DB Implementation Statement

1. Introduction

This document is the Annual Implementation Statement ('the Statement') prepared by the Trustee ("the Trustee') of the Retirement Benefits Scheme of the National Farmers Union Mutual Insurance Society Limited ('the Scheme') covering the 'Scheme Year' from 1 January 2021 to 31 December 2021 in relation to the Statement of Investment Principles ('SIP').

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the Scheme's SIP required under section 35 of the Pensions Act 1995 has been followed during the year
- detail any reviews of the SIP the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review
- describe the voting behaviour by, or on behalf of, the Trustee over the year.

The SIP dated September 2020 is referenced in the following Sections of this document, where we set out how the applicable principles have been implemented.

A copy of this implementation statement is available on the following website https://www.nfumstaffpensions.co.uk/

2. SIP reviews/changes over the year

The September 2020 SIP was in place during the Scheme Year. The Trustee did not review or amend the SIP over the Scheme year. The Trustee completed the most recent review of the SIP in March 2022, and this will be covered in next year's Implementation Statement.

3. Adherence to the SIP

The Trustee believes the policies outlined in the SIP have been followed during the Scheme year, more detail on the adherence to the SIP policies is set out in this section.

Scheme's Objectives and long-term policy

As outlined in section 3 of the SIP the Trustee has identified aims and objectives for the Scheme and aims to achieve these through investing in a suitable mixture of return seeking and liability matching assets. The Trustee regularly reviews the Scheme's funding position in relation to achieving the aims and objectives, including monitoring the balance of return seeking and liability matching assets. During the Scheme year the Trustee agreed to introduce two additional asset classes to the Scheme's DB asset allocation, namely High Yield Debt and Emerging Market Debt, funded through a reduction in the Scheme's equity allocation. These asset classes were introduced to improve the diversification of the portfolio and reduce the risk within the investment strategy. The Trustee updated the SIP for these changes during early 2022.

As detailed in section 6 of the SIP the Trustee recognises that the Scheme is exposed to a number of risks. These risks are mitigated and considered by the Trustee when setting the Scheme's investment policies and are monitored periodically through a risk-dashboard which is produced on a quarterly basis. The Trustee recognises the need to review investment policy in future and will be considering the appropriate investment strategy in more detail following the actuarial valuation as at 31 December 2020.

Investment Managers

Area	Approach and actions taken over the Scheme Year
Section 4.1 Active management	The Trustee continues to monitor the Scheme's investment managers and the policy around active management. During the year the Trustee has discussed various presentations from the MISCO and NFU Mutual property team to aide with monitoring the effectiveness of the investment managers. The Trustee noted no concerns and made no changes to this policy.
Section 4.2 Rights attaching to shares	The Trustee looks to review the voting activities in respect of the investments held with NFU Mutual Investment Services Limited ("MISCO") and confirm the compliance with the UK Stewardship code of MISCO and the NFUM Property team, as "investment managers" of the Scheme. During the Scheme year the Trustee reviewed the annual 2021 voting report and noted no further actions resulting from the report. Details of the voting activity is set out in Section 4 of this statement.
Section 4.3 Financially material considerations including ESG Factors	The Trustee looks to regularly review the investment managers integration of financial and non-financial factors within their investment process and also looks to receive training and advice from its advisors each year to discuss and consider these factors within the Scheme's overall risk management framework. During the year the MISCO team presented an update on ESG and engagement where they outlined the actions being taken around ESG and engagement. The Trustee noted no concerns around the current ESG approach from the MISCO team.
Section 4.5 to 4.9	The Trustee reviewed these polices as part of the review of the Scheme's SIP. During the year the Trustee has continued to monitor the investment managers in respect of these policies and have noted no concerns.
Section 5 and Appendix D Investment restrictions	The Trustee looks to review the restrictions placed on the investment managers and monitors compliance with these restrictions as part of regular meetings with MISCO and the NFU Mutual property team. During the year no concerns were raised, and the Trustee made no changes to these policies.
Section 7 and 7.1 Monitoring and Appointment of Investment Manager	The Trustee's approach is to assess investment manager performance over an appropriate time frame and considers these in the context of the criteria as set out in the SIP as well as the Scheme's overall policies. During the year the investment managers team provided regular written reports included within the Trustee meeting papers. These reports are augmented by presentations from

	the MISCO and NFU Mutual Property team on a periodic basis. The Trustee noted drivers of investment performance, engaged with the investment managers and asked for further details on trading activity but noted no concerns. The Trustee did not formally review the appointments of the Scheme's investment managers during the Scheme year.
Section 8 Governance	The Trustee reviews these policies as part of the review of the Scheme's SIP. During the year the Trustee retained the governance arrangements outlined and no concerns were noted. The Trustee undertakes periodic effectiveness reviews. The last reviews were undertaken in 2019 and March 2022. Any changes to the policies made during the year will be covered as part of next year's implementation statement.
Section 10.1 Assessing the appropriateness of the portfolio turnover costs.	The Trustee reviews the level of portfolio turnover based on information provided by the Investment manager relative to expected turnover ranges. Over the last year the Trustee has reviewed the actual turnover and has noted no concerns, with mandates in line with expected turnover ranges.

4. Voting and engagement

The Trustee has delegated the day-to-day ESG integration and stewardship activities (including voting and engagement) to the investment managers of the Scheme. Due to the investments being held in pooled and internal funds the Trustee has limited scope to directly influence the voting approach taken by the investment managers but looks to regularly engage and understand their approach.

As part of reviewing the SIP during the Scheme Year, the Trustee worked closely with the Society to understand the approach taken on engagement and voting by the investment managers of the Scheme. The Society provides regular updates to the Trustee on this area.

MISCO uses Institutional Shareholder Services (ISS) to facilitate voting on internally managed equity holdings. The default instruction gives implied consent for ISS to vote on the investment managers' behalf in line with their recommendation, but the investment manager does retain the option of entering its own vote as it sees fit. Checks are made by the investment manager to ensure that they are comfortable with how ISS are voting on its behalf by monitoring their website.

Responsibility for voting activity on externally managed equities is delegated to the sub-investment managers held within the respective funds, who execute votes in line with each of their respective voting policies. MISCO keeps oversight over the externally managed assets and their respective sub-investment managers. It collates the information available from sub-investment managers on these assets and once a year updates the Trustee on voting and stewardship policies.

As part of monitoring the stewardship of the Scheme's investments, the tables below set out a brief analysis of the MISCO's voting for the DB scheme in 2021 and the 10 most significant voting activities.

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4.1 The table below reflects the analysis of voting for the DB scheme (internally managed assets) in 2021 (2020 figures in brackets):

	UK Equities	Overseas Equities	Total Equities
Size of fund mandate	£156.3m	£136.1m	£292.4m
Number of equity holdings	147 (149)	356 (348)	503 (497)
Number of meetings voted	174 (155)	373 (331)	547 (486)
Number of resolutions voted	2,927 (2,649)	5,390 (4,774)	8,317 (7,423)
Times voted against management	66 (63)	413 (410)	479 (473)

4.2 The table below reflects the analysis of voting for the DB scheme (externally managed assets) in 2021 (2020 figures in brackets):

	Overseas Equities
Size of fund mandate	£170.6m
Number of equity holdings	3,662 (3,637)
Number of meetings voted	5,671 (4,831)
Number of resolutions voted	53,493 (53,140)
Times voted against management	9,018 (8,502)

Mercer Regional Core Fund – Legal & General Investment Management (LGIM) manage this fund which provides passive index tracking exposure to Japan, Asia Pacific ex-Japan and Emerging Markets. They voted at 4,427 meetings with 38,465 resolutions and voted against management 6,885 times. The main topics of dissention were board related (2,966) and capital management (906).

Mercer Strategic Fund – LGIM also manage this fund which tracks a multi-factor index. They voted at 336 meetings with 4,169 resolutions and voted against management 899 times. The main topics of dissention were board related (538) and compensation (156).

Mercer Global Alpha Fund – this fund comprises 9 regional active mandates across all international regions. The different sub-investment managers voted at 908 meetings with 10,859 resolutions and voted against management 1,234 times. The main topics of dissention were board related (446) and compensation (346).

4.3 The table below reflects the voting data for 10 most significant votes as provided by MISCO.

Company name	Sanne
Date of vote	05/10/2021
Percentage voteable Shares	0.06%
Summary of the resolution	Approve matters relating to the recommended cash acquisition of Sanne Group plc by Apex Acquisition Company Limited
How we voted	For
Communication with the company ahead of the vote?	Yes, extensive engagement with the company during the bidding process.
Rationale for the voting decision	This meeting represented the culmination of years of engagement, having held the stock since IPO. Initial bids had undervalued the company in our view. We engaged with the board as well as representatives of the buyer and expressed a desire to vote against the proposal if satisfactory price was not met. We finally agreed to the bid from Apex, representing a premium of 53% from the unaffected date and in contrast to previous bids was to be paid entirely in cash.
Outcome of the vote	99.97% voted for.
Implications of the outcome, any lessons learned and what likely future steps will you take in response to the outcome?	The outcome here supported our decision to engage and hold out for an improved bid.
On which criteria have you assessed this vote to be "most significant"?	Significant as it had been a portfolio holding from IPO until acquisition.

Company name	Royal Dutch Shell
Date of vote	10/12/2021
Percentage voteable Shares	0.01%
Summary of the resolution	Adopt new articles of association
How we voted	For
Communication with the company ahead of the vote?	Yes, took part in a meeting with the chairman ahead of the vote.
Rationale for the voting decision	We supported the proposal to move their headquarters to the UK and rename the company Shell. Having engaged with the company beforehand the rationale for the changes for the simplification was compelling. Decreased complexity should allow the company to move more efficiently as it implements its energy transition plan going forward.
Outcome of the vote	99.77% voted in favour.
Implications of the outcome, any lessons learned and what likely future steps will you take in response to the outcome?	Simplification process should be beneficial, particularly to UK investors and allow the company to respond to the challenges of the transition.
On which criteria have you assessed this vote to be "most significant"?	This represents a significant change for one of the larger companies in the UK and one which has a key role to play in the energy transition.

Company name	AstraZeneca
Date of vote	11/05/2021
Percentage voteable Shares	0.01%
Summary of the resolution	Approve remuneration policy
How we voted	Against
Communication with the company ahead of the vote?	No – voted in line with proxy adviser who had engaged with the company prior to publishing their research.
Rationale for the voting decision	The company looked to introduce a policy which significantly increased variable pay opportunities for ED's for the second consecutive year. The rationale provided by the company was not compelling enough to support the policy, particularly as the pay opportunity was already high and much of the rationale appeared to be an exercise of benchmarking against peers. We voted against the changes to the remuneration policy and to the restricted share plan.
Outcome of the vote	39.81% voted against
Implications of the outcome, any lessons learned and what likely future steps will you take in response to the outcome?	We will monitor closely those companies that look to substantially increase pay opportunities during consecutive years.
On which criteria have you assessed this vote to be "most significant"?	Approx. 40% of votes were cast against the remuneration policy. This represented the largest dissent rate for a FTSE 100 company remuneration policy during 2021.

Company name	Rio Tinto
Date of vote	09/04/2021
Percentage voteable Shares	0.01%
Summary of the resolution	Approve remuneration report
How we voted	Against
Communication with the company ahead of the vote?	No – voted in line with proxy adviser who had engaged with the company prior to publishing their research.
Rationale for the voting decision	We voted against the remuneration report. Following on from the Jukkan Gorge incident the former CEO had been allowed to retain a significant proportion of his LTIP. This is despite the remuneration policy including clear wording around "catastrophic environment event" which has "had a material effect on the reputation" which would allow for clawback of these awards. We also voted against the directors who headed up the sustainability and renumeration committees due to the implied failings of both.
Outcome of the vote	61.63% voted against
Implications of the outcome, any lessons learned and what likely future steps will you take in response to the outcome?	Where catastrophes such as this have taken place, we expect remuneration committees to use clawbacks effectively. This would help demonstrate the seriousness of the incident and a zero-tolerance approach from the committee.
On which criteria have you assessed this vote to be "most significant"?	The backlash against this proposal was significant with both the UK and Australian remuneration reports rejected by more than 60% of votes cast.

Company name	Exxon Mobil (US)
Date of vote	26/05/2021
Percentage voteable Shares	0.001%
Summary of the resolution	Elect directors (shareholder resolution)
How we voted	For
Communication with the company ahead of the vote?	No – voted in line with proxy adviser who had engaged with the company prior to publishing their research.
Rationale for the voting decision	During 2021 Exxon Mobil was subject to a well-documented and historically significant shareholder resolution. Activist investor Engine No. 1 nominated a number of individuals to become members of the board, individuals they believed were required to improve Exxon Mobil's expertise and approach to transition plans amid the challenges presented by climate change to oil and gas majors. Of the four individuals nominated by Engine No. 1, we supported the election of three of these, all of whom were ultimately appointed to the board. Alongside this we also supported several other proposals surrounding increased reporting on climate, lobbying and remuneration.
Outcome of the vote	Successful, three directors appointed to the board
Implications of the outcome, any lessons learned and what likely future steps will you take in response to the outcome?	This vote demonstrated the power of shareholder resolutions, particularly in the US which we will monitor going forward.
On which criteria have you assessed this vote to be "most significant"?	Successful shareholder resolution which resulted in three directors being appointed

Company name	Hilton Food Group
Date of vote	24/05/2021
Percentage voteable Shares	0.07%
Summary of the resolution	Re-elect Robert Watson as director
How we voted	For
Communication with the company ahead of the vote?	No – voted in line with management.
Rationale for the voting decision	Voted to support the re-election of Robert Watson as chairman. Our proxy adviser had recommended to vote against his re-election as his transition from executive chair to non-executive chair meant he had been in the post for longer than the recommended tenure. Whilst we accept that there are deviations from ordinary best practice, we believe the re-election of this director is in the best interest of the business. Robert Watson is well known to our Fund Management team who believe that as a company founder, he has strong understanding of the business and can ultimately provide the support and guidance to help drive improvements.
Outcome of the vote	87.83% voted in favour.
Implications of the outcome, any lessons learned and what likely future steps will you take in response to the outcome?	We will closely monitor the company's governance practices going forward to ensure we are comfortable with the level of independent oversight to the board.
On which criteria have you assessed this vote to be "most significant"?	Supported management against the recommendations of our proxy adviser.

Company name	Chevron (US)
Date of vote	26/05/2021
Percentage voteable Shares	0.001%
Summary of the resolution	Report on climate change
How we voted	For
Communication with the company ahead of the vote?	No – voted in line with proxy adviser who had engaged with the company prior to publishing their research.
Rationale for the voting decision	Voted against management on several shareholder resolutions. These were concerned with reducing greenhouse gas emissions and improving reporting regarding climate change targets and political lobbying. It was felt the company could do more to align its operations with the targets of the Paris Agreement where it is often considered to lag many of its peers. Further, additional disclosure of lobbying expenditures was also seen as helpful to shareholders.
Outcome of the vote	60.7% voted in favour.
Implications of the outcome, any lessons learned and what likely future steps will you take in response to the outcome?	This vote demonstrated the power of shareholder resolutions, particularly in the US which we will monitor going forward.
On which criteria have you assessed this vote to be "most significant"?	Supported climate relevant shareholder resolutions at an oil and gas major.

Company name	Facebook / Meta (US)
Date of vote	26/05/2021
Percentage voteable Shares	0.001%
Summary of the resolution	Require independent board chair
How we voted	For
Communication with the company ahead of the vote?	No – voted in line with proxy adviser who had engaged with the company prior to publishing their research.
Rationale for the voting decision	We supported the shareholder resolution which required the company to have an independent board chair. The company has demonstrated in recent years that additional independent oversight may be of value. In particular, data privacy incidents which have damaged the company's reputation and put shareholder value at risk have suggested the need for stronger governance practices.
Outcome of the vote	Defeated.
Implications of the outcome, any lessons learned and what likely future steps will you take in response to the outcome?	Approximately 50% of our US holdings have combined CEO/Chair roles, an area in which we have recently engaged with those companies.
On which criteria have you assessed this vote to be "most significant"?	Supported shareholder resolution for chair independence in the US, an area we believe more progress can still be made.

Company name	Unilever
Date of vote	26/05/2021
Percentage voteable Shares	0.01%
Summary of the resolution	Approve climate transition action plan
How we voted	For
Communication with the company ahead of the vote?	No – voted in line with management.
Rationale for the voting decision	We approved the management proposed climate transition plan. The plan is ambitious, with the company committing to becoming net-zero by 2039, looking to deliver reductions in line with 1.5 degrees ambition of the Paris Agreement. Shareholders will be able to vote on the company's climate plan every three years going forward.
Outcome of the vote	99.59% voted in favour.
Implications of the outcome, any lessons learned and what likely future steps will you take in response to the outcome?	We will broadly look to support those climate plans which are aligned with the targets of the Paris Agreement. Further we will welcome those companies that put their climate plans to a shareholder vote on a regular basis.
On which criteria have you assessed this vote to be "most significant"?	This is an early example of companies in the UK offering a so called 'say on climate', something we expect to see frequently going forward.

Company name	Hollywood Bowl
Date of vote	29/01/2021
Percentage voteable Shares	0.04%
Summary of the resolution	Re-elect Claire Tiney as director
How we voted	For
Communication with the company ahead of the vote?	Yes – explained that we would vote for the director's re-election.
Rationale for the voting decision	We decided to support the re-election of this director. Whilst we voted against the remuneration report we didn't consider it necessary to also vote against the election of the Remuneration Committee Chair. We believed the individual provides strong independent experience to the board and whilst we were unhappy with the remuneration practices, we believed voting against the report was sufficient in this scenario.
Outcome of the vote	84.15% voted in favour
Implications of the outcome, any lessons learned and what likely future steps will you take in response to the outcome?	We will closely monitor the performance of the company's renumeration committee going forward.
On which criteria have you assessed this vote to be "most significant"?	Supported management against the recommendations of our proxy adviser.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to directly held shares to MISCO. MISCO updates the Trustee with detailed information on most significant votes. The criteria has been set by MISCO. The details of the significant votes were shared with the Trustee who remain comfortable with the approach taken and chose to include all the significant votes that were shared given these covered a range of ESG topics.