

# Statement of Investment Principles

## For the Retirement Benefit Scheme of the NFU Mutual Insurance Society Limited

### 1 Introduction

#### 1.1 Background

This Statement of Investment Principles sets out the principles governing investment decisions for the Retirement Benefit Scheme of the NFU Mutual Insurance Society Limited (the "Scheme").

The Scheme offers both defined benefit (DB) and defined contribution (DC) benefits. This Statement covers the DC Section of the Scheme and the DB AVCs. It is a qualifying scheme for auto-enrolment purposes.

#### 1.2 Statutory Information

This Statement has been prepared in accordance with the requirements of sections 35, 36 and 56 of the Pensions Acts 1995 and 2004. The Trustee of the Scheme has considered written advice from the Trustee's DC Section investment consultants and has consulted with the Principal Employer in producing this Statement.

This document is a compendium of the DC Statements of Investment Principles for the Scheme. These Statements must cover a number of technical points to comply with legislation as well as meet the expectations of the Pensions Regulator and needs of the Scheme's Auditors.

The Trustee will publish the Statements of Investment Principles from 1 October 2019 and a statement each year from 1 October 2020 describing how these Statements have been followed in the last year.

#### 1.3 Statements of Investment Principles

The Trustee's Statements of Investment Principles for the DC Section of the Scheme contained in this document include the:

- 1 Statement of the aims and objectives for the default arrangement\*;
- 2 Statement of the aims and objectives for investment options outside the default arrangement\*;  
and
- 3 Statement of investment beliefs, risks and policies\*\*.

The Statement of Investment Principles for the DC Section of the Scheme \*\* comprises items 1, 2 and 3. The Statement of Investment Principles for the Scheme's default arrangement \*\*\* comprises items 1 and 3.

#### Appendices

1. Summary of Responsibilities
2. Summary of the Scheme's service provider
3. Investment implementation for the default arrangement and the investment options outside the default arrangement
4. Fees and Charges

*For the record*

\* In accordance with Regulation 2A(1) of the Occupational Pension Schemes (Investment) Regulations 2005.

\*\* In accordance with Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 as modified by subsequent Regulations and section 35 of the 1995 Act.

\*\*\* As required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015

The Trustee has taken proper written advice and consulted the Employer in the preparation of these Statements of investment Principles.

These Statements will be reviewed at least every three years or more frequently as required by the Regulations.

## 2 Statement of the aims and objectives for the default arrangement

The Trustee's overall objective is to invest contributions in the best interests of members and their beneficiaries.

The Trustee believes that understanding the demographics and likely attitudes to risk/reward of the members is essential to developing and maintaining an appropriate investment strategy. It is also believed that members typically seek to optimise the value of their retirement benefits from a given level of contributions, while aiming to protect the value of those benefits in the years approaching retirement against market falls and fluctuations in the costs of turning fund values into retirement benefits / retirement income streams.

### 2.1 Default Option

#### Reasons for Default Option

The Scheme has a Default Option because:

- It should be easy to become a member of the DC Section of the Scheme and start building retirement benefits without the need to make any investment decisions;
- It is believed that a proportion of the membership are either unengaged in or unable to decide where their DC pot should be invested;
- A significant proportion of the membership are expected to have broadly similar investment needs;
- The Scheme is a qualifying scheme for auto-enrolment purposes and is required by Regulations to have a Default Option; and
- The Trustee believes that the presence of an effective Default Option will help deliver good outcomes for members at and into retirement.

#### Choosing the Default Option

In choosing what is felt to be an appropriate default, the Trustee has taken into account a number of factors including: members' projected pot sizes at retirement, contribution levels, and the likely return on investment after the deduction of charges payable on the funds used by the Default Option.

The Trustee expects that a majority of members are expected to have sizeable pots at the point of their retirement. The vast majority of active members are expected to have a pot size more than £50,000 and around half are expected to have a pot size greater than £100,000. Deferred members are expected to have smaller pots.

The Trustee recognises that members may also have accrued benefits elsewhere.

Based on this, the Trustee believes most members will want to take their retirement benefits as income drawdown during retirement. Therefore, the Drawdown Lifestyle Strategy has been set as the Scheme's Default Option (full details are provided in Appendix 3).

The Default Option will be reviewed on a formal basis at least every three years, or if there is a material change in circumstances such as the demographics of the Scheme.

### Objectives of the Default Option

The main objective of the Default Option is to provide good member outcomes at retirement while subject to a level of investment risk which is appropriate to the majority of members who do not make active investment choices.

The Trustee believes that a lifestyle strategy is an appropriate default option. The principal objectives of the Default Option are:

- To manage the principal investment risks faced by an average member during their membership of the DC Section of the Scheme;
- To target the majority of members who are expected to use Flexible Access Income Drawdown ("FAD") during their retirement and take advantage of their tax free cash allowance; and
- To invest in funds which are expected over the long-term to deliver strong returns relative to inflation.

The expected levels of investment returns and risks for the funds used are consistent with the Trustee's objectives for the Default Option. The expected investment returns and approach to managing investment risks including financially material considerations such as climate change are described in section 4.

Full details of the Default Option are provided in Appendix 3.

### Temporary Default Arrangements

In some instances, it may be necessary for the Trustee to direct contributions towards a fund or strategy that differs from members' original selection. The Trustee will ensure that an alternative fund or strategy selected in this manner is consistent with the charge cap for default arrangements.

For example, in the event of a suspension of trading in a fund selected by members, the Trustee may deem that it is in members' best interests to redirect contributions to a cash fund. This approach provides security to members through the legal protections provided by Trust-based arrangements such as the Scheme, as well as a likelihood of preserving the value of contributions paid by members. In such instances once an issue such as suspension of trading in a fund is resolved, the Trustee will arrange with the Investment Manager for the re-investment of contributions into the fund or strategy originally selected by members.

In all instances of this nature, the Trustee will notify members of the issue and steps being taken to address this.

## 3 Statement of the aims and objectives for investment options outside the default arrangement

### 3.1 Alternative Lifestyle Strategies

In addition to the Default Option, the Trustee offers alternative Lifestyle Strategies to members. Full details of these strategies are provided in Appendix 3.

### 3.2 Self-select funds

The self-select fund range is provided for members who want to take an active part in choosing where their DC Pot is invested and complements the Default Option and the alternative Lifestyle Strategies.

### 3.3 Reasons for the investment options

In addition to the Default Option, the Scheme offers members a choice of investment options because:

- While the Default Option is intended to meet the needs of a majority of the Scheme's members, it may not meet the needs of a wider cross-section of members;
- Attitudes to investment risks and the need for investment returns will vary from member to member and will also vary for each member over time and, in particular, as they approach retirement;
- Members have differing investment needs and these needs change during their working lives; and
- Some members will want to be more closely involved in choosing where their contributions are invested.

### 3.4 Objectives

#### **The Lifestyle Strategies**

The main objective of the alternative Lifestyle Strategies is to give good member outcomes.

The Trustee believes that it is in the best interests of members in the alternative Lifestyle Strategies to:

- Manage the principal investment risks members face during their membership of the Scheme;
- Maximise investment returns relative to inflation while taking an appropriate level of risk during membership of the Scheme for members who do not otherwise make investment choices; and
- Give further choice for members who feel that the Scheme's Default Option is not appropriate to their needs, but do not otherwise want to be involved in deciding where their contributions are invested.

The alternative Lifestyle Strategies give members a choice compared to the Default Option of targeting cash at retirement or buying an annuity at retirement.

#### **The Self-Select Options**

The objectives of the self-select fund range is to:

- Provide a choice of individual funds for members who want to be more closely involved in choosing where their pension funds are invested;
- Complement the objectives of the Default Option and the alternative Lifestyle Strategies;

- Provide a broader choice of levels of investment risk and return;
- Provide a broader choice of investment approaches, including responsible investing funds;
- Help members more closely tailor how their pension funds are invested to their personal needs and attitude to risk; and
- Help members more closely tailor how their pension funds are invested to reflect the benefits they intend to take at retirement.

Nevertheless, the self-select fund range cannot be expected to cover all the investment needs of all members. Full details of the investment options are provided in Appendix 3.

## 4 Statement of investment beliefs, risks and policies

### 4.1 Introduction

This Statement sets out the investment beliefs and policies which guide the Trustee's decision making.

#### For the record

This Statement of investment beliefs, risks and policies should be read in conjunction with the Statements of the aims and objectives for both the default arrangement and the investment options outside the default arrangement. Collectively, these respectively form the Statements of Investment Principles for the Scheme and the default arrangement.

This Statement of investment beliefs has been prepared in accordance with the Occupational Pension Scheme (Investment) Regulations 2005 as amended by the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) Regulations 2019.

### 4.2 Investment beliefs

The Trustee's investment decisions are made in the context of its investment beliefs:

#### Policy and objectives

1. The Trustee believes that investment in assets expected to exceed price inflation and salary growth are most appropriate for longer-term investing.
2. The Trustee believes that members' attitudes to risk and circumstances should be considered when developing and maintaining an appropriate investment strategy.
3. Longer-term generally means 5 to 10 years but depends on the specific investment markets in which the Scheme participates.
4. The Trustee believes that environmental, social and corporate governance ('ESG') issues can, along with other factors, have a material impact on the long-term performance from the Scheme's investments. For example, companies that demonstrate better Environmental, Social and Governance ("ESG") characteristics are expected to outperform other companies, over the longer-term.
5. Engagement on specific ESG risks (such as climate change and executive pay) can be an effective way of supporting shareholder value. There may be occasions where disinvestment is more effective, accepting that this may be more challenging to achieve in relation to passively managed funds.
6. It is relevant for the Trustee to consider the Society's Responsible Investment policy when setting its own policy, and to communicate this to its members.

#### Strategy and structure

1. Members are mostly concerned with maximising investment returns when far from retirement and are expected to be more **concerned about risk as they approach retirement**.
2. Diversification is a desirable risk management tool for all stages within a default lifestyle strategy.

3. A majority of members will use their fund flexibly, rather than purchase an annuity at retirement, and are likely to have a longer time horizon before they take their benefits as a result, leading to a higher tolerance for investment risk as a result.
4. Recognising that members may wish to use their fund in different ways, and may have different ethical and religious views, a range of retirement options should be catered for, subject to demand from members. However, too much choice can lead to lack of decision making or poor choices in the absence of the right information.
5. Risks should be appropriately rewarded i.e. taking risks can be justified where the expected increase in investment return reflects the change in level of risk.
6. Financial and non-financial factors should be considered when determining the strategic and implementation options for DC members. Climate change is a key long-term financial risk to sustainability and achieving fund outcomes.

### **Implementation**

1. Passive management (i.e. tracking a benchmark index) can have a place within a default investment strategy and range of self-select funds.
2. Active management can have a place within a default investment strategy, provided any increase in charges is expected to improve value for members.
3. The DC Section investment managers should embed the consideration of both financial and non-financial (including ESG) factors into their investment process and decision making.
4. Investment managers may be better placed than the Trustee to consider ESG factors in day to day investment decisions, however the Trustee should assess whether the approaches taken are consistent with its own policy and in the interests of members.

### **Governance and monitoring**

1. The Trustee is responsible for ensuring that the Scheme's governance policies, including Responsible Investment, are adhered to. This should be supported by sufficient reporting from its investment managers, including reporting on ESG factors.
2. Manager performance should be assessed over an appropriate timeframe and after allowing for the impact of costs and charges.
3. Strong investment governance should be supported by effective Trustee training across all areas of the investment process, incorporating Environmental, Social & Governance (ESG) considerations.
4. There should be the ability for members to monitor progress against a pre-determined benefit target and adjust their investment risk and contributions as appropriate.



## 4.3 Investment Risks

### Principal risks

The principal investment risks which most members face are:

**Inflation risk** – The risk that the investment returns over members' working lives will not keep pace with inflation and do not produce adequate retirement benefits.

For members further from retirement, the Default Option and alternative Lifestyle Strategies invest in return-seeking assets during the accumulation phase, which are expected to produce returns well in excess of inflation over the longer-term. These funds are also included in the self-select fund range. Approaching retirement, the impact of this risk needs to be balanced against the other main risks members face.

**Benefit conversion risk** – The risk that market movements in the period just prior to retirement lead to an increase in the cost of turning members' fund values into retirement benefits.

For members planning to take cash at retirement, the Cash Lifestyle Strategy switches into a cash fund during the de-risking phase and the self-select range offers a fund investing in cash deposits and other short-term interest bearing securities providing a high degree of (but not complete) capital security.

For members planning to use income drawdown during their retirement, the Default Option (the Drawdown Lifestyle Strategy) maintains assets in return seeking investments up to the point of retirement and introduce a holding in cash in the three years running up to retirement. The self-select range also offers such funds.

For members planning to buy an annuity at retirement, the Annuity Purchase Lifestyle Strategy switches into gilt and cash funds during the de-risking phase and the self-select fund range offers funds investing in longer-dated bonds, which may be expected to broadly follow movements in annuity rates caused by interest rate changes as retirement approaches.

**Volatility/Market risk** – The risk that adverse movements in investment market values in the period prior to retirement lead to a reduction in the anticipated level of benefits.

All of the lifestyle strategies introduce an element of cash in the final years before retirement which will help to mitigate losses in other markets. The remainder of portfolios are invested in a mix of assets which helps to spread risk, although there is no absolute return focus in the funds used in the lifestyle strategies.

### Other investment risks

Other potentially material investment risks which members may face include:

**Counterparty risk** – The risk that counterparties holding derivative based assets may default leading to a reduction in a fund's value.

The Trustee, in conjunction with its investment managers, manages counterparty risk by investing in pooled funds that offer suitable counterparty protection.

**Active management risk** – The risk that an investment manager delivers investment returns below investment markets generally, taking into account the risk taken by the manager.

The Trustee recognises that an actively managed fund may not deliver performance in line with the fund's objectives / agreed benchmarks. The Trustee regularly monitors fund performance in order to monitor this risk.

**Liquidity risk** – The risk that funds which invest in more illiquid assets will not be able to accept investments or disinvestments requested by the Trustee and/or members.

The Trustee is satisfied that the pooled funds in which it invests usually have sufficient liquidity and may be realised quickly if required. Member communications will warn members where funds, such as those investing in property, may occasionally impose constraints on liquidity.

**Diversification risk** – The risk that a lack of diversification in the fund offering, and also within the funds themselves, increases the risk exposure for members. See section 4.6 for further comment on diversification.

**Environmental, Social and Governance (ESG) risks** – The risk that ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

The Trustee has a policy on ESG risks, and will take additional actions to accommodate these risks, such as communicating to members its Responsible Investment policies and also ensuring managers maintain compliance with these policies. The Trustee monitors this on an ongoing basis.

**Climate risk** – The risk that climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to: policy change, physical impacts and the expected transition to a low-carbon economy.

The Trustee has a policy on ESG and climate risk and monitors climate risk on an ongoing basis, making changes as and when necessary.

### **Managing investment risks**

The Trustee has developed and maintained a framework for assessing the impact of all investment risks on long-term investment returns.

### **Time horizon**

The Trustee monitors the age profile of the Scheme's membership to arrive at an appropriate investment horizon for different groups of members when considering all investment and financially material risks:

- The Scheme is open to new entrants with no specific minimum age. However, the minimum legal age for individuals to take up employment and hence entitlement to join the Scheme is age 16;
- As a result, investment risks need to be considered over a 44-year time horizon;
- A majority of members are expected to take income drawdown in retirement;
- As a result, investment risks for a majority of members who are approaching retirement need to be considered over a time horizon of at least 15 years, reflecting a period from age 60 to age 75 i.e. the period from NRD to when annuity rates may be expected to become attractive
- Some members may choose to buy an annuity from age 55 and investment risks for this group need to be considered carefully. There may be a difference between the member's time horizon

and the time horizon for underlying investments which are expected to reflect the maturity profile (and interest rate sensitivity) of the assets backing an insurer's annuity business.

### **Principal investment risks**

The Trustee believes that taking investment risk is usually rewarded in the long-term, while asset allocation (i.e. the choice between asset classes, such as equities and bonds) is the key tool for managing the balance between risk and return.

To help mitigate the principal investment risks, the Trustee offers the Default Option and alternative Lifestyle Strategies which include a spread of assets. These strategies manage the risk as members grow older by automatically switching from funds which are expected to give long-term growth relative to inflation into funds whose values should fluctuate less in the short-term relative to the benefits members are expected to take at retirement. The Trustee believes that the investment options available are appropriate for managing these risks.

The self-select fund range provides members with a choice of funds with differing risk and return characteristics which are expected to meet the investment needs of a majority of members.

### **Ability to invest/disinvest promptly**

The Trustee recognises that it is important that members' contributions can be invested promptly in selected investment funds and that these can be sold promptly for example when members wish to change where they are invested, transfer to another arrangement or if they wish to draw on their pension pot. The Trustee manages this risk by selecting pooled investment funds which can be dealt on a daily basis. The investment manager is responsible for monitoring the ability for members to invest and disinvest promptly and is expected to notify the Trustee if a situation develops whereby there is any restriction on the ability for members to do so. For example, this situation could occur in the event of significant economic uncertainty impacting on the ability for fund managers to value the underlying assets.

### **Other investment risks**

The Trustee manages the other investment risks as part of the process for selecting and ongoing monitoring of the funds used by the Scheme.

The funds used give a good spread of investments which will help manage risks associated with market conditions, fund manager actions and default.

At this time, the Trustee has not made explicit allowance for climate change within the development or implementation of its investment strategy. The Trustee does discuss the potential impact of climate risks with its adviser and managers on a periodic basis and will monitor developments in this area.

## **4.4 Financially material considerations**

The Trustee recognises that the consideration of financially material considerations, including ESG factors and climate risk, are relevant to the development, selection and monitoring of the Scheme's investment options.

### **Implementation**

The Scheme uses standard pooled funds offered by investment providers and fund managers. The Trustee nevertheless seeks to manage financially material considerations to protect long-term returns by:

- Choosing fund managers who have clearly articulated policies for managing financially material considerations including climate change;

- Considering the extent to which ESG issues including climate risk, where relevant, are integrated into the fund managers' investment processes and are satisfied that the fund managers follow an approach which takes account of financially material factors;
- For actively managed funds (where the fund manager decides where to invest), expect the fund managers to take financially material considerations into account when selecting which companies and markets to invest in;
- For passively managed funds, the Trustee recognises that the funds' objectives are to deliver returns in line with its benchmark (which may or may not take into account ESG factors), which the Trustee believes will deliver appropriate risk adjusted returns. The Trustee will review the index benchmarks employed for the Scheme on at least a triennial basis;
- For all funds, expect fund managers to engage with a significant proportion of the companies in which the fund invests to encourage business strategies which should improve or protect the value of those investments; and
- Prefer fund managers who are signatories to the Financial Reporting Council's Stewardship Code in the UK and the United Nations supported Principles for Responsible Investment.

**Expected returns on investments:**

The expected returns on the principal asset classes and fund types within the Scheme are:

<b>Asset Class</b>	<b>Expected Return</b>
<b>Equities</b>	Should achieve a strong positive return relative to inflation over the longer-term but tend to be the most volatile asset class over the shorter-term.
<b>Property</b>	Should achieve a positive return relative to inflation over the longer-term which is lower than that for equities, but with a lower level of shorter-term volatility than equities.
<b>Corporate Bonds</b>	Should achieve a positive return relative to inflation over the longer-term which is lower than that for equities and property, but with a lower level of shorter-term volatility than equities or property.
<b>Fixed Interest Government Bonds (Gilts)</b>	Should deliver a positive return relative to inflation over the longer-term which is lower than that of equities, property and corporate bonds, but with a lower level of shorter-term volatility than equities, property and corporate bonds.
<b>Index-linked Government Bonds (Index-Linked Gilts)</b>	Should deliver a return in line with inflation over the longer-term, but with a lower level of shorter-term volatility than equities, property and corporate bonds (with similar term).
<b>Cash</b>	Should deliver a positive return which may not always keep pace with inflation, while normally providing a minimal level of volatility and high degree of capital security. In some situations, e.g. due to low interest rates, a cash fund can produce a negative return net of charges. However, the volatility associated with investment in cash is expected to remain minimal.
<b>Long-dated Government Bonds (Gilts) and long-dated Corporate Bonds</b>	Values should move broadly in line with the financial factors influencing annuity rates.
<b>Multi-Asset Funds</b>	Invest in a varying mix of asset classes with an objective of delivering a target level of positive returns relative to inflation over the longer-term, with a target level of shorter-term volatility lower than equities.
<b>Responsible Investment</b>	i.e. funds selecting assets to mitigate ESG and/or climate change risks. The strategy of these funds is expected to give a better risk adjusted return over the long-term than the broader market for the type of assets involved (e.g. equities).

**4.5 Non-financial factors**

The Trustee recognises that some members will have strong personal views or religious convictions that influence where they believe their savings should, or should not, be invested.

The Trustee has conducted periodic surveys to ascertain members' views on non-financial factors relating to the Scheme's investments, most recently in 2022. Nevertheless, while the Trustee will bear members' views in mind when reviewing the suitability of the Scheme's investment options and choice of funds used, the Trustee will not be bound by the members' views (for instance where it is uneconomic or impracticable to do so).

The Trustee notes that non-financial factors can affect various investment risks which are borne by members and may under-perform other funds with broader-based investment approaches.

Fund managers are otherwise only expected to take non-financial factors into account when these do not conflict with the financial interests of members and the Scheme's investment objectives.

Managers are challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

#### 4.6 Investments held

The Scheme invests through pooled investment vehicles considered appropriate for tax-exempt approved occupational pension schemes. These funds may invest in quoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, cash, commercial and residential property.

The Default Option and alternative Lifestyle Strategies use funds across asset classes and across the risk/reward spectrum. The self-select fund range offers members a choice of funds across asset classes and across the risk/reward spectrum.

The Trustee believes that both active and passive management have a place in defined contribution arrangements.

The Trustee considers that all of the stated asset classes are suitable investments for the Scheme, while the use of pooled funds enables a balance of investments to be held at a security level within each asset class or fund.

The Scheme uses funds provided through an operator of collective investment funds. This enables the Scheme to invest in a range of funds giving a good spread of investments in a cost-effective manner. It does mean that the Trustee has delegated day to day investment decisions including the management of financially material considerations to the fund managers.

#### **Manager incentives**

The Trustee expects that it will be in the fund managers' interests to produce growth in asset values in line with the funds' investment objectives. For passively managed funds this should be within an acceptable margin of the index the fund tracks. For actively managed funds the investment return should be commensurate with the level of investment risk implied by the fund's objectives.

When selecting funds, the Trustee will ask its investment advisor to consider the investment managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Scheme's members.

In accordance with the 2015 Regulations, the Trustee conducts an annual Value for Members assessment and will take action should the fund managers be found to be giving poor value. In

In addition, in accordance with guidance from the Pensions Regulator, the Trustee will periodically review the Scheme's choice of fund managers to ensure their charges and services remain competitive. The Trustee believes that these steps are the most effective way of incentivising the fund managers to deliver Value for Members, of which investment management charges and investment performance are key considerations.

The Trustee also undertakes a review at least every three years in which the appropriateness of the investment options and the suitability of the Scheme's investment management arrangements is also considered.

The Trustee monitors the investment managers against a series of metrics on a quarterly rolling annual basis over a long-term time horizon of 5 years including:

- Performance of their funds' respective benchmarks or performance targets;
- Relative tracking error where appropriate;
- The exercise of stewardship responsibilities (including engagement with issuers); and
- The management of risks.

The fund managers are expected to provide explanations for any significant divergence from a fund's objectives. A material deviation from performance and risk targets or approach to portfolio management is likely to result in the fund being formally reviewed.

#### **Portfolio turnover**

The Trustee does not expect investment managers to take excessive short-term risk and will monitor the investment manager's performance against the benchmarks and objectives on a short, medium and long-term basis.

For passively managed funds the turnover of holdings is driven by changes in the index a fund seeks to track and hence is outside the control of the investment manager except where a fund's total assets under management are relatively small, where the investment manager does not fully replicate the index or where a fund invests in less liquid stocks.

When selecting actively managed funds, the Trustee will consider, with the help of its investment advisers, the expected level of turnover commensurate with a fund's investment objectives, the investment manager's investment processes and the nature of the fund's assets.

Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee will ask the fund managers to report on at least an annual basis on the underlying assets held within funds with details of any transactions and turnover costs incurred over the Scheme's reporting year. The Trustee will seek to compare portfolio turnover and the resultant costs against peer groups subject to availability of appropriate industry data to support comparisons.

Where a fund has significantly under or outperformed its benchmark, the Trustee will seek to ascertain where necessary whether higher or lower than normal turnover has been a contributory factor. The Trustee will challenge the fund managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

#### **Portfolio duration**

The Trustee recognises the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Scheme members' investment horizon. The Trustee will carry out necessary due diligence on the underlying investment

decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the objectives for the related investment option.

The Trustee expects that each fund will be used for at least three years, this being the period over which performance of the fund can be appropriately evaluated and the costs of change amortised, although all funds are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

### **Security of assets**

The funds are provided through an operator of collective investment funds. As a result, the value of the funds may be affected in the event of the operator getting into financial difficulties.

The underlying funds provided via the operator are accessed through reinsurance agreements/unit purchase agreements/segregated investment mandates. In the event of a fund manager getting into financial difficulties, the values in these underlying funds will depend upon the nature of the contract with the operator and the fund vehicles used by the fund managers.

### **Realisation of investments**

Funds need to be sold to make payments of benefits and to undertake fund switches either in accordance with the Lifestyle Strategies or as requested by individual members. The Trustee normally expects the investment manager to be able to realise the Scheme's funds within a reasonable timescale. The Trustee recognises that the investment managers may at times need to impose restrictions on the timing of purchases and sales of funds (most notably investing in property) in some market conditions to protect the interests of all investors in a fund.

Nevertheless, the Trustee recognises that most members' pension funds have a long investment timeframe, during which assets which are less easily traded (such as property or infrastructure) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement.

### **Diversification**

Given the size and nature of the Scheme, the Trustee invests on a pooled fund basis, which is undertaken through investment managers. The investment managers are expected to maintain diversified portfolios subject to the respective benchmarks and guidelines, and any restrictions imposed on the underlying holdings.

The Trustee is satisfied that the range of funds used by the Scheme provide adequate diversification within and across asset classes.

### **Member attitude to risk**

The Trustee recognises that:

- Members have differing investment needs and that these needs change during the course of their working lives; and
- Attitudes to investment risks, and the need for investment returns, will vary from member to member and will also vary for each member over time, in particular as they approach retirement.

As a result, the Trustee believes that a range of investment options should be offered to members.

The Trustee believes it is in the best interests of members to offer a default strategy which manages the principal investment risks members face during their membership of the Scheme. The Default



Option is therefore a lifestyle strategy which the Trustee believes is broadly appropriate to the needs of a majority of the membership. Details on the reasons for the Scheme having the current Default Option, as well as the objectives of the Default Option, can be found in section 2.1.

### **Member benefit choices at retirement**

Members potentially now have a choice at retirement of:

- Taking cash at retirement;
- Taking Uncrystallised Funds Pension Lump Sums ("UFPLS") for several years into retirement;
- Using Flexible Access Income Drawdown ("FAD") during their retirement; or
- Buying an annuity at retirement or several years into their retirement.

The Trustee has considered which of these flexibilities will be offered to members. Currently cash together with a single UFPLS in the early years of retirement will be provided within the Scheme, but members wanting to use FAD and perhaps buy an annuity at a later date need to transfer their DC Pot to an arrangement outside the Scheme.

The Trustee believes that members' choices of benefits at retirement will be strongly influenced by:

- The size of their DC Pot in the Scheme;
- The size of their deferred benefits from previous occupational pension schemes (especially defined benefits) and workplace group personal pension plans.
- Other sources of income including non-pension savings and partner's pension provision.

In practice, the Trustee can only reliably take the likely size of members' DC Pots in the Scheme into account. The Trustee believes that a typical member, without significant sources of income outside the Scheme, could be expected to act mostly as follows:

- Small pots – would be taken as cash or UFPLS over a few years in retirement.
- Medium sized pots – would be taken as UFPLS over several years in retirement or buy an annuity at retirement.
- Larger pots – would be taken as Cash at retirement and FAD during retirement, although some may use part of their DC Pot to buy an annuity at, or some years into, retirement.

The Trustee believes that it is in the best interests of members to have a default arrangement that targets the method by which the majority of members are expected to take retirement benefits. Currently the Trustee expects the majority of members will use their pot at retirement to access FAD and so the Default Option is designed to have a portfolio of assets at the point of retirement that maintains assets in return seeking assets.

## 5 Stewardship policies

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with fund managers and the monitoring of compliance with agreed policies.

The Scheme offers members the Default Option and a choice of alternative Lifestyle Strategies and self-select funds. The Trustee's stewardship activities are focused on the Default Option which is used by the largest number of members and accounts for the majority of the Scheme's DC assets.

### 5.1 Members' financial interests

The Trustee has requested and expects that the investment managers have the financial interests of the members as their first priority when choosing investments.

### 5.2 Voting and Engagement

The Trustee believes that engagement with the companies in which the Scheme invests, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Scheme's investments.

The Scheme invests via funds which are pooled with other investors to keep costs down and ensure adequate diversification. As a result, the Trustee has adopted a policy of delegating voting decisions on stocks to the underlying fund managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. The fund managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the Trustee has reviewed the voting and engagement policies of the fund managers and determined that these policies are appropriate. On an annual basis, the Trustee will request that the fund managers provide details of any change in their house policy.

Where appropriate, the Trustee will engage with and may seek further information from fund managers on how portfolios may be affected by a particular issue.

The Trustee does not engage directly but believes it is sometimes appropriate for the fund managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to its investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustee will request, where appropriate and practicable, that the fund managers notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement. The Trustee aims to review engagement activity undertaken by the fund managers as part of its broader monitoring activity.

## 6 Monitoring policies

### 6.1 Investment Performance

The Trustee regularly reviews the performance of each fund in which the Scheme invests against its stated performance objective. This will also include monitoring the levels of portfolio turnover in the event that significant under or out-performance occurs.

### 6.2 Default Option

The Trustee monitors the suitability of the objectives for the Default Option and the performance (after the deduction of charges) of the Default Option against these objectives at least every three years and without delay after any significant change in: (i) investment policy; or (ii) the demographic profile of the membership.

### 6.3 Alternative Lifestyle Strategies

The Trustee monitors the suitability of the objectives for the alternative Lifestyle Strategies and the performance (after the deduction of charges) of the alternative Lifestyle Strategies against these objectives at least every three years and without delay after any significant change in: (i) investment policy; or (ii) the demographic profile of the membership.

### 6.4 Charges

The charges for the investment options borne by members (expressed in terms of each fund's "Total Expense Ratio") are monitored by the Trustee annually to ensure that they represent "value for money" relative to the needs of the membership.

The Scheme is a qualifying scheme for auto-enrolment purposes. The Trustee regularly monitors the compliance of the Default Option with the charge cap introduced by the Pensions Act 2014, which applies from April 2015.

Details of the current charges are set out in Appendix 4 to this Statement.

### 6.5 Transaction costs

The Trustee will monitor the funds' transaction costs to ensure that they are reasonable and represent value for money to members.

### 6.6 Investment process

The Trustee monitors the processes whereby contributions in respect of members are invested in and money is disinvested from the investment options to pay benefits.

### 6.7 Voting

The Trustee regularly monitors and reviews the fund managers' records of exercising shareholder voting rights and engaging with equity and bond issuers on matters which may materially affect the value of investments.

The Trustee expects the fund managers to adhere to their stated voting and engagement policies, engage with companies where concerns are identified and to report on these issues on a regular basis. The Trustee requests and reviews reports from the fund managers on their voting and engagement activity in conjunction with their investment adviser on at least an annual basis. This information will be used as a basis for discussion with fund managers. The Trustee will also periodically review the fund managers' voting patterns and may also monitor voting on particular companies or issues affecting more than one company.

The Trustee reviews the fund managers' voting activity on an annual basis. Where the Trustee deems it appropriate, any issues of concern will be raised with the manager for further explanation.

The Trustee aims to meet with all fund managers on a regular basis. The Trustee will provide the fund managers with an agenda for discussion, including issues relating to individual holdings voting record and, where appropriate, ESG issues. Managers are challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

#### 6.8 Chair's statement

The Chair's statement confirms the results of the monitoring during the preceding year. The first such statement was included in the Annual Report and Accounts for the year ending 31 December 2015

#### 6.9 Implementation statement

The implementation statement confirms how the Trustee has adhered to the policies set out in this document during the preceding year. The first such statement was published to the Trustee's website for the year ending 31 December 2020.

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## 7 Governance

### 7.1 Trustee's Powers

The Trustee will always act in the best interests of the members and will assess the suitability of different types of investments to meet the needs of members.

### 7.2 Responsibilities

The key responsibilities in connection with the governance of the Scheme are set out in Appendix 1.

### 7.3 Conflicts of interest

The Trustee maintains a register of interests of each of the Trustee Directors and their advisers. This register is reviewed at each Trustee meeting to ensure that any potential conflicts between stakeholders are identified in a timely manner and dealt with appropriately.

In the event of a conflict of interests, the Trustee will need to ensure that contributions for the Default Option are invested in the sole interests of members and beneficiaries.

The Trustee regularly monitors and reviews instances where the actions of the fund managers may be in conflict with the best interests of the Scheme's members.

### 7.4 Communication

The Trustee communicates regularly with all stakeholders to ensure that they are aware of the Trustee's responsibilities in relation to investment. This includes the following:

- Consulting the Principal Employer on the content of this Statement;
- Providing communications to Scheme members;
- Producing the Annual Report and Accounts which includes the Chair's statement;
- Producing the Implementation statement;
- Completing an annual return to the Pensions Regulator;
- Meeting regularly with the investment consultants, investment managers and the administrator;
- Providing a range of literature to assist members in making their investment decisions. In addition, members should be provided access to factsheets for each fund showing the latest asset allocation and past performance.

### 7.5 Service Providers

Details of the current service providers and investment managers to the Scheme are set out in Appendix 2 to this Statement.

### 7.6 Fees

Details of the current fees for the Scheme's service providers and funds are set out in Appendix 4 to this Statement.

## 8 Review of Statement

This Statement of Investment Principles was reviewed in March 2022.

Signed on behalf of the Trustee of the Scheme:

Name
B Duffin

Date
20 <sup>th</sup> June 2022

Name
K Davies

Date
20 June 2022

### **For the record**

The Trustee obtains and considers proper advice from suitably experienced and qualified persons when choosing investments and preparing the Statement of Investment Principles.

Funds are chosen by the Trustee to give an expected level of return with an appropriate level of investment risk which meets the objectives of each default arrangement and other investment options.

The funds used at each stage of the default arrangement and the alternative lifestyle options are intended to deliver good member outcomes at retirement from an appropriate balance of investment growth relative to inflation and the then pertinent investment risks.

The DC Section of the Scheme invests through pooled investment vehicles considered appropriate for tax-exempt approved occupational pension schemes. The fund managers use a variety of different legal vehicles for their funds. The funds may invest in quoted and unquoted securities traded in regulated UK and overseas markets:

- Equities (company shares);
- Fixed interest and index-linked bonds issued by governments and companies;
- Cash and other short-term interest-bearing deposits;
- Commercial and residential property;
- Illiquid assets including infrastructure, forestry, private equity and private debt;
- Commodities through collective investment vehicles; and
- Derivatives to facilitate changes in where funds are invested or to help control investment risks.

Funds provided through a life insurance company must comply with the Financial Conduct Authority ("FCA") "Permitted Links" rules, which place limits on the degree of leverage a fund can use. Fund managers using other fund vehicles subject to the European "UCITS IV" and the FCA's "Non-UCITS" regulations have to meet requirements on the security and concentrations of assets. Exchange Traded Funds may be used directly or indirectly to gain access to less easily traded and illiquid asset classes.

Subject to the funds' benchmarks and guidelines, the fund managers are given full discretion over the choice of securities and, for multi-asset funds, choice of asset classes. Fund managers are expected to maintain well-diversified and suitably liquid portfolios of investments.

The Trustee considers that these types of investments are suitable for the DC Section of the Scheme. The Trustee is satisfied that the funds used by the DC Section of the Scheme provide adequate diversification both within and across different asset classes.

## Appendix 1 - Responsibilities

### Trustee

<b>The Trustee's primary investment responsibilities:</b>
Operating the Scheme in accordance with its Trust Deed and Rules.
Ensuring that the investment options are suitable for the DC Section of the Scheme's membership profile.
Preparation of the Statement of Investment Principles and reviewing the content of the Statement and modifying it if deemed appropriate, in consultation with the Principal Employer and the investment consultants.
Appointing investment consultants and other advisors as necessary for the good stewardship of the DC Section of the Scheme.
Appointing the investment managers who invest the Scheme's assets. Having taken advice from the DC Section of the Scheme's investment consultants, the Trustee is satisfied that the appointed investment managers have sufficient experience and expertise to carry out their role.
Assessing the performance, charges and processes of the investment managers by means of regular, but not less than annual, reviews of investment performance and other information, with the investment consultants.
Monitoring compliance of the investment arrangements with this Statement on a regular basis.
Preparing an annual Chair's statement and Implementation statement for inclusion in the Annual Report and Accounts.

### Investment Consultants

<b>The investment consultants' main responsibilities:</b>
Assisting the Trustee in the preparation and annual review of this Statement in consultation with the Principal Employer.
Providing advice to the Trustee on default strategy, alternative lifestyle strategies and the self – select fund range.
Undertaking project work including reviews of investment strategy, investment performance and manager structure as required by the Trustee.
Providing general advice in respect of the Scheme investment activities in respect of the DC Section.
Providing views on the investment managers used by the DC Section of the Scheme and assists the Trustee in the selection and appointment of appropriate investment managers when necessary.
Providing training or education on any investment related matter as and when the Trustee sees fit.



### Investment Managers

All day-to-day investment management decisions have been delegated to the Investment Managers authorised under the Financial Services & Markets Act 2000.

The investment managers' main responsibilities:
Ensuring that investment of the DC Section of the Scheme's assets is in compliance with prevailing legislation and within the constraints detailed in this Statement.
Investing in the funds selected by the Trustee.
Attending meetings with the Trustee as and when required.
Informing the Trustee of any changes in the internal performance objective and guidelines of any pooled fund used by the DC Section of the Scheme as and when they occur.
Exercising voting rights on share holdings in accordance with their general policy.
Following its general policy on socially responsible investment.

### Administration

The administrator's main investment related responsibilities:
The prompt investment and reconciliation of contributions.
Undertaking switches between funds as required.
Operating the Default Option and alternative Lifestyle Strategies.
Maintaining records of the members' investments.
Realising investments to pay benefits.
Providing members with annual benefit statements.

### Custodian

The custody arrangements are those operated by the investment managers for all clients investing in their funds. The custodians are responsible for ensuring the security of the Funds' underlying assets and recording sales and purchases of the Funds' underlying assets.

### Employer

The Employer is responsible for paying the contributions and for providing support to the Trustee to help govern the Scheme.

### Members

Members are responsible for choosing the investment options in which contributions are invested, consistent with their tolerance of risk, likely benefits at retirement and their level of understanding and ability to take investment decisions.

## Appendix 2 – Service Providers

The Trustee has appointed the following service providers:

Service	Service provider
Investment consultancy	Hymans Robertson LLP
Investment management	The National Farmers Union Mutual Insurance Society Limited ("NFU Mutual"); Legal & General Investment Management Limited ("LGIM").
Custody	As appointed by the investment managers
Administration	Trafalgar House

## Appendix 3 – Investment Options

### Funds used in Default Option and Alternative Lifestyle Strategies

The following funds are used as part of the Default Option and Alternative Lifestyle Strategies.

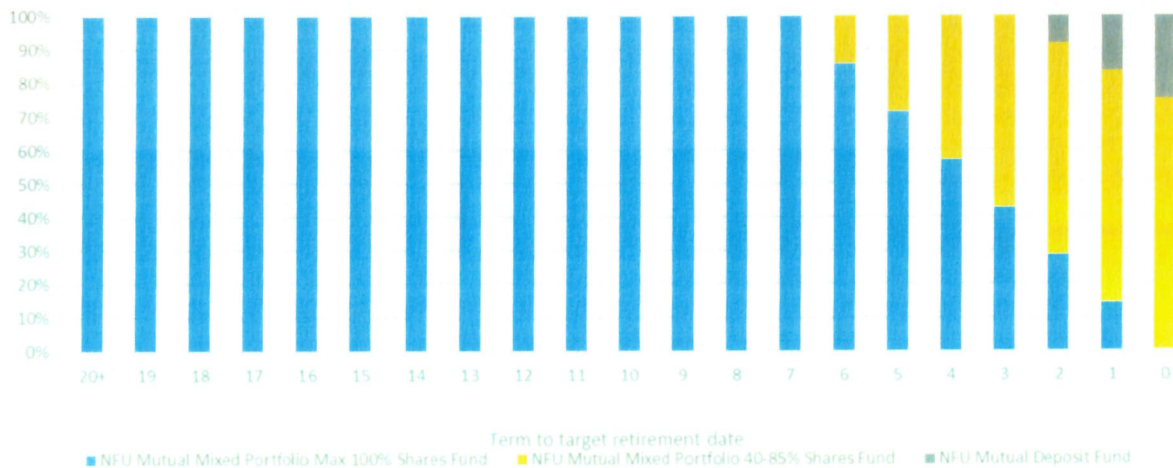
Fund name	Objective	Asset classes	Management style
NFU Mutual Mixed Portfolio Max 100% Shares Fund	Aims to achieve long-term growth. It invests in a combination of NFU Mutual's funds, to maintain a spread across different types of investment. This fund can invest up to 100% in equities.	Shares/ Property/ Cash/ Bonds	Active
NFU Mutual Mixed Portfolio 40 – 85% Shares Fund	Aims to achieve long-term growth. It invests in a combination of NFU Mutual's funds, to maintain a spread across different types of investment. This fund can invest up to 85% in equities.	Shares/ Property/ Cash/ Bonds	Active
NFU Mutual Deposit Fund ("Cash")	To invest in secure UK money market accounts for competitive rates of interest.	Cash	Active
L&G Over 15y Gilt Index Fund ("Gilts")	Invests in longer dated bonds issued by the UK Government. Aims to perform in line with the long dated gilt market.	Bonds	Passive

### Default Option

#### Drawdown Lifestyle Strategy

This strategy is designed for members who are unlikely to buy an annuity at retirement and are more likely to draw down regular cash lump sums instead.

This strategy invests in the NFU Mutual Mixed Portfolio Max 100% Shares Fund with the aim of growing members' assets in real terms until 7 years before retirement. From 7 years to retirement, members' assets are gradually invested in the NFU Mutual Mixed Portfolio 40-85% Shares Fund with a 25% allocation to cash introduced in the final 3 years before a member's target retirement age. This has been designed assuming a member takes advantage of the 25% tax-free cash allowance at retirement, with the remaining 75% invested in a manner consistent with the investment strategy of a typical income drawdown portfolio (as much as this is possible).

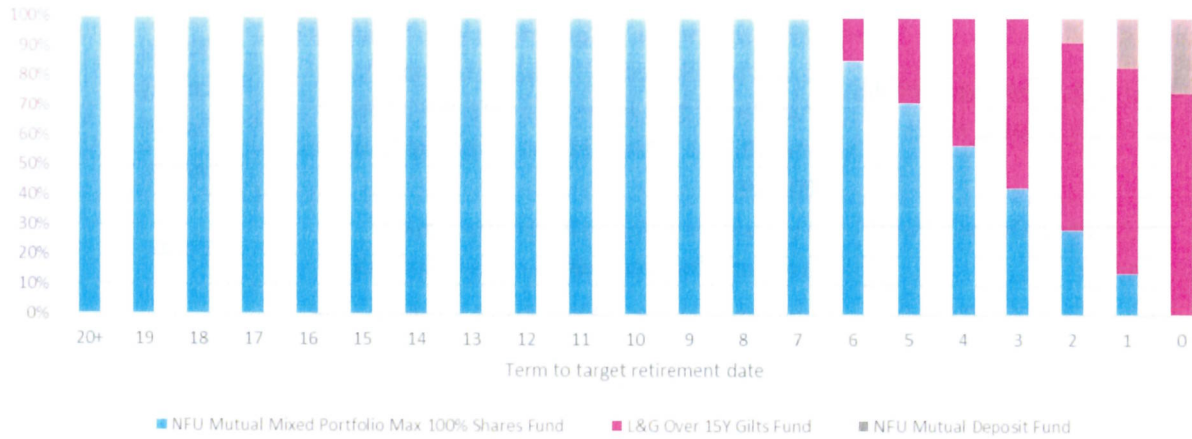


Retirement Portfolio Strategy

**Annuity Purchase Lifestyle Strategy**

This strategy is designed for members who are likely to buy an annuity at retirement.

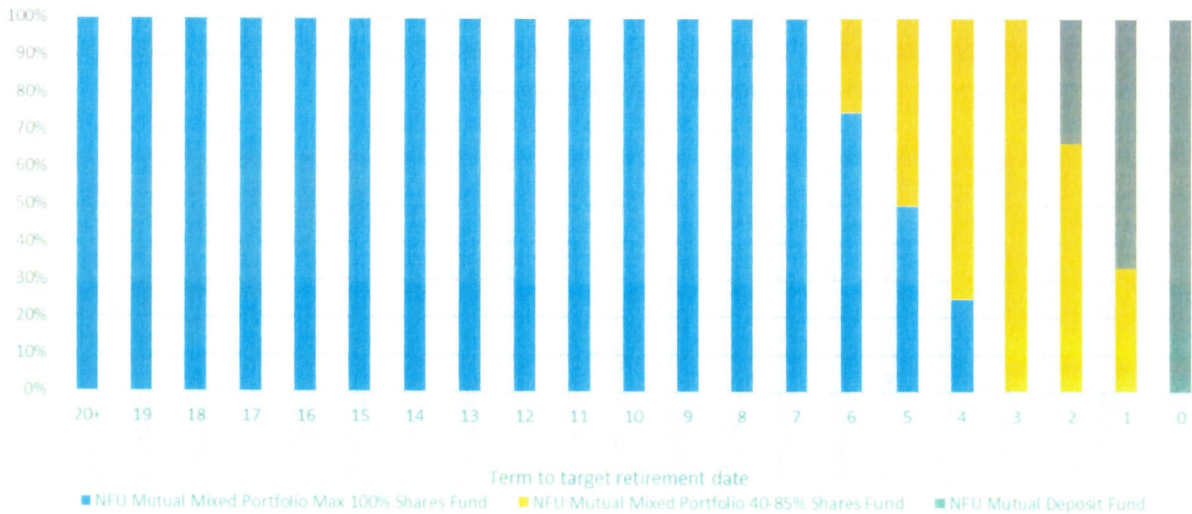
This strategy invests in the NFU Mutual Mixed Portfolio Max 100% Shares Fund until 7 years from a member's target retirement age. It then begins to de-risk gradually into a long-dated gilt fund and from 3 years from a member's target retirement age also de-risks into cash, so that at the point of retirement a members' assets are invested 75% in gilts and 25% in cash. This is designed assuming a member takes advantage of the 25% tax-free cash allowance at retirement, with the remaining 75% targeting the purchase of a fixed annuity at retirement (providing protection from annuity conversion risk in the run up to retirement).



**Cash Lifestyle Strategy**

This strategy is designed for members who will likely take their entire pot as cash at retirement.

This strategy invests in the NFU Mutual Mixed Portfolio Max 100% Shares Fund until 7 years before retirement. From 7 years before retirement members' assets are gradually moved to the NFU Mutual Mixed Portfolio 40-85% Shares Fund, then into 100% cash in the final 3 years before a member's target retirement age.



There are a number of legacy lifestyle strategies which are no longer available for members to select from. These include:

- Annuity Purchase Lifestyle Strategy (Pre 2022)
- Cash Lifestyle Strategy (Pre 2022)

Although these are no longer available as choices for members to select from, the underlying funds are considered in the context of the Trustee's overall governance of the investment arrangements.

#### **Additional notes**

Active members can select their own target retirement age for the Default Option and alternative Lifestyle Strategies, failing which the target age of the option defaults to age 60. Deferred members cannot select a target retirement age greater than age 60, and if they have become deferred after age 60, then their date of leaving is treated as their retirement date, and any lifestyle option is switched to the appropriate allocation at the next quarterly lifestyle date.

Members cannot invest concurrently in self-select funds and a lifestyle strategy or more than one lifestyle strategy.

#### **Legacy DB Additional Voluntary Contributions (AVCs) arrangement**

The Scheme has a legacy DB AVC arrangement. Prior to 31 December 2016, DB members who wished to pay AVCs into the DC Section of the Scheme were eligible to do so.

This was usually when DB members had exceeded the 15% contribution limit to the DB AVCs arrangements i.e. the Group or the Deposit AVC. In addition, DB members who transferred benefits into the Scheme from a previous arrangement would have had the transfer-in set up as a DC pot within the DC Section of the Scheme, rather than having had added years as a transfer-in arrangement "DB DC AVCs".

DB DC AVCs were invested in the same funds available to members in the DC Section of the Scheme i.e. the NFU Mutual funds and the L&G Funds.

This option ceased for DB members effective from 1 January 2017, when the DB Section closed to future accrual. From this date, all the DB AVC pots were closed and members had a new DC pot set up in the DC Section, to receive their ongoing regular contributions and DC AVCs.

Members are offered a choice of self-select investment funds across a range of asset classes and investment styles:

Fund name	Fund manager	Objective	Asset classes	Management style
<b>Equity funds</b>				
NFU Mutual UK Equity Fund	NFU Mutual	To provide long-term growth by investing in UK company stocks and shares.	Shares	Active
L&G UK Equity Index Fund	LGIM	To provide long-term growth by seeking to track the total return on the FTSE All Share Index.	Shares	Passive
L&G Global Equity 50:50 Index Fund	LGIM	To provide long-term growth by investing in UK and overseas company shares.	Shares	Passive
NFU Mutual International Fund	NFU Mutual	To provide long-term growth by investing in overseas shares.	Shares	Active
<b>Multi-asset funds</b>				
NFU Mutual Mixed Portfolio Max 100% Shares Fund	NFU Mutual	Aims to achieve long-term growth. It invests in a combination of NFU Mutual's funds, to maintain a spread across different types of investment. This fund can invest up to 100% in equities.	Shares/ Property/ Cash/ Bonds	Active
NFU Mutual Mixed Portfolio 40 – 85% Shares Fund	NFU Mutual	Aims to achieve long-term growth. It invests in a combination of NFU Mutual's funds, to maintain a spread across different types of investment. This fund can invest up to 85% in equities.	Shares/ Property/ Cash/ Bonds	Active
NFU Mutual Mixed Portfolio 20 – 60% Shares Fund	NFU Mutual	This fund will invest principally in other funds managed by NFU Mutual with the balance invested in third party funds with compatible objectives. This fund can invest up to 60% in equities.	Shares/ Property/ Cash/ Bonds	Active
<b>Property funds</b>				
NFU Mutual Property Fund	NFU Mutual	To aim for long-term growth through investment in property and/or property-related shares.	Property/ Property Shares	Active
<b>Bond funds</b>				
NFU Mutual Index-Linked Fund	NFU Mutual	Aims to provide a return from a portfolio investing mostly in index-linked Government or investment grade corporate index-linked securities.	Bonds	Active
L&G Over 15y Gilt Index Fund	LGIM	Invests in longer dated bonds issued by the UK Government. Aims to perform in line with the long dated gilt market.	Bonds	Passive
NFU Mutual Fixed Interest Fund	NFU Mutual	Aims to provide a return from a portfolio of bonds and other fixed and floating rate securities denominated mainly in sterling and issued by governments, government agencies, supranational and companies (including preference shares).	Bonds	Active

Fund name	Fund manager	Objective	Asset classes	Management style
Equity funds				
Cash funds				
NFU Mutual Deposit Fund	NFU Mutual	To invest in secure UK money market accounts for competitive rates of interest.	Cash	Active

Each of the funds offered by the Trustee as part of the Default Option, alternative Lifestyle Strategies and self-select range are managed in line with benchmarks set by the individual managers. The performance of the NFU Mutual funds is compared against ABI Sector benchmarks. The performance of the L&G funds is compared against the relevant market index.

#### Reverse switching

The Scheme operates reverse switching. If a member who is invested in the Default Option or one of the alternative Lifestyle Strategies decides to change their target retirement age, their investment strategy will automatically be amended in line with the new retirement date.

## Appendix 4 – Fees and Charges

### Investment Consultant

The Scheme's Investment Consultant is paid for on a fixed fee basis. The Trustee believes that this approach ensures that all advice is impartial and independent.

### Investment Management

The investment managers apply the following charges for investing in the funds selected by the Trustee. The charges shown in the tables below are as at 31 December 2021 and have been provided by the NFU Mutual Investments Team (for NFU Mutual funds) and LGIM (for LGIM funds).

#### Default Option

Fund	Total Expense Ratio (TER)
NFU Mutual Mixed Portfolio Max 100% Shares Fund	0.35% p.a.
NFU Mutual Mixed Portfolio 40 – 85% Shares Fund	0.32% p.a.
NFU Mutual Deposit Fund	0.25% p.a.

The Trustee monitors the total charges of the funds used in the Default Option at quarterly reference points. The total charges borne by members in the Default Option over a rolling 12 month period comply with the charge cap. Members in the Default Option will see TERs range from 0.30% p.a. to 0.32% p.a.

#### Self-select fund range

Fund	Total Expense Ratio (TER)
NFU Mutual Mixed Portfolio Max 100% Shares Fund	0.35% p.a.
NFU Mutual Mixed Fund (40 – 85% Shares)	0.32% p.a.
NFU Mutual Mixed Portfolio 20 – 60% Shares Fund	0.36% p.a.
NFU Mutual UK Equity Fund	0.25% p.a.
L&G UK Equity Index Fund	0.18% p.a.
NFU Mutual International Fund	0.43% p.a.
L&G Global Equity 50:50 Index Fund Index Fund	0.22% p.a.
NFU Mutual Fixed Interest Fund	0.15% p.a.
L&G Over 15y Gilt Index Fund	0.11% p.a.
NFU Mutual Index-Linked Fund	0.15% p.a.
NFU Mutual Property Fund	0.35% p.a.
NFU Mutual Deposit Fund	0.25% p.a.

The charges for the investment options are borne by the members.



The charges for the routine administration of the Scheme are borne by the Employer.

The custodian charges are deducted from the funds before the funds' net asset values and unit prices are calculated.

The funds' total charges and transaction costs are monitored by the Trustee. The results of this monitoring are set out in the annual Chair's statement which is included in the Trustee's annual report and accounts.

#### Administration

The administration service provider is paid for on a fixed fee basis.

The administration costs are met by the Employer.

