	**Non-linked fair value 2023 £'000**	**Total fair value 2023 £'000**	Linked fair value 2022 £'000	Non-linked fair value 2022 £'000	Total fair value 2022 £'000
Shares, other variable yield securities and holdings in collective investment schemes	**843,017**	**43,135**	**886,152**	860,545	49,892	910,437
Debt securities and other fixed income securities	**–**	**150,193**	**150,193**	–	154,129	154,129
Investment property	**7,669**	**–**	**7,669**	7,950	–	7,950
Financial assets held at fair value through profit and loss	**850,686**	**193,328**	**1,044,014**	868,495	204,021	1,072,516
Loans and receivables						
Loans secured by mortgage	**–**	**149**	**149**	–	181	181
Deposits with credit institutions	**59,953**	**27,808**	**87,761**	67,437	62,045	129,482
Accrued income and receivables	**1,959**	**52,625**	**54,584**	1,385	35,822	37,207
Loans and receivables	**61,912**	**80,582**	**142,494**	68,822	98,048	166,870
Total Group financial assets	**912,598**	**273,910**	**1,186,508**	937,317	302,069	1,239,386
Financial liabilities						
Financial liabilities held at fair value through profit and loss	**912,598**	**–**	**912,598**	937,317	–	937,317
Financial liabilities held at amortised cost	**–**	**18,290**	**18,290**	–	19,375	19,375
Total Group financial liabilities	**912,598**	**18,290**	**930,888**	937,317	19,375	956,692

19. Financial instruments (continued)

The financial investments held by the Society are valued as:	2023 £'000	2022 £'000
Linked financial investments	**912,598**	937,317
Non-linked financial investments	**193,477**	204,203
Debtors	**41,244**	20,232
Cash at bank	**15,103**	46,839
Total Society financial investments	**1,162,422**	1,208,591
Financial liabilities		
Financial liabilities held at fair value through profit and loss	**912,598**	937,317
Financial liabilities held at amortised cost	**7,258**	5,484
Total Society financial liabilities	**919,856**	942,801

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 2023 £'000	Fair value 2022 £'000	Cost 2023 £'000	Cost 2022 £'000
Shares, other variable yield securities and holdings in collective investment schemes	**886,152**	910,437	**691,492**	748,249
Debt securities and other fixed income securities	**150,193**	154,129	**171,573**	181,282
Investment property	**7,669**	7,950	**5,091**	5,091
Financial assets held at fair value through profit and loss	**1,044,014**	1,072,516	**868,156**	934,622
Loans and receivables				
Loans secured by mortgage	**149**	181	**149**	181
Deposits with credit institutions	**75,056**	114,276	**75,056**	114,276
Accrued income and receivables	**43,203**	21,618	**43,204**	21,618
Loans and receivables	**118,408**	136,075	**118,409**	136,075
Total Society financial assets	**1,162,422**	1,208,591	**986,565**	1,070,697

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 2023 £'000	Non-linked fair value 2023 £'000	Total fair value 2023 £'000	Linked fair value 2022 £'000	Non-linked fair value 2022 £'000	Total fair value 2022 £'000
Shares, other variable yield securities and holdings in collective investment schemes	**843,017**	**43,135**	**886,152**	860,545	49,892	910,437
Debt securities and other fixed income securities	**–**	**150,193**	**150,193**	–	154,129	154,129
Investment property	**7,669**	**–**	**7,669**	7,950	–	7,950
Financial assets held at fair value through profit and loss	**850,686**	**193,328**	**1,044,014**	868,495	204,021	1,072,516
Loans and receivables						
Loans secured by mortgage	**–**	**149**	**149**	–	181	181
Deposits with credit institutions	**59,952**	**15,103**	**75,055**	67,437	46,839	114,276
Accrued income and receivables	**1,960**	**41,244**	**43,204**	1,385	20,233	21,618
Loans and receivables	**61,912**	**56,496**	**118,408**	68,822	67,253	136,075
Total Society financial assets	**912,598**	**249,824**	**1,162,422**	937,317	271,274	1,208,591
Financial liabilities						
Financial liabilities held at fair value through profit and loss	**912,598**	**–**	**912,598**	937,317	–	937,317
Financial liabilities held at amortised cost	**–**	**7,258**	**7,258**	–	5,484	5,484
Total Society financial liabilities	**912,598**	**7,258**	**919,856**	937,317	5,484	942,801

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.

2023 Group Financial assets held at fair value through profit and loss	Level 1 Active quoted prices £'000	Level 2 Other observable inputs £'000	Level 3 Other £'000	Total £'000
Shares, other variable yield securities and holdings in collective investment schemes	**332,170**	**553,982**	**–**	**886,152**
Debt securities and other fixed income securities	**94,419**	**55,408**	**366**	**150,193**
Investment property	**–**	**–**	**7,669**	**7,669**
Financial assets held at fair value through profit and loss	**426,589**	**609,390**	**8,035**	**1,044,014**
Financial liabilities held at fair value through profit and loss	**–**	**912,598**	**–**	**912,598**

2022 Group Financial assets held at fair value through profit and loss	Level 1 Active quoted prices £'000	Level 2 Other observable inputs £'000	Level 3 Other £'000	Total £'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

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)

2023 Society Financial assets held at fair value through profit and loss	Level 1 Active quoted prices £'000	Level 2 Other observable inputs £'000	Level 3 Other £'000	Total £'000
Shares, other variable yield securities and holdings in collective investment schemes	**332,170**	**553,982**	**–**	**886,152**
Debt securities and other fixed income securities	**94,419**	**55,408**	**366**	**150,193**
Investment property	**–**	**–**	**7,669**	**7,669**
Financial assets held at fair value through profit and loss	**426,589**	**609,390**	**8,035**	**1,044,014**
Financial liabilities held at fair value through profit and loss	**–**	**912,598**	**–**	**912,598**

2022 Society Financial assets held at fair value through profit and loss	Level 1 Active quoted prices £'000	Level 2 Other observable inputs £'000	Level 3 Other £'000	Total £'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

20. Debtors

Group and Society	Group 2023 £'000	Group 2022 £'000	Society 2023 £'000	Society 2022 £'000
Amounts owed from Group undertakings	–	–	27,469	11,198
Amounts owed from policyholders	2,782	486	486	486
Amounts owed from intermediaries	326	346	326	346
Debtors arising out of reinsurance operations	6,834	2,744	6,834	2,744
Other debtors	42,683	32,246	6,129	5,458
Total	**52,625**	35,822	**41,244**	20,232

Amounts owed from Group undertakings in the Society include £nil (2022: £nil) falling due after more than one year. Other debtors include £16,797k (2022: £10,024k) falling due after more than one year.

21. Tangible assets

Group	Computer equipment £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost			
At 1 January 2023	1,095	1,171	2,266
Additions	398	–	398
Disposals	(58)	–	(58)
At 31 December 2023	**1,435**	**1,171**	**2,606**
Depreciation			
At 1 January 2023	698	1,171	1,869
Provided in the year	233	–	233
Disposals	(58)	–	(58)
At 31 December 2023	**873**	**1,171**	**2,044**
Net book value at 31 December 2023	**562**	**–**	**562**
Net book value at 31 December 2022	397	–	397

The charge for depreciation for the Group in the year ended 31 December 2023 was £233k (2022: £145k).

Depreciation is included in operating expenses.

21. Tangible assets (continued)

Society	Computer equipment £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost			
At 1 January 2023	662	1,171	1,833
Additions	398	–	398
At 31 December 2023	**1,060**	**1,171**	**2,231**
Depreciation			
At 1 January 2023	279	1,171	1,450
Provided in the year	225	–	225
At 31 December 2023	**504**	**1,171**	**1,675**
Net book value at 31 December 2023	**556**	**–**	**556**
Net book value at 31 December 2022	383	–	383

The charge for depreciation for the Society in the year ended 31 December 2023 was £225k (2022: £144k).

22. Technical provisions

Group and Society	Long-term business provision £'000	Reinsurers share £'000	Provision for outstanding claims £'000
At 1 January 2023	183,072	(86,352)	8,107
Movement in provision for outstanding claims	–	–	(568)
Conversion of with-profits fund (see note 25)	10,467	–	–
Change in long-term business provision	3,641	(19,687)	–
At 31 December 2023	**197,180**	**(106,039)**	**7,539**

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 methodology used to calculate prudence is based on the Solvency II regulatory requirements, save for an adjustment to reflect management's risk appetite rather than the regulator's risk appetite. The LTBP therefore reflects the changes made to the Solvency II regulatory regime in 2023, and specifically the changes affecting the Solvency 'risk margin', which reduced the 'cost-of-capital' rate from 6% to 4% and introduced a tapering factor. The effect of this was to reduce the LTBP by £4.5m.

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.

22. Technical provisions (continued)

Persistency – assumptions about the rate at which policyholders will stop paying premiums and lapse their policy are determined primarily based on actual experience.

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	**2023 £'000**	2022 £'000
At 1 January	**937,317**	1,131,449
Deposits received from policyholders	**12,112**	13,075
Withdrawals by policyholders	**(103,991)**	(93,221)
Annual management charges	**(9,422)**	(10,193)
Change in fair value of gross liabilities	**76,582**	(103,793)
At 31 December	**912,598**	937,317

24. Other creditors including taxation and social security

	Group 2023 £'000	Group 2022 £'000	**Society 2023 £'000**	Society 2022 £'000
Amounts owed to group undertakings	**–**	–	**1,555**	68
Other taxes and social security costs	**971**	1,325	**1,059**	1,248
Other creditors	**16,411**	17,130	**3,736**	3,248
Total	**17,382**	18,455	**6,350**	4,564

All other creditors are payable within one year.

25. Fund for Future Appropriations

Group and Society	**2023 £'000**	2022 £'000
At 1 January	**16,534**	20,596
Conversion of with-profits fund	**(10,467)**	–
Transfers to the long-term business technical account	**(1,642)**	(4,062)
At 31 December	**4,425**	16,534

In June 2023, With-Profits Fund 1, also known as the OneFamily (EM) With-Profits Fund, was closed and most of the policies were converted to non-profit with guaranteed bonus. As a result, the Fund for Future Appropriations relating to these policies was transferred to the long-term business provision (see note 22). This conversion was a result of the Fund reducing in size and the decision to convert the Fund was in line with its previously approved run off plan.

26. Retained earnings

	Group 2023 £'000	Group 2022 £'000	**Society 2023 £'000**	Society 2022 £'000
At 1 January	**192,602**	173,015	**207,838**	192,718
Recognised (losses)/gains in the year	**(16,311)**	19,587	**(17,423)**	15,120
At 31 December	**176,291**	192,602	**190,415**	207,838

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 2023 were £1,948k (2022: £1,496k).

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 2022 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 2023 and 2022, 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.

Since the 2023 year-end, the trustees of the Scheme in consultation with the Society have implemented a new investment strategy and used the Scheme assets secure a contract with the Society which matches the pension liabilities in a transaction known as a 'buy in'. While the Society remains legally responsible for the Scheme the transaction has removed the Society's exposure to funding and investment risks within the Scheme.

Family Scheme assumptions	**2023**	2022
Retail prices index inflation	**3.00%**	3.20%
Consumer prices index inflation	**2.60%**	2.75%
Revaluation in deferment	**2.60%**	2.75%
Pension increases:		
- pre April 1997 pension	**0.00%**	0.00%
- post April 1997 pension	**2.90%/2.60%***	3.05%/2.70%*
- post April 2005 pension	**1.90%***	2.00%*
Salary growth	**N/A**	N/A
Discount rate	**4.50%**	4.75%
Life expectancy:		
- male aged 65 at the statement of financial position date	**21.9 years**	22.0 years
- male aged 65 in 2048 (25 years from the statement of financial position date)	**23.5 years**	23.7 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	**2023 £'000**	2022 £'000
LDI portfolio (including liquidity fund)	**30,445**	17,196
Asset-backed securities	**–**	5,685
Buy-in policy	**8,681**	8,401
Cash	**1,407**	9,622
Other net assets	**(76)**	(849)
Total fair value of assets	**40,457**	40,055
Present value of defined benefit obligations	**(34,929)**	(33,959)
Pension surplus	**5,528**	6,096
Adjustment for asset limit	**(5,528)**	(6,096)
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	**2023 £'000**	2022 £'000
Opening defined benefit obligation	**33,959**	53,536
Past service cost	**500**	–
Interest on obligation on funds	**1,588**	1,031
Actuarial (gain)	**(45)**	(19,314)
Benefits paid	**(1,073)**	(1,294)
Closing defined benefit obligation	**34,929**	33,959

27. Pension commitments (continued)

Changes in the fair value of the scheme assets are as follows:

Family Scheme change in fair value	2023 £'000	2022 £'000
Opening value of scheme assets	**40,055**	62,338
Interest on scheme assets	**1,877**	1,203
Actuarial (loss)	**(402)**	(22,192)
Benefits paid	**(1,073)**	(1,294)
Closing value of scheme assets	**40,457**	40,055

The actual return on the Family Scheme's assets over the year was a gain of £1,475k (2022: £20,989k loss).

Changes in the value of the asset limit are as follows:

Family Scheme change in value of asset limit	2023 £'000	2022 £'000
Opening asset limit	**(6,096)**	(8,802)
Net interest on asset limit	**(289)**	(172)
Change to asset limit	**857**	2,878
Closing asset limit	**(5,528)**	(6,096)

The following amounts have been included within profit and loss under FRS 102:

Family Scheme amounts included in income and expenditure	2023 £'000	2022 £'000
Past service (cost)	**(500)**	–
Loss recognised in income and expenditure	**(500)**	–

The past service cost of £0.5m relates to a provision for the estimated costs arising from a gap, identified in the year, in relation to the levelling up of benefits, following the equalisation of normal retirement dates, arising from the "Barber case".

27. Pension commitments (continued)

The following amounts are recognised in the statement of other comprehensive income:

Family Scheme change in comprehensive income	2023 £'000	2022 £'000
Experience (loss) on scheme assets	**(402)**	(22,192)
Experience (loss) on scheme liabilities	**(380)**	(2,703)
Actuarial gain due to the changes in assumptions of the DBO	**425**	22,017
Actuarial (losses)	**(357)**	(2,878)
Gain due to movement in the statement of financial position limitation	**857**	2,878
Gain recognised outside income and expenditure	**500**	–

Family Scheme sensitivity of defined benefit obligation to alternative assumptions as at 31 December 2023	Increase in surplus £'000
Discount rate – Effect of 0.5% increase	**2.0**
Inflation – Effect of 0.1% pa reduction	**0.3**
Long term impact of COVID-19 – Removing the allowance for long-term impact of COVID-19	**(0.3)**

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.

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.

27. Pension commitments (continued)

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 2022 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 2023 and 2022, 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 it is recoverable by the employer through reduced contributions for future pensionable service or refunds. Given that no refunds are expected and as no reductions in future service contributions are currently expected, the maximum asset that may be recognised is nil. 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.

Since the 2023 year-end, the trustees of the Scheme in consultation with the Society have implemented a new investment strategy and used the Scheme assets to secure a contract with the Society which matches the pension liabilities in a transaction known as a 'buy in'. While the Society remains legally responsible for the Scheme the transaction has removed the Society's exposure to funding and investment risks within the Scheme. The buy-in is separate to the existing buy-in, with an insurer outside of the Group, which has been in place since 2019.

Engage Scheme assumptions	**2023**	2022
Retail prices index inflation	**3.00%**	3.25%
Consumer prices index inflation	**2.20%**	2.45%
Revaluation in deferment	**2.20%**	2.45%
Pension increases:		
- pre April 1997 pension (Homeowners Friendly Society Limited)	**0.00%**	0.00%
- post April 1997 pension (Homeowners Friendly Society Limited)	**2.90%**	3.10%
- post April 2005 pension (Homeowners Friendly Society Limited)	**2.00%**	2.10%
- pre April 1997 pension (UKCS)	**3.00%**	3.00%
- post April 1997 pension (UKCS)	**3.60%**	3.70%
- post April 2005 pension (UKCS)	**3.60%**	3.70%
Salary growth	**N/A**	N/A
Discount rate	**4.50%**	4.80%
Life expectancy:		
- male aged 60 at the statement of financial position	**27.0years**	27.1 years
- male aged 60 in 2043 (20 years from balance sheet date)	**28.4years**	28.5 years

27. Pension commitments (continued)

Engage Scheme fair value of assets	**2023 £'000**	2022 £'000
Fixed interest gilts	**8,385**	3,770
Index linked gilts	**5,097**	6,480
Buy-in policy	**7,860**	7,422
Cash and net current assets	**538**	4,467
Other net assets	**162**	174
Total fair value of assets	**22,042**	22,313
Present value of defined benefit obligations	**(17,865)**	(17,481)
Pension surplus	**4,177**	4,832
Adjustment for asset limit	**(4,177)**	(4,832)
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	**2023 £'000**	2022 £'000
Opening defined benefit obligation	**17,481**	25,908
Past service cost	**–**	–
Interest on obligation on funds	**814**	497
Actuarial loss/(gain)	**643**	(8,121)
Benefits paid	**(1,073)**	(803)
Closing defined benefit obligation	**17,865**	17,481

27. Pension commitments (continued)

Changes in the fair value of the scheme assets are as follows:

Engage Scheme change in fair value	2023 £'000	2022 £'000
Opening value of scheme assets	**22,313**	33,672
Interest on scheme assets	**1,046**	649
Actuarial (loss)	**(244)**	(11,205)
Benefits paid	**(1,073)**	(803)
Closing value of scheme assets	**22,042**	22,313

The actual return on the Engage Scheme's assets over the year was a gain of £802k (2022: £10,556k loss).

Changes in the value of the asset limit are as follows:

Engage Scheme change in value of asset limit	2023 £'000	2022 £'000
Opening asset limit	**(4,832)**	(7,764)
Net interest on asset limit	**(232)**	(152)
Change to asset limit	**887**	3,084
Closing asset limit	**(4,177)**	(4,832)

There are no amounts included within income and expenditure under FRS 102 (2022: nil).

27. Pension commitments (continued)

The following amounts are recognised in the statement of other comprehensive income:

Engage Scheme change in comprehensive income	2023 £'000	2022 £'000
Experience (loss) on scheme assets	**(244)**	(11,205)
Experience (loss) on scheme liabilities	**(396)**	(958)
Actuarial (loss)/gain due to the changes in assumptions of the DBO	**(247)**	9,079
Actuarial (losses)	**(887)**	(3,084)
Gain due to movement in the statement of financial position limitation	**887**	3,084
Loss recognised outside income and expenditure	**–**	–

Engage Scheme sensitivity of defined benefit obligation to alternative assumptions as at 31 December 2023	Increase in surplus £'000
Discount rate – Effect of 0.5% increase	**0.7**
Inflation – Effect of 0.1% pa reduction	**0.1**
Long term impact of COVID-19 – Removing the allowance for long-term impact of COVID-19	**(0.1)**

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	2023 £'000	2022 £'000
Gain outside the income and expenditure account for the Family Scheme	**500**	–
Loss outside the income and expenditure account for the Engage Scheme	**–**	–
Total scheme change in comprehensive income	**500**	–

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 2023;
- No other member of his family was a member of the Group during 2023;
- Willis Towers Watson were paid fees for the year of £2,882k (2022: £1,875k) for the services of the Chief Actuary and other actuarial services. 2023 fees include £1,114k (2022: £238k) 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	**2023 £'000**	2022 £'000
Group and Society		
Family Asset Trust	**26,454**	28,104
Family Charities Ethical Trust – Accumulation Units	**18,030**	18,347
Family Balanced International Fund – Share Class A	**9,639**	9,985
Family Balanced International Fund – Share Class C	**17,983**	14,594
Family Balanced International Fund – Share Class F	**449,399**	480,725
OneFamily Global Equity Fund – Share Class C	**65,100**	56,300
OneFamily Global Mixed Investment Fund – Share Class C	**39,515**	36,120
OneFamily Stockmarket 100 Trust	**31,198**	29,103
Total	**657,318**	673,278

29. Related party transactions (continued)

During 2023, 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	**2023 £'000**	**2023 Units**	2022 £'000	2022 Units
Group and Society				
Family Charities Ethical Trust – Accumulation Units	**1**	**91**	69	7,781
Family Balanced International Fund – Share Class A	**–**	**–**	69	13,734
Family Balanced International Fund – Share Class C	**2,169**	**1,339,691**	2,833	1,742,354
Family Balanced International Fund – Share Class F	**157**	**34,727**	2,546	569,306
OneFamily Global Equity Fund – Share Class C	**8,338**	**7,052,187**	9,477	8,154,985
Total	**10,665**		14,994	

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
Buy-in	A buy-in is where an insurance company, on receipt of a premium from a pension scheme, issues an insurance policy. The policy covers a proportion of the scheme's liabilities, such as pensioners in payment
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 Promoter Score (NPS)	A measure used to gauge customer loyalty, satisfaction and enthusiasm with a company
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
Present Value of New Business Premiums (PVNBP)	This comprises: • the present value of future premiums (for insurance products) and direct debits (for investment products) that are expected to be received from new policies written during the year; • the present value of increased/new direct debits on existing investment policies; and • ad-hoc contributions made to investment products during the year
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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