NFU Mutual Retirement Benefit Scheme

Annual Report

For the year ended 31 December 2022

Pension Scheme Registry Reference No: 10006102

Contents

Trustee and Advisers to the Scheme

Principal Employer
The National Farmers Union Mutual Insurance Society Limited ("NFU Mutual")

Participating Employer
NFU Mutual (Service Company) Limited

Trustee
NFUM Pension Trustee Company Limited

Trustee Directors
Mr B Duffin OBE FFA- Chairman
Mr K Davies ACIB, DipPFS *
Mr J Deane FIA (appointed 1 November 2022)
Mr K Graves
Mr J Priestley FIA
Mr A Spriggs FCII *

* Member Nominated Director

Secretary to the Scheme
Miss M Arthur APMI (from 1 July 2022)
Mrs J Baker (until 28 June 2022)

Actuary
Mr M Faulkner FIA

Actuarial advisers
Towers Watson Limited

Independent Auditors
PricewaterhouseCoopers LLP

Administrators
Trafalgar House Pensions Administration Limited

Bankers
Lloyds Bank plc

Legal Advisers
Gowling WLG LLP

Investment and AVC managers
NFU Mutual Investment Services Limited
The National Farmers Union Mutual Insurance Society Limited
Legal & General Assurance (Pensions Management) Limited

Custodians
NFU Mutual Insurance Pension Fund Trust Company Limited
JP Morgan Chase Bank

Investment advisers
Towers Watson Limited

DC Consultants
Hymans Robertson LLP

Enquiries
Enquiries about the Scheme generally, or about an individual's entitlement to benefit, should be addressed to the NFU Mutual Retirement Benefit Scheme, c/o Trafalgar House Pensions Administration Ltd, PO Box 119, Blyth, NE24 9EN.

Alternatively, enquires may be made to:
nfumutual@thpa.co.uk

Trustee's report

The Trustee of The Retirement Benefit Scheme of the National Farmers Union Mutual Insurance Society Limited (commonly known as NFU Mutual Retirement Benefit Scheme) ("the Scheme") presents its annual report and audited financial statements of the Scheme for the year ended 31 December 2022.

Scheme constitution

The Scheme was established with effect from 12 April 1928 and is governed by a Trust Deed and Rules as amended from time to time. The latest definitive deed came into effect on 1 May 2013. The Scheme is a registered pension scheme under Chapter 2 of the Finance Act 2004.

The Scheme is a multiple benefit scheme with Defined Benefit (DBS) and Defined Contribution (DCS) sections.

The Scheme closed to new DBS entrants with effect from 30 June 2002 and closed to future accrual for existing members on 31 December 2016. All active members of the DBS section were automatically entered into the DCS section as at 1 January 2017.

Employees of the principal and participating employers who join after 1 July 2002 and who meet the entry requirements of the Scheme are entitled to DC benefits. The DCS section is used as an auto-enrolment scheme by the Employer.

Further information about the Scheme is available in the explanatory booklet issued to members.

Management of the Scheme

The Trustee Directors who served during the year, and to date, are shown on page 1.

The Scheme is governed by the Trustee who is required to act in accordance with the Trust Deed and the Scheme Rules, within the framework of pension and trust law.

The Trustee is responsible for the administration and investment policy of the Scheme.

The Scheme Rules set out the provision for appointment of the Trustee(s). The Articles of Association set out the provisions for appointment and removal of Trustee Directors.

Four of the Trustee Directors are appointed and may be removed by the Principal Employer. Two of the Trustee Directors are appointed following an election process among active, deferred and pensioner members of the Scheme. Member-nominated Trustee Directors are appointed for a fixed term of six years and may be removed before the end of their term only by agreement of all the remaining Trustee Directors. During the year Mr B Duffin became a professional trustee and is now appointed on that basis.

The Trustee Directors met 8 times during the year to review the ongoing management of the Scheme and the investment of its assets.

The Trustee carries out training where appropriate at its meetings. Additionally, individual Trustee Directors attend conferences and courses run for pension professionals and trustees.

Conflicts of interest are a matter that the Trustee considers at each meeting.

The Trustee holds a Risk Register which is reviewed at each meeting.

The Trustee has appointed professional advisers and other organisations to support them in delivering the Scheme's objectives. These individuals and organisations are listed on page 1. The Trustee has written agreements in place with each of them.

Financial development of the Scheme

The financial statements of the Scheme for the year ended 31 December 2022, as set out on pages 16 to 30 have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995. They show that the value of the Scheme decreased from £1,463.9 million as at 31 December 2021 to £1,213.9 million as at 31 December 2022.

The decrease shown above comprised net withdrawals from dealings with members of £15.3 million together with negative net returns on investments of £234.7 million.

Actuarial review

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), the financial statements do not include liabilities in respect of promised retirement benefits.

At the date of this report the most recent triennial actuarial valuation was carried out as at 31 December 2020 and update valuations were performed as at 31 December 2021 and 31 December 2022. The results of which can be summarised as follows:

	2020	**2021**	**2022**
The value of the technical provisions was:	£1,419.4m	£1,413.1m	£991.5m
The value of the assets at that date was:	£1,352.3m	£1,463.9m	£1,212.7m
(Deficit) / Surplus	(£67.1m)	£50.8m	£221.2m
Funding level	95%	104%	122%

The figures shown include the value of assets in relation to defined contribution members and additional voluntary contributions (AVCs). Monies in relation to these funds are classed as both assets and liabilities of the Scheme, and so have no impact on the net overall position shown.

The latest triennial valuation showed that the funding level of the Scheme at the valuation date was 95%. As the assets did not fully cover the liabilities the Scheme was in deficit on an on-going basis.

The Trustee and the Principal Employer have agreed that no deficit recovery contributions are required to be paid to the Scheme to eliminate this funding shortfall. Instead, it is expected that the deficit will be eliminated by investment returns exceeding the prudent level assumed in the technical provisions, as detailed in the Statement of Funding Principles.

The actuarial report as at 31 December 2022 showed that the funding level had increased to 122% over the year. This increase is primarily due to a significant increase in nominal gilt yields offset by investment returns being lower than assumed in the discount rate over the year and, to a lesser extent, by higher than expected inflation and benefit increase experience over the year, a slight increase in market expectations of future inflation and an increase in the commutation terms in force.

The next full actuarial valuation will be undertaken as at 31 December 2023.

As required by FRS 102, the Trustee has included the Report on Actuarial Liabilities on pages 39 and 40, which forms part of the Trustee's Report.

Membership

The membership of the Scheme at the beginning and end of the year and changes during the year are set out below:

DBS	Active members	Deferred members	Pensioners	Total
At the start of the year	-	1,231	1,711	2,942
Members retiring	-	(49)	49	-
Deaths	-	(4)	(55)	(59)
Transfers out	-	(9)	-	(9)
Full commutations	-	-	(1)	(1)
New dependants	-	-	15	15
Child pension ceased	-	-	(1)	(1)
At the end of the year	-	1,169	1,718	2,887

DCS	Active members	Deferred members	Pensioners	Total
At the start of the year	3,936	2,837	-	6,773
New entrants	761	-	-	761
Members leaving	(475)	475	-	-
Members retiring	(4)	(28)	-	(32)
Deaths	(6)	(5)	-	(11)
Transfers out	-	(108)	-	(108)
Refunds / Opt-outs	-	(23)	-	(23)
Full commutations	-	(12)	-	(12)
Rejoined	7	(7)	-	-
At the end of the year	4,219	3,129	-	7,348

The numbers above represent the number of members who are due a benefit from the Scheme. Where a member has more than one period of service then each period is counted so the actual number of members of the Scheme may be lower.

Pension increases

Under the Scheme Rules, the Trustee must review pensions in payment in October each year and has a statutory requirement to increase these pensions as follows:

- For pension built up in respect of service between 6 April 1997 and 5 April 2006 by the annual increase in RPI up to a maximum of 5% p.a. The increase granted in October 2022 was 5.0% (2021: 4.9%).
- For pension built up in respect of service after 6 April 2006 by the annual increase in RPI up to a maximum of 2.5% p.a. The increase granted in October 2022 was 2.5% (2021: 2.5%).

Any increase granted in respect of any earlier period of pensionable service, any AVC pension or otherwise is awarded at the discretion of the Trustee but requires the consent of the Employer.

A discretionary increase of 2.5% (2021: 2.0%) was granted in October 2022 for pension built up in respect of service before 6 April 1997 and AVC pension.

Deferred pensions were increased in accordance with the Rules. No discretionary increases were awarded during the year

Employer covenant

As part of the Trustee's governance of the Scheme, it regularly reviews the strength of the Employer's covenant. The covenant is an assessment of the Principal Employer's willingness and ability to fund the Scheme and of the financial strength of the Society. The Society actively supports the Scheme and the Trustee is satisfied that the covenant remains very strong.

Transfers

Any transfer values paid to other pension schemes are calculated and verified by the Scheme's Actuary or calculated in line with instructions prepared by him, in accordance with statutory regulations.

The Trustee has instructed the Actuary to take account of discretionary increases in calculating cash equivalents for transfer purposes. No transfers were reduced to less than their cash equivalent value.

DBS Investment objective and strategy

The primary objective for the DB Section is to ensure that the Scheme should be able to meet benefit payments as they fall due.

The Trustee's policy is to seek to achieve the objectives through investing in a suitable mixture of return seeking and liability matching assets. They recognise that whilst the return on return seeking assets, while expected to be greater over the long term than that on liability matching assets, their inclusion is likely to lead to a more volatile funding level.

In seeking to achieve this objective, the Trustee is mindful of the need to:

i. Acquire suitable assets of appropriate liquidity which will generate income and capital growth to meet the liabilities of the Scheme.
ii. To limit the risk of the assets failing to meet the liabilities over the long term, in particular in relation to the Scheme Specific Funding Requirement.
iii. To minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the objective shown under ii).

The Trustee has adopted an active investment management strategy whereby the investment managers make specific investments with the goal of out-performing an investment benchmark. The Trustee recognises that the effectiveness of such a policy depends on the skill of the investment manager and accepts the risks inherent in such an approach. Nevertheless the Trustee is comfortable that such an approach is suitable for the scheme given the skills and expertise of its investment managers.

The following table shows the asset position (excluding Trustee bank account, AVCs and other investment balances) as at the current and prior year end:

Assets	Asset Allocation at 31 December 2022	Benchmark	Minimum	Maximum	Value at 31 December 2022	Value at 31 December 2021
	%	%	%	%	£'000	£'000
Equities	34.7	33.0	29.0	37.0	329,728	462,957
Property	9.6	9.3	7.3	11.3	91,649	114,443
High yield debt	5.6	5.5	3.5	7.5	53,559	47,569
Emerging market debt	5.2	4.8	2.8	6.8	49,178	53,492
Bonds - Fixed interest	21.2	21.8	19.8	23.8	201,259	263,497
Bonds - Index linked	21.8	21.8	19.8	23.8	207,628	227,079
Cash	1.9	1.2	-	3.2	18,146	21,925
	100.0				951,147	1,190,962

The benchmark asset allocation does not sum to 100% due to rounding.

At the year end the differences between the Scheme's benchmark asset allocations and the actual asset allocations were within the ranges set out in the Statement of Investment Principles (SIP) dated 25 January 2023.

The main changes to the DB investment portfolio during 2022 were as follows:

- 10% of the Scheme's investments were moved out of equities into fixed-interest and index-linked gilts; whereby:
  - The target equity allocation of 1/3 UK and 2/3 overseas is maintained
  - The overall portfolio composition of the corporate bonds and gilts is adjusted to be 50% fixed interest and 50% inflation linked.
- Amend the benchmark for the index-linked gilts from the FTSE UK Index Linked Over 15 Year Index to the FTSE UK Index Linked All Stocks Index to better match the duration of the Scheme.

These changes were implemented in early November.

In the first quarter of 2023, the Trustee agreed further changes to the DB investment strategy. The Trustee has agreed to the sale of the Scheme's property portfolio, which is expected to be gradually sold in due course. The proceeds from the sale are to be allocated to fixed interest gilts and index linked gilts such that there is a broadly equal allocation to fixed interest bonds and index linked bonds. At the time of writing these changes are due to be captured in the Statement of Investment Principles dated June 2023.

The Trustee has considered the nature, disposition and marketability, security and valuation of the Scheme's investments and considers them to be appropriate relative to the reasons for holding each class of investment. The Trustee has delegated the investment management of the Scheme's assets (except those mentioned below) to NFU Mutual Investment Services Limited on the basis of an annual fee related to the value of funds under management. This is a longstanding arrangement under which the investment management function is performed by the internal investment management function within the Society. The Trustee recognises that, whilst there may be other managers available, the expertise and support provided by the Society forms a key part of the covenant provided to the Scheme. The Trustee therefore recognises that there is a clear benefit in utilising the services of the Society's investment management function.

The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective, consistent with the achievement of the Scheme's long term objectives, and an acceptable level of risk.

The property portfolio is held within Oaks Property Trust (the Scheme had a 20% investment and the remainder is held by NFU Mutual). The purpose of Oaks Property Trust is to enable participation in better-performing, larger property investments.

The investment manager may make use of external or in-house pooled funds where it believes that this is appropriate, for example to manage diversification or to gain investment management expertise in a particular area. Where external delegation is employed, the investment manager must disclose such delegation and the rationale to the Trustee in advance. The investment manager is responsible for ensuring that the pooled fund managers exercise their duties in line with the policies and restrictions outlined in this SIP.

Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. It is the Trustee's view that fees linked to investment performance increase complexity and in most cases do not materially improve alignment with long-term objectives.

The Trustee will, from time to time, review the appointment of the investment managers based on their performance and processes. Manager performance should be assessed over an appropriate timeframe and after allowing for the impact of costs and charges.

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing their performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

DCS Investment objective and strategy

The Trustee's primary objectives for the DC Section are to provide members with access to:

- an appropriate range of investment options, reflecting the membership profile of the DC Section and the variety of ways that members can draw their benefits in retirement; and
- a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to deliver strong returns relative to inflation for members up to 3 years from retirement.

The Trustee has had regard to the long-term performance characteristics of various asset classes, in terms of their expected returns and the variability of those returns, in deciding on the range of investment vehicles to make available to members.

The Trustee provides a range of investment vehicles that it considers suitable for the investment of members' Investment Accounts and it is for each member to decide which vehicle(s) he/she is notionally invested in at any time.

The Trustee will review the range of investment vehicles offered to DC members triennially or, if advised by the Scheme's investment consultants, at other times.

Statement of Investment Principles

In accordance with section 35 of the Pensions Act 1995, the Trustee has agreed a statement of investment principles ("SIP") for each section of the Scheme.

The Trustee reviews the SIPs at least every three years and immediately following any significant change in investment strategy.

The DC SIP was last revised in June 2022 to incorporate the changes to the default strategy, alternative lifestyle strategies and self-select fund range.

The DB SIP was last revised in March 2022 and January 2023 to include changes to the DB investment strategy. At the time of writing, a further update to the DB SIP is due to take place in June 2023 to incorporate the sale of the Scheme's property holding.

Copies of the Statements are available to any member on request and publicly available on the following websites:
www.nfumstaffpensions.co.uk and www.myworkpension.co.uk/SchemeNoticesNFUM

The Statement of Investment Principles for the DC Section of the Scheme is included as an Appendix.

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

At least once a year the Trustee will receive a report detailing voting activity

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

There is a requirement for most trust-based pension schemes to produce an annual Implementation Statement which covers the Scheme year. The Implementation Statement sets out how, and the extent to which, the Trustee has followed its SIP during the year, as well as details of any review of the SIP and an explanation of any changes made to the SIP during the year. The statement also covers the Scheme's engagement with their managers and details voting data where relevant. The Scheme's annual Implementation Statement, for the year ended 31 December 2022, is included in this Annual Report on page 67.

Investment Performance

Defined Benefit Section (DBS)

Performance of the Scheme's assets against the objectives for the period to 31 December 2022 is shown below:

	1 Year	1 Year benchmark	Scheme return compared to benchmark	3 Year	3 Year benchmark	Scheme return compared to benchmark
Scheme	(17.5)	(20.1)	2.6	(2.1)	(2.4)	0.3

Scheme performance is shown above compared against the Scheme's specific benchmark return.

The war in Ukraine and its impact on key commodity prices had added to existing inflation pressures from the economic recovery following the lifting of Covid induced restrictions, leading to inflation levels that had not been seen in key developed economies for 40 years. This had not been anticipated by markets and central banks at the start of the year and proved to be the dominant driver of investment asset classes in 2022 as most countries significantly raised interest rates to tame inflation and economic growth began to weaken. Whilst the UK specific market volatility that followed the ill-fated September 'mini budget' did initially impact the Scheme's assets, the new Chancellor's Autumn Statement helped restore market confidence and the impacts largely reversed by year end.

Whilst it was a difficult year for many equities, the resilience of the UK market and the impact of currency moves on our international equities protected our funds from the worst of the equity falls. However, the events of 2022 were extremely challenging for fixed income assets and especially the longer duration bonds that form a key element of pension schemes, and alongside double-digit property losses were the dominant drivers of the Scheme's losses.

The -17.5% fund return in 2022 reduced the 3-year annualised return to -2.1%. The good performance relative to the benchmark in 2022 was aided by an above benchmark asset allocation exposure to equities and cash which were the only asset classes to show positive returns. Within the asset classes, strong stock selection outperformance was seen across UK and international equities and our internally managed fixed income portfolios. The relative outperformance in 2022 also improved the 3-year performance to being ahead of benchmark.

Defined Contribution Section (DCS)

The investment performance on a one and three year (annualised) basis for the DC Section funds to 31 December 2022 are set out below.

Manager		1 Year	1 Year benchmark	Scheme return compared to benchmark	3 Year	3 Year benchmark	Scheme return compared to benchmark
NFU Mutual	UK equity fund	(10.10)	0.30	(10.40)	(0.20)	2.30	(2.50)
NFU Mutual	International fund	(7.10)	(7.80)	0.70	6.50	8.20	(1.70)
NFU Mutual	Property fund	(27.60)	(32.30)	4.70	(8.00)	(10.00)	2.00
NFU Mutual	Index linked fund	(29.50)	(33.60)	4.10	(6.40)	(8.40)	2.00
NFU Mutual	Fixed interest fund	(20.80)	(21.10)	0.30	(6.20)	(6.40)	0.20
NFU Mutual	Deposit fund	1.10	1.40	(0.30)	0.50	0.50	-
NFU Mutual	Mixed portfolio 40-85% shares fund	(9.80)	(9.30)	(0.50)	1.70	1.30	0.40
NFU Mutual	Mixed portfolio 20-60% shares fund	(9.20)	(11.00)	1.80	(0.10)	(0.80)	0.70
NFU Mutual	Mixed portfolio Max 100% shares fund *	(9.30)	(8.50)	(0.80)	2.90	2.40	0.50
LGIM	Global equity fixed weight 50/50 index fund	(3.50)	(3.40)	(0.10)	4.70	4.80	(0.10)
LGIM	UK equity index fund	0.30	0.30	-	2.30	2.30	-
LGIM	Over 15 year gilts index fund	(40.10)	(40.10)	-	(14.20)	(14.10)	(0.10)

* Fund was available to members from May 2022

NFU Mutual funds:
It was a challenging year for absolute returns across the DC funds range and a mixed year for performance relative to peers and index benchmarks. The UK Equity fund has a bias to growth stocks and these were out of favour in 2022 after a long period of outperformance so this impacted that fund

and the mixed asset funds, but there was relative performance across the other equity funds and the fixed interest funds.

Over the longer-term all mixed asset funds were ahead of peer averages and the majority of single asset class funds were ahead of their index benchmarks.

The performance figures shown above have been calculated on a bid-to-bid basis.

LGIM funds:
The individual fund performance is broadly in line with their respective benchmarks and the Trustee monitors performance on a regular basis.

Custody of investments

The Trustee has appointed JP Morgan Chase Bank to provide custodial services for all Scheme assets other than cash deposits and real estate.

NFU Mutual Insurance Pension Fund Trust Company Limited is the Trustee's non-listed Custodian responsible for the safekeeping of property assets and unlisted securities. Further details can be found in the Scheme's DB Statement of Investment Principles.

Corporate governance and environment, social and governance (ESG) matters

The Trustee takes account of all financially material risks and opportunities in consultation with its advisers. All risks and opportunities are considered for materiality and impact within a risk management framework. The Trustee considers sustainable investment factors, such as (but not limited to) those arising from the capital structure of investee companies, actual and potential conflicts, other stakeholders and Environmental, Social and Governance (ESG) considerations, including climate change, in the context of this broader risk management framework.

The Trustee believes that ESG issues can, along with other factors, have a material impact on the long-term performance of the Scheme's investments. For example, companies that demonstrate better ESG characteristics are expected to outperform other companies, over the long term. Engagement on specific ESG risks (such as climate changes and executive pay) can be an effective way of supporting shareholder value. There may be occasions where disinvestment is more effective.

It is relevant for the Trustee to consider the Society's Responsible Investment Policy when setting their own policy. The Trustee takes a long-term view of these considerations due to the long-term nature of the liabilities of the Scheme. The Trustee therefore expects the Investment Manager(s) to invest with a long-term time horizon and to use their engagement activity to drive improved performance over these periods.

The Trustee's policy is that day-to-day decisions relating to the investment of Scheme assets is left to the discretion of its investment managers. This includes consideration of all financially materially factors, including ESG-related issues where relevant. The Trustee believes that the investment managers should embed the consideration of both financial and non-financial factors into their investment process and decision making. The Trustee monitors these issues with its managers to understand how they exercise these duties in practice and receives reports on how these issues are addressed.

The Taskforce for Climate-related Financial Disclosures (TCFD)

The UK government has amended the Pensions Bill to require large pensions schemes and Master Trusts, to publish a TCFD report. The Taskforce for Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB).

The TCFD is as an industry-led reporting framework that sets out recommendations for issuers and financial market participants to organise and standardise climate disclosures. The TCFD developed four recommendations on climate-related financial disclosures. These are governance, strategy, risk management and metrics and targets and form the core elements to be included within the TCFD report.

The Scheme's first TCFD report can be found here www.nfumstaffpensions.co.uk.

Covid and other matters

Whilst Covid-19 has had a significant impact on economies and financial markets since 2020, the success of vaccines and lack of new more deadly variants meant this was less of an issue in 2022, other than in China where lockdowns were still seen during the year. The conflict in Ukraine had an impact on some key commodity prices such as energy and this added to already elevated inflation which led to central banks significantly raising interest rates and a deteriorating economic outlook. The action of Russia led the NFU Mutual to commit to dispose of all of their modest exposure to Russian assets within their investment portfolios as soon as practically possible.

The Trustee, in conjunction with its advisers, monitors the situation closely and determines any actions that are considered to be necessary. This includes monitoring the Scheme's investment portfolio, the operational impact on the Scheme and the covenant of the Employer. The extent of the impact on the Scheme's investment portfolio, including financial performance, will depend on future developments in financial markets and the overall economy, all of which are uncertain and cannot be predicted.

Employer-related investments

Details of employer-related investments are given in note 21 to the financial statements.

The Pensions Regulator

Full details about the Pensions Regulator's role and information on the codes of practice and regulations that are published to guide trustees on how to run their schemes are available on this website: www.thepensionsregulator.gov.uk.

Pensions Tracing

A pensions tracing service is carried out by the Department for Work and Pensions. Their website address is:

www.gov.uk/find-pension-contact-details

The registration number for this Scheme is shown on the front cover of this Report.

The Pensions Ombudsman

The Early Resolution Team at The Pensions Ombudsman is available to assist members and beneficiaries of the Scheme in connection with difficulties which they have failed to resolve with the Trustee. The Early Resolution Team can be contacted at the following address:

Early Resolution Team
The Pensions Ombudsman
1st Floor,
10 South Colonnade
Canary Wharf
London E14 4PU

For problems that cannot be settled through the Early Resolution Team, the Pensions Ombudsman (based at the same address) has power to investigate and determine complaints or disputes of fact or law in relation to occupational pension schemes.

Moneyhelper

For any general enquiries on their pensions, members can contact the Moneyhelper service at:
MoneyHelper
120 Holborn
London
EC1N 2TD
Telephone: 0115 965 9570
Website: www.moneyandpensionsservice.org.uk

Approval

This report was approved on 16 June 2023 and signed by order of the Trustee by:

Melanie Arthur
……………………………………
Melanie Arthur
Scheme Secretary

Date: 16/06/2023

Statement of Trustee's responsibilities for the Financial Statements and Reports

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustee has certain responsibilities in respect of contributions that are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions on page 32.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Independent auditors' report to the Trustee of NFU Mutual Retirement Benefit Scheme

Report on the audit of the financial statements

Opinion

In our opinion, NFU Mutual Retirement Benefit Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

We have audited the financial statements, included in the Annual Report, which comprise: the Statement of Net Assets (available for benefits) as at 31 December 2022; the Fund Account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Scheme's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all the information in the Annual Report other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustee for the financial statements

As explained more fully in the statement of Trustee's responsibilities, the Trustee is responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustee is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the Scheme and its environment, we identified that the principal risks of non-compliance with laws and regulations related to the administration of the Scheme in accordance with the Pensions Acts 1995 and 2004 and regulations made under them, and codes of practice issued by the Pensions Regulator; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements. We evaluated incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, by the Trustee and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements, and determined that the principal risks were related to posting inappropriate journals to conceal misappropriation of assets and inappropriate adjustments of asset valuations. Audit procedures performed by the engagement team included:

- Testing journal entries where we identified particular fraud risk criteria.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.
- Testing estimates and judgements made in the preparation of the financial statements for indicators of bias.
- Reviewing meeting minutes, any correspondence with the Pensions Regulator, and significant contracts and agreements.
- Holding discussions with the Trustee to identify significant or unusual transactions and known or suspected instances of fraud or non-compliance with applicable laws and regulations.
- Assessing financial statement disclosures, and agreeing these to supporting evidence, for compliance with the Pensions Acts 1995 and 2004 and regulations made under them.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
Date: 19/06/2023

Fund Account

		2022			2021		
		DBS	DCS	Total	DBS	DCS	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Contributions and benefits							
Employer contributions		670	26,767	27,437	737	24,976	25,713
Employee contributions		-	2,187	2,187	-	2,032	2,032
	4	670	28,954	29,624	737	27,008	27,745
Other income	5	-	7	7	-	10	10
Transfers in	5	-	408	408	-	1,562	1,562
		670	29,369	30,039	737	28,580	29,317
Benefits paid or payable	6	28,138	2,647	30,785	27,624	2,915	30,539
Payments to and on account of leavers	7	5,705	7,019	12,724	8,017	6,233	14,250
Administrative expenses	8	1,782	-	1,782	1,618	-	1,618
		35,625	9,666	45,291	37,259	9,148	46,407
Net (withdrawals) / additions from dealings with members		(34,955)	19,703	(15,252)	(36,522)	19,432	(17,090)
Returns on investments							
Investment income	9	19,022	2	19,024	20,901	-	20,901
Change in market value of investments	11	(227,601)	(25,663)	(253,264)	78,486	29,843	108,329
Investment management expenses	10	(486)	-	(486)	(518)	-	(518)
Net return on investments		(209,065)	(25,661)	(234,726)	98,869	29,843	128,712
Net (decrease) / increase in the Fund during the year		(244,020)	(5,958)	(249,978)	62,347	49,275	111,622
Transfer between sections		349	(349)	-	(1,831)	1,831	-
Net assets of the Fund							
At the beginning of the year		1,203,836	260,042	1,463,878	1,143,320	208,936	1,352,256
At the end of the year		960,165	253,735	1,213,900	1,203,836	260,042	1,463,878

The notes on pages 18 to 30 form part of these financial statements.

Statement of Net Assets (available for benefits)

		2022			2021		
		DBS	DCS	Total	DBS	DCS	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Investment assets							
Equities		225,596	-	225,596	292,395	-	292,395
Bonds		408,887	-	408,887	490,576	-	490,576
Pooled investment vehicles	12	303,332	251,629	554,961	391,866	257,559	649,425
AVCs	14	4,118	-	4,118	5,590	-	5,590
Cash	15	13,332	-	13,332	16,125	-	16,125
Other investment balances	15	5,442	46	5,488	5,332	51	5,383
		960,707	251,675	1,212,382	1,201,884	257,610	1,459,494
Investment liabilities							
Other investment balances	15	(2,316)	-	(2,316)	-	(66)	(66)
		(2,316)	-	(2,316)	-	(66)	(66)
Total net investments	11	958,391	251,675	1,210,066	1,201,884	257,544	1,459,428
Current assets	18	2,841	3,042	5,883	3,117	2,745	5,862
Current liabilities	19	(1,067)	(982)	(2,049)	(1,165)	(247)	(1,412)
Net assets available for benefits		960,165	253,735	1,213,900	1,203,836	260,042	1,463,878

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on pages 39 and 40 and these financial statements should be read in conjunction therewith.

The notes on pages 18 to 30 form part of these financial statements.

These financial statements were approved by the Trustee on 16 June 2023

Signed on behalf of the Trustee by:

Brian Duffin

……………………………………

Brian Duffin OBE FFA
16 June 2023
Trustee Director

Notes (forming part of the financial statements)

1. Basis of preparation

The Financial Statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice ("SORP") (revised 2018).

The financial statements have been prepared on the going concern basis. Having assessed the circumstances, the Trustee has determined there is not a material uncertainty as to the ability of the Scheme to continue as a going concern for the foreseeable future and therefore believes it remains appropriate to prepare the financial statements on a going concern basis.

2. Identification of the financial statements

The Scheme is established as a trust under English Law. The address for enquiries to the Scheme is included in the Trustee's Report.

3. Accounting policies

The principal accounting policies of the Scheme are as follows:

a) Contributions
   i. Employee normal contributions are accounted for when deducted from pay, with the exception of contributions deducted from auto-enrolled members during the opt-out period which are accounted for on the earlier of receipt or the expiry of the opt-out period.
   ii. Employer normal contributions which are expressed as a rate of salary are accounted for in the period they are due under the Schedule of Contributions.
   iii. Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.
   iv. Other Employer contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions or on receipt if earlier with the agreement of the employer and Trustee.

b) Payments to members
   i. Pensions in payment are accounted for in the period to which they relate.
   ii. Where there is a choice and the member notifies the Trustee of his / her decision on the type or amount of benefit to be taken by the membership cut-off date then benefits are accounted for on the date of retirement or leaving. If there is no member choice, they are accounted for on the date of retirement or leaving.
   iii. For members with whom contact has been lost, benefits are accounted for on the later of the date that contact is re-established and the date that the relevant benefit payable has been identified.
   iv. Individual transfers out are accounted for when paid which is normally when member liability is discharged.

c) Investments
   i. Investments are included at fair value.
   ii. Listed securities traded through the Stock Exchange Electronic Trading Service are valued on the basis of the latest trade price at the balance sheet date.
   iii. Bonds are stated at their clean prices. Accrued income is accounted for within investment income.
   iv. Unlisted securities are valued having due regard to latest dealings, professional valuation, asset values and other appropriate financial information.
   v. Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the investment manager. In relation to funds not priced daily, the latest valuation before the year end is used.
   vi. Freehold property is included in the valuation of the Oaks Property Trust on the basis of open market value at amounts certified by external qualified professional Chartered Surveyors, (Cushman and Wakefield LLP, Apache and Lendlease). There is no leasehold property.
   vii. The Scheme undertakes stock lending and continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. Collateral

received in respect of stock lending arrangements is disclosed but not recognised as a Scheme asset.

d) Investment income
   i. Income from equities and any pooled investment vehicles which distribute income is accounted for on an accruals basis on the date when ex-div or when the distribution is declared.
   ii. Investment income arising from the underlying investments of the pooled investment vehicles, which is not distributed, is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within 'Change in Market Value'.
   iii. Interest is accrued on a daily basis.

e) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year, indirect costs incurred through the bid-offer spread on pooled investment vehicles and movements in foreign currencies where applicable.

f) Administration costs and investment expenses are accounted for on an accruals basis.

g) Transfers between DBS and DCS are accounted for on a cash basis.

h) The functional and presentational currency of the Scheme is sterling. Balances denominated in foreign currencies are translated into sterling at the rate ruling at the year end date. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Gain and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

i) The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

   For the Scheme, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are related to the valuation of the Scheme investments and, in particular, those classified in Level 3 of the fair-value hierarchy. Explanation of the key assumptions underpinning the valuation of investments are included within 3 (c) above.

   The key area of judgement relates to control of Oaks Property Trust:
   The Oaks Property Trust is a separate trust arrangement, whereby the Trustees and joint legal owners are NFU Mutual Insurance Society Ltd (80%) and NFU Mutual Insurance Pension Fund Trust Company Ltd ("PENCO") 20%. PENCO holds the assets on behalf of the beneficial owner, NFUM Pension Trustee Company Limited. The agreement does not permit the NFUM Pension Trustee Company Limited to set the annual budget and financial plan, appoint and remove senior executives or set operating procedures and responsibilities. As such, the Oaks Property Trust has been included in these financial statements as a financial asset and has not been consolidated.

4. Contributions

	2022		
	DBS	DCS	Total
	£'000	£'000	£'000
Employer:			
Normal	-	15,704	15,704
Normal - salary sacrifice	-	11,063	11,063
Administration expenses	670	-	670
	670	26,767	27,437
Employee:			
Normal	-	39	39
Additional voluntary contributions	-	2,148	2,148
	-	2,187	2,187
	670	28,954	29,624

	2021		
	DBS	DCS	Total
	£'000	£'000	£'000
Employer:			
Normal	-	14,666	14,666
Normal - salary sacrifice	-	10,310	10,310
Administration expenses	737	-	737
	737	24,976	25,713
Employee:			
Normal	-	36	36
Additional voluntary contributions	-	1,996	1,996
	-	2,032	2,032
	737	27,008	27,745

5. Other income and Transfers in

DCS transfers in are individual transfers in from other schemes received in the year.

Other income relates to compensation received.

6. Benefits paid or payable

	2022		
	DBS	DCS	Total
	£'000	£'000	£'000
Pensions	25,249	-	25,249
Commutation of pensions and lump sum retirement benefits	2,819	882	3,701
Purchase of annuities	-	515	515
Lump sum death benefits	70	1,191	1,261
Taxation where lifetime or annual allowance exceeded	-	59	59
	28,138	2,647	30,785

	2021		
	DBS	DCS	Total
	£'000	£'000	£'000
Pensions	24,446	-	24,446
Commutation of pensions and lump sum retirement benefits	3,148	316	3,464
Purchase of annuities	-	47	47
Lump sum death benefits	30	2,552	2,582
	27,624	2,915	30,539

7. Payments to and on account of leavers

	2022		
	DBS	DCS	Total
	£'000	£'000	£'000
Transfers out under pension sharing orders	316	14	330
Individual transfers to other schemes	5,389	7,005	12,394
	5,705	7,019	12,724

	2021		
	DBS	DCS	Total
	£'000	£'000	£'000
Transfers out under pension sharing orders	94	73	167
Individual transfers to other schemes	7,923	6,160	14,083
	8,017	6,233	14,250

8. Administrative expenses

	2022		
	DBS	DCS	Total
	£'000	£'000	£'000
Administration and processing expenses	744	-	744
Actuarial fees	470	-	470
Legal and other professional fees	315	-	315
Audit fees	55	-	55
Secretarial costs	139	-	139
Pension Protection Fund Levy	18	-	18
Other Levies	41	-	41
	1,782	-	1,782

	2021		
	DBS	DCS	Total
	£'000	£'000	£'000
Administration and processing expenses	572	-	572
Actuarial fees	407		407
Legal and other professional fees	344	-	344
Audit fees	51	-	51
Secretarial costs	165		165
Pension Protection Fund Levy	55	-	55
Other Levies	24		24
	1,618	-	1,618

Included in secretarial costs are fees payable to the Company of £139k (2021 £165k) for Trustee Secretariat services provided to the Scheme.

9. Investment income

	2022		
	DBS	DCS	Total
	£'000	£'000	£'000
Dividends from equities	7,622	-	7,622
Income from bonds	11,236	-	11,236
Stock lending income	76	-	76
Interest on cash deposits	88	2	90
	19,022	2	19,024

	2021		
	DBS	DCS	Total
	£'000	£'000	£'000
Dividends from equities	9,543	-	9,543
Income from bonds	11,286	-	11,286
Stock lending income	70	-	70
Interest on cash deposits	2	-	2
	20,901	-	20,901

10. Investment management expenses

	2022		
	DBS	DCS	Total
	£'000	£'000	£'000
Administration, management and custody	486	-	486

	2021		
	DBS	DCS	Total
	£'000	£'000	£'000
Administration, management and custody	518	-	518

11. Investment reconciliation

DBS

	Opening market value	Purchases at cost	Sales proceeds	Change in market value	Closing market value
	£'000	£'000	£'000	£'000	£'000
Equities	292,395	29,660	(82,942)	(13,517)	225,596
Bonds	490,576	231,638	(143,140)	(170,187)	408,887
Pooled investment vehicles	391,866	55,900	(100,850)	(43,584)	303,332
AVC investments	5,590	-	(1,041)	(431)	4,118
	1,180,427	317,198	(327,973)	(227,719)	941,933
Cash	16,125			118	13,332
Other investment balances	5,332			-	3,126
	1,201,884			(227,601)	958,391

DCS

	Opening market value	Purchases at cost	Sales proceeds	Change in market value	Closing market value
	£'000	£'000	£'000	£'000	£'000
Pooled Investments	257,559	33,062	(13,329)	(25,663)	251,629
Other investment balances	(15)				46
	257,544				251,675

The change in market value of investments during the period comprises all increases and decreases in the market value of investments held at any time during the period, including profits and losses realised on sales of investments during the period, indirect costs incurred through the bid-offer spread on pooled investment vehicles and movements in foreign currencies where applicable.

In addition to total DCS purchases and sales are switches between different funds of the same manager totalling £142.2m.

Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty. Transaction costs analysed by main asset class and type of cost are as follows:

	Fees	Commission	Taxes	2022	2021
	£'000	£'000	£'000	£'000	£'000
Equities	-	41	-	41	55

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. It has not been possible to quantify these costs.

12. Pooled investment vehicles

By type	2022	2021
DBS	£'000	£'000
Equities	104,132	170,562
Bonds	102,737	101,061
Property	91,649	114,443
Money market	4,814	5,800
	303,332	391,866

The Scheme's Property portfolio is held in the Oaks Property Trust. The Oaks Property Trust is a separate trust arrangement, whereby the Trustees and joint legal owners are NFU Mutual Insurance Society Ltd (the "Mutual") 80% and NFU Mutual Insurance Pension Fund Trust Company Ltd ("PENCO") 20%. PENCO holds the assets on behalf of the beneficial owner RBS Trustee.

By type	2022	2021
DCS	£'000	£'000
Equities	40,817	41,295
Bonds	3,523	4,932
Property shares	5,267	7,049
Diversified growth funds	197,204	199,473
Cash	4,818	4,810
	251,629	257,559

The diversified growth funds hold a variety of investments including equities, bonds, derivatives, forward foreign exchange contracts and cash.

The member units on take on with the new administrator had differences to the actual unit holdings. A project was undertaken by the new administrator during the year to resolve each difference and correct the unit holdings. At the year end there is a £24k difference in respect of one member whose transfer out value was too high. Recovery of this amount is currently in progress.

13. Stock lending

	2022	2021
On loan	£'000	£'000
UK quoted equities	1,022	3,552
UK government bonds	1,983	-
Eurobonds & international equities	9,387	21,970
	12,392	25,522

	2022	2021
	£'000	£'000
Collateral received by the Scheme	13,002	26,866

14. AVC investments

The Trustee held assets invested separately from the main Scheme assets in the form of group insurance policies securing additional benefits on a money purchase basis for those members who paid AVCs. Members participating in these arrangements each received an annual statement made up to the year end confirming the amounts held in their account and the movements in the year.

Group AVC

The Group AVC is provided by The National Farmers Union Mutual Insurance Society Limited. The Group AVC closed to future contributions with effect from 31 December 2016. The Group AVC includes a with-profits fund as well as seven investment linked funds.

The aggregate amounts of separately invested AVCs were as follows:

	2022	2021
	£'000	£'000
National Farmers Union Mutual Insurance Society Limited	4,118	5,590

Deposit AVC

The Deposit AVC closed to future contributions with effect from 31 December 2016. The Deposit AVC is an interest bearing deposit account. Investments held in the Deposit AVC are invested directly in the Scheme and earn interest at a rate declared by the Trustee. These assets are not separately identifiable from the assets of the Scheme. The value of the AVCs at 31 December 2022 is £108k (2021: £119k).

15. Other investment balances

DBS

	2022	2021
Asset	£'000	£'000
Cash - sterling	9,290	10,903
Cash - foreign currency	4,042	5,222
	13,332	16,125
Accrued income	4,231	4,867
Tax recoverable	422	465
Outstanding sales proceeds	789	-
	5,442	5,332
	18,774	21,457
Liability		
Outstanding purchases	(2,316)	-

DCS

	2022	2021
Asset	£'000	£'000
Outstanding sales proceeds	46	51
	46	51
Liability		
Outstanding purchases	-	(66)

16. Fair value determination

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1 The unadjusted quoted price in an active market for an identical asset that the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the assets.

By type	Level 1	Level 2	Level 3	Total
At 31 December 2022	£'000	£'000	£'000	£'000
DBS				
Equities	225,137	459	-	225,596
Bonds	83,856	324,954	77	408,887
Pooled investment vehicles	4,814	206,869	91,649	303,332
AVC investments	-	3,490	628	4,118
Cash	13,332	-	-	13,332
Other investment balances	3,126	-	-	3,126
	330,265	535,772	92,354	958,391
DCS				
Pooled investment vehicles	-	251,629	-	251,629
Other investment balances	46	-	-	46
	46	251,629	-	251,675
	330,311	787,401	92,354	1,210,066

By type	Level 1	Level 2	Level 3	Total
At 31 December 2021	£'000	£'000	£'000	£'000
DBS				
Equities	291,302	1,093	-	292,395
Bonds	128,782	361,712	82	490,576
Pooled investment vehicles	5,800	271,623	114,443	391,866
AVC investments	-	4,710	880	5,590
Cash	16,125	-	-	16,125
Other investment balances	5,332	-	-	5,332
	447,341	639,138	115,405	1,201,884
DCS				
Pooled investment vehicles	-	257,559	-	257,559
Other investment balances	(15)	-	-	(15)
	(15)	257,559	-	257,544
	447,326	896,697	115,405	1,459,428

17. Investment risks

Types of risk relating to investments

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determined the Scheme's investment strategy after obtaining written professional advice from its professional investment adviser. The Scheme has exposure to the aforementioned risks because of the investments held to implement its investment strategy. The Trustee manages investment risks, including credit risk and market risk, considering the Scheme's investment objectives and strategy, and the advice of its investment advisers.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Scheme's investment managers. The Trustee monitors the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

The table overleaf summarises the extent to which the various classes of investments are affected by the residual financial risks:

	Credit risk	Market risk Currency	Interest rate	Other price	2022 Value	2021 Value
					£'000	£'000
DBS						
Equities	o	◐	o	•	225,596	292,395
Bonds	•	o	•	◐	408,887	490,576
Pooled investment vehicles					303,332	391,866
Direct	◐	o	o	o		
Indirect	•	◐	◐	•		
AVC investments	◐	◐	◐	◐	4,118	5,590
Cash and other net investment assets	◐	o	◐	o	16,458	21,457
					958,391	1,201,884
DCS						
Pooled investment vehicles					251,629	257,559
Direct	◐	o	o	o		
Indirect	◐	◐	◐	◐		
Cash and other net investment assets	◐	o	◐	o	46	(15)
					251,675	257,544

In the above table, the risk noted affects the asset class [•] significantly, [◐] partially or [o] hardly/ not at all.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below. This does not include AVCs, cash and other investment balances as these are not considered significant in relation to the overall investments of the Scheme.

DBS

(i) Credit risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, has cash balances and undertakes stock lending. The Scheme also invests in pooled investment vehicles and is therefore indirectly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Trustee's policy for managing credit risk is detailed in the Statement of Investment Principles.

Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal (UK Treasury), or corporate bonds which are at least investment grade. Should a bond fall below investment grade, the Scheme is allowed to hold. Credit risk arising on other directly held investments is mitigated by mandates requiring all counterparties to be at least investment grade credit rated. Bonds are held indirectly where the manager targets sub-investment grade bonds for some or all of the holdings, the credit risk arising from these exposures is managed by ensuring appropriate diversification at stock level with appropriate oversight of the investment manager.

Directly held cash balances are at financial institutions which are at least investment grade credit rated.

In all above instances, "investment grade" is defined as being rated at least BBB- by Standard & Poor's or Baa3 by Moody's.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled fund managers and the regulatory environments in which the pooled managers operate. The Trustee directors conduct due diligence on all these points when making a new investment and periodically on an ongoing basis.

The Trustee manages the credit risk arising from stock lending activities through the following restrictions:

Global Limits:	
Overall and Fund Limit	- not more than 15% of total relevant amount*
Securities Limits:	
UK Equities	- not more than 7.5% of total relevant amount*

UK Gilts	- not more than 7.5% of total relevant amount*
Overseas Equities and Corporate Bonds	- not more than 7.5% of total relevant amount*

Borrower Limits:

Each borrower	- not more than 3% of total relevant amount*

* relevant amount = net asset value of assets under management excluding cash and property

The maximum limit applicable to stock on loan or subject to gilt repo transactions, aggregated together, is 20% of the fund at any one time.

Indirect credit risk arises in relation to underlying investments held in pooled investment vehicles.

The breakdown by type of vehicle at the year end is:

	2022	2021
	£'000	£'000
Common contractual funds	104,132	170,562
Shares of limited liability partnerships	91,649	114,443
Money market funds	4,814	5,800
Open ended investment company	102,737	101,061
	303,332	391,866

(ii) Currency risk

As the Scheme's liabilities are denominated in Sterling, any non-Sterling currency exposure within assets presents additional currency risk.

Whilst most of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy and believes that the currency exposure that exists diversifies the strategy and is appropriate. Currency risk is mitigated by having a diverse overseas portfolio across various markets and via hedging for the indirectly held overseas bond portfolio.

(iii) Interest rate risk

The Scheme is subject to Interest Rate Risk because some of its investment is held in cash with a number of authorised financial institutions whose credit rating is at least investment grade. Should counterparty's rating fall below the minimum investment grade, all funds are returned as soon as possible and the counterparty is removed from the authorised list with immediate effect.

Investment in Fixed Interest and Index-linked securities also exposes the Scheme to Interest Rate Risk as increases in rates generally lead to a decline in asset values. Asset liability matching reduces the Scheme's exposure to interest rate risk.

At the year end the Scheme's exposure comprised:

	2022	2021
	£'000	£'000
Direct		
Bonds	408,887	490,576
Indirect		
Bond funds	102,737	101,061
Money market funds	4,814	5,800

(iv) Other price risk

The Scheme's assets are exposed to risks of market prices other than currencies and interest rates, such as movements in equity prices.

Indirect other price risk arises principally in relation to the Scheme's equity portfolio which is invested in directly and indirectly held equities and indirectly held property. This exposure to overall price movements is managed by constructing a diverse portfolio of investments across various markets.

At the year end the Scheme's exposure is set out below:

	2022	2021
	£'000	£'000
Direct		
Equities	225,596	292,395
Corporate bonds	240,661	361,794
Indirect		
Equity funds	104,132	170,562
Bond funds	102,737	101,061
Property fund	91,649	114,443

DCS

(v) Direct credit risk

All the investment options available to members through the Scheme are offered through an insurance policy with Legal & General Assurance (Pensions Management) Limited ("L&G") or NFU Mutual Insurance Society Limited ("NFUM"). The Trustee does not invest directly with the fund managers but instead this is done by L&G and NFUM as part of the Trustee's insurance policy with it. All investments are held as unit linked insurance contracts.

The Trustee's policies with L&G and NFUM is covered by the Financial Services Compensation Scheme (FSCS). The FSCS is the compensation fund of last resort for customers of financial services firms. In the unlikely event either are declared in default by the FSCS, then up to 100% of the value of the policy in liquidation can be recovered from the FSCS by the Trustee, with no upper limit.

The Trustee believes the current arrangements are in line with the industry standard but will continue to monitor security of the investments and the protections in place.

(vi) Indirect credit and market risk

The DCS funds of the Scheme are subject to indirect credit and market risk arising from the underlying investments held in the funds managed by NFUM and L&G. Member level risk exposures will be dependent on the funds invested in by members.

The majority of the Scheme's members invest in the mixed portfolios (40-85% shares and Max 100% shares) and the equity funds, overall, these funds represent 93.6% (2021: 93.5%) of the DCS investments. The risk disclosures have therefore focussed on these funds. The Scheme's funds are subject to indirect foreign exchange, interest rate and other price risk arising from the underlying financial instruments held in the following funds:

- The mixed portfolios (40-85% shares fund and Max 100% fund) are exposed to interest rate, currency and other price risk.
- The equity funds are exposed to currency and other price risk.

18. Current assets

	2022		
	DBS	DCS	Total
	£'000	£'000	£'000
Contributions due from employer in respect of:			
Employer	78	-	78
Cash balances	2,567	3,042	5,609
VAT recoverable	43	-	43
Due from DC section	82	-	82
Sundry debtors	64	-	64
Prepayments	7	-	7
	2,841	3,042	5,883

	2021		
	DBS	DCS	Total
	£'000	£'000	£'000
Contributions due from employer in respect of:			
Employer	69	-	69
Cash balances	2,867	2,745	5,612
VAT recoverable	40	-	40
Sundry debtors	2	-	2
Due from DC section	139	-	139
	3,117	2,745	5,862

The net balance of the current assets and current liabilities for the DC Sections, shown in Notes 18 and 19 respectively, is £2,060k (2021: £2,498k). Of this, £2,036k is allocated to members (2021: £2,323k) and £24k (2021: £175k) is allocated to the Trustee.

19. Current liabilities

	2022		
	DBS	DCS	Total
	£'000	£'000	£'000
Lump sums on retirement payable	155	-	155
Death benefits payable	31	899	930
Pensions payable	10	-	10
Accrued expenses	486	-	486
PAYE payable	385	1	386
Due to DB section	-	82	82
	1,067	982	2,049

	2021		
	DBS	DCS	Total
	£'000	£'000	£'000
Lump sums on retirement payable	417	10	427
Death benefits payable	-	97	97
Pensions payable	6	-	6
Accrued expenses	374	-	374
PAYE payable	368	1	369
Due to DB section	-	139	139
	1,165	247	1,412

20. Related Party Transactions

Key Management Personnel

Three Trustee Directors (Mr Graves, Mr Davies and Mr Priestley) are active members of the Scheme and thus they are potential beneficiaries of the Scheme and accrued benefits in accordance with the Trust Deed and Rules. One Trustee Director (Mr Spriggs) is currently in receipt of a pension from the Scheme. There were no related party transactions other than accrued pension benefits for these individuals. The Chair of the Trustee received remuneration of £18,500 from the Society for their role (2021: £17,625). Mr Deane received remuneration of £916.67 from the Society for his role as Trustee Director (2021:£nil).

None of the Trustee Directors received any remuneration in connection with their services as Trustee Directors (2021: £nil).

Employer and other related parties

The DB investments are managed by NFU Mutual Investment Services Limited (regulated by the FCA). The Scheme pays for these services on the basis of a percentage of the value of funds under management. The gross charge for the year was £448,129 (2021: £501,084).

The Scheme holds a 20% investment in The Oaks Property Trust; the remainder is held by NFU Mutual. The principal activity of the Oaks Property Trust is pooled property investment. After the year end the Trustee has agreed to gradually sell this holding.

NFU Mutual provided administration of Separately Invested AVCs and Trustee Secretariat services to the Scheme during the year under review. As shown in Note 8 there is a charge of £139,179 for the Trustee Secretariat services (2021: £164,797). As at 31 December 2022 an amount of £303,976 was due to the Employer in this respect (2021: £164,797).

During the year, NFU Mutual paid additional contributions to the DB Section of the Scheme to offset costs incurred in respect of the DC section. As at 31 December 2022 an amount of £78,425 was due from the Employer in respect of these contributions that had been underpaid as at that date (2021: £68,547).

Other than noted above and elsewhere in the annual report, there were no related party transactions requiring separate disclosure.

21. Employer related investment

There were no employer related investments at any time during the year or at the year end (201: £nil).

22. Concentration of investment

The following investments represent more than 5% of the net assets of the Scheme.

Fund	2022		2021	
	£'000	%	£'000	%
NFU Mutual mixed portfolio Max 100% shares fund	137,452	11.3	-	-
Oaks Propty Trust	91,649	7.6	114,443	7.8
NFU Mutual mixed portfolio 40-85% shares fund	57,348	4.7	196,950	13.5
Mercer Alpha Y 1 RBS	51,239	4.2	76,239	5.2
	337,688	27.8	387,632	26.5

23. Transfer between sections

DCS funds of £349k (2021: £1,831k) were transferred between the Defined Contribution Section and the Defined Benefit Section in respect of members who left in the year.

24. Covid and other matters

Since March 2020, Covid-19 has had a profound effect on domestic and global economies, with disruption and volatility in the financial markets. The recent geopolitical events in Ukraine have also impacted. The Trustee, in conjunction with its advisers, monitors the situation closely and determines any actions that are considered to be necessary. This includes monitoring the Scheme's investment portfolio, the operational impact on the Scheme and the covenant of the Employer.

Independent auditors' Statement about Contributions to the Trustee of NFU Mutual Retirement Benefit Scheme

Statement about contributions

Opinion
In our opinion, the contributions payable under the Schedule of Contributions for the Scheme year ended 31 December 2022 as reported in NFU Mutual Retirement Benefit Scheme's summary of contributions have, in all material respects, been paid in accordance with the schedules of contributions certified by the Scheme actuary on 19 December 2018 and 24 March 2022.

We have examined NFU Mutual Retirement Benefit Scheme's summary of contributions for the Scheme year ended 31 December 2022 which is set out on the following page.

Basis for opinion
Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have, in all material respects, been paid in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the schedules of contributions, and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Trustee in respect of contributions
As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions
It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report
This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
Date:
19/06/2023

Statement of Trustee's Responsibilities in respect of Contributions

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedules of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

Trustee's Summary of Contributions payable under the Schedule of Contributions in respect of the Scheme year ended 31 December 2022

This Summary of Contributions has been prepared by, and is the responsibility of, the Trustee. It sets out the Employer and employee contributions payable to the Scheme under the Schedules of Contributions certified by the actuary on 19 December 2018 and 24 March 2022 in respect of the Scheme year ended 31 December 2022. The Scheme Auditors report on contributions payable under the Schedules in the Auditors' Statement about Contributions.

Contributions payable under the Schedules in respect of the year	DBS	DCS	Total
	£'000	£'000	£'000
Employer:			
Normal	-	15,704	15,704
Normal - salary sacrifice	-	11,063	11,063
Employee:			
Normal	-	39	39
Contributions payable under the Schedules (as reported on by the Scheme Auditor)	-	26,806	26,806

Reconciliation of Contributions Payable under the Schedules of Contributions to Total Contributions reported in the Financial Statements

	£'000	£'000	£'000
Contributions payable under the Schedules (as above)	-	26,806	26,806
Contributions payable in addition to those due under the Schedule (and not reported on by the Scheme Auditor)			
Employer - Administration expenses	670	-	670
Employee - additional voluntary contributions	-	2,148	2,148
Total contributions reported in the Financial Statements	670	28,954	29,624

Signed on behalf of the Trustee of the NFU Mutual Retirement Benefit Scheme on 16 June 2023

Brian Duffin
……………………………………
Brian Duffin OBE FFA
Trustee Director

Actuary's Certification of the Schedule of Contributions (2020 valuation)

Actuary's certification of Schedule of Contributions

Name of Scheme: **The Retirement Benefit Scheme of the National Farmers Union Mutual Insurance Society Limited**

Adequacy rate of contributions

1 I certify that, in my opinion, the rates of contribution shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 December 2020 to be met by the end of the period specified in the Recovery Plan dated 24 March 2022.

Adherence to Statement of Funding Principles

2 I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 24 March 2022.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Martin Faulkner

Martin Faulkner

Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a Willis Towers Watson company

Willis Towers Watson
The Colmore Building
20 Colmore Circus Queensway
Birmingham
B4 6AT

24 March 2022

Actuary's Certification of the Schedule of Contributions (2017 valuation)

Actuary's certification of schedule of contributions

Name of Scheme: **The Retirement Benefit Scheme of the National Farmers Union Mutual Insurance Society Limited**

Adequacy rate of contributions

1 I certify that, in my opinion, the rates of contribution shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2017 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2 I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 19 December 2018.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Stepehen Ellis

Stephen Ellis
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a Willis Towers Watson company

19 December 2018

Willis Towers Watson
The Colmore Building
20 Colmore Circus Queensway
Birmingham
B4 6AT

Schedule of Contributions (2020 valuation)

Period covered by the schedule:	**From the date of certification of this schedule by the Scheme Actuary to 30 May 2030**

This schedule of contributions has been prepared by the Trustee, after obtaining the advice of Martin Faulkner, the actuary to the Scheme. This schedule sets out:

- the rates of contributions the Principal Employer and the members of the Scheme must pay;
- the latest dates by which the Trustee must receive the contributions (the legal due dates).

Members' contributions

- Following the closure of the Defined Benefit section to future accrual with effect from 31 December 2016, no contributions are due from Defined Benefit members.
- Defined Contribution members who are current employees, do not belong to the SMART arrangement, and who are still earning benefits shall contribute at whatever rate is determined by the Employer and notified to the member (in accordance with the Trust Deed and Rules of the Scheme). Currently this rate is set at a minimum 4% of Pensionable Salary, although members may choose to contribute at a higher rate.
- Members of the SMART arrangement will not contribute to the Scheme (but the employer shall pay contributions on their behalf, as set out below).

These contributions are deducted from their pay each month. The employers must pay these contributions to the Trustee of the Scheme by the 19th of the following month (the legal due date for member contributions). For example, contributions deducted in April 2022 must be paid to the Trustee by 19 May 2022.

Employer's regular contributions

- Where a member is a current employee and participates in the SMART arrangement, the Principal Employer shall pay contributions on behalf of the member at a rate equal to that which would have been paid by the member had they not participated in the SMART arrangement.

- Following the closure of the Defined Benefit section to future accrual with effect from 31 December 2016, no Principal Employer contributions will be paid in respect of the Defined Benefit section.
- Where a Defined Contribution member is a current employee and is still accruing benefits, the Principal Employer shall pay contributions as agreed in accordance with the Trust Deed and Rules of the Scheme. Currently this is equal to 4% of the member's Pensionable Salary plus two times such percentage as the member chooses to contribute (or, under the SMART arrangement, have the Employer contribute on their behalf) in excess of 4%, up to a maximum Employer contribution of 12%.

The Principal employer's regular total contributions will be reduced by the administration expenses in relation to the Defined Benefit section met directly, from time to time, by the Principal employer.

Additional employer contributions

The Scheme Rules provide for enhancements to be made to benefits payable from the Scheme in respect of Defined Contribution members who die in service or take ill-health early retirement. The Trustee and the Principal Employer have agreed that the Scheme will meet the cost of these enhancements up to a maximum of £1.2m pa for calendar years 2022 and 2023 only. Should the cost of such enhancements exceed £1.2m in either year, and for the total cost of such enhancements in subsequent years over the period covered by this schedule, the Trustee will consider whether an additional contribution should be paid into the Scheme.

If any augmentations are made to benefits payable from the Scheme, the Trustee will consider whether an additional contribution should be paid into the Scheme.

Administration expenses

The Pension Protection Fund levy will be borne by the Scheme as it becomes due.

The Principal Employer will meet any expenses in relation to the Defined Contribution and Defined Benefit sections of the Scheme.

Paying contributions

By law, the Trustee must have received the contributions by the legal due date at the very latest.

This schedule has been drawn up in line with the Pension Act 2004.

Agreed by National Farmers Union Mutual Insurance Society Limited (the "Principal Employer")

R Morley

Signed:
(for and on behalf of the Principal Employer)

Date: .... 24 March 2022 ....

Agreed by NFUM Pension Trustee Company Limited (the "Trustee")

B Duffin

Signed:
(for and on behalf of the Trustee)

Date: .... 24 March 2022 ....

Schedule of Contributions (2017 valuation)

Period covered by the schedule:	**5 years from the date of certification of this schedule by the Scheme Actuary**

This schedule of contributions has been prepared by the Trustee, after obtaining the advice of Stephen Ellis, the actuary to the Scheme. This schedule sets out:

- the rates of contributions the Principal Employer and the members of the Scheme must pay;
- the latest dates by which the Trustee must receive the contributions (the legal due dates).

Members' contributions

- Following the closure of the Defined Benefit section to future accrual with effect from 31 December 2016, no contributions are due from Defined Benefit members.
- Defined Contribution members who are current employees, do not belong to the SMART arrangement, and who are still earning benefits shall contribute at whatever rate is determined by the Employer and notified to the member (in accordance with the Trust Deed and Rules of the Scheme). Currently this rate is set at a minimum 4% of Pensionable Salary, although members may choose to contribute at a higher rate.
- Members of the SMART arrangement will not contribute to the Scheme (but the employer shall pay contributions on their behalf, as set out below).

These contributions are deducted from their pay each month. The employers must pay these contributions to the Trustee of the Scheme by the 19th of the following month (the legal due date for member contributions). For example, contributions deducted in January 2019 must be paid to the Trustee by 19 February 2019.

Employer's regular contributions

- Where a member is a current employee and participates in the SMART arrangement, the Principal Employer shall pay contributions on behalf of the member at a rate equal to that which would have been paid by the member had they not participated in the SMART arrangement.
- Following the closure of the Defined Benefit section to future accrual with effect from 31 December 2016, no Principal Employer contributions will be paid in respect of the Defined Benefit section.
- Where a Defined Contribution member is a current employee and is still accruing benefits, the Principal Employer shall pay contributions as agreed in accordance with the Trust Deed and Rules of the Scheme. Currently this is equal to 4% of the member's Pensionable Salary plus two times such percentage as the member chooses to contribute (or, under the SMART arrangement, have the Employer contribute on their behalf) in excess of 4%, up to a maximum Employer contribution of 12%.

The Principal employer's regular total contributions will be reduced by the administration expenses in relation to the Defined Benefit section met directly, from time to time, by the Principal employer.

Additional employer contributions

If any augmentations are made to benefits payable from the Scheme, the Trustee will consider whether an additional contribution should be paid into the Scheme.

Administration expenses

The Pension Protection Fund levy will be borne by the Scheme as it becomes due.

The Principal Employer will meet any expenses in relation to the Defined Contribution and Defined Benefit sections of the Scheme.

Paying contributions

By law, the Trustee must have received the contributions by the legal due date at the very latest.

This schedule has been drawn up in line with the Pension Act 2004.

Agreed by National Farmers Union Mutual Insurance Society Limited as Principal Employer

R Morley

Signed:
(for and on behalf of the Principal Employer)

19/12/2018

Date:

Agreed by the Trustee

B Duffin

Signed:
(for and on behalf of the Trustee)

19/12/2018

Date:

Report on Actuarial Liabilities (forming part of the Trustee's report)

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits to which members are entitled, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Company and set out in the Statement of Funding Principles, which is available to Scheme members on request.

At the date of this report the most recent triennial actuarial valuation was carried out as at 31 December 2020. We show the results on the 2020 and 2017 valuations for completeness. These showed that on those dates:

	2020	2017
	£m	£m
The value of the technical provisions was:	1,419.4	1,210.4
The value of the assets at that date was:	1,352.3	1,238.7
(Deficit) / Surplus	(67.1)	28.3
Funding level	95%	102%

Although there are no plans to discontinue the Scheme and buy-out liabilities with another insurance company, the Trustee also considers the level of funding relative to the estimated costs of such a buy-out (known as 'solvency liabilities') and equivalent information on this basis is provided below:

	2020	2017
	£m	£m
The value of liabilities in respect of solvency liabilities was:	1,297.0	1,288.4
The value of assets available to meet solvency liabilities was:	1,137.9	1,097.4
Deficit	159.1	191.0
Funding level	88%	85%

The figures shown include the value of assets in relation to defined contribution members and additional voluntary contributions (AVCs). Monies in relation to these funds are classed as both assets and liabilities of the Scheme, and so have no impact on the net overall position shown.

The value of technical provisions is based on Pensionable Service to the date of closure to future accrual and assumptions about various factors that will influence the Scheme in the future, such as the levels of investment returns and pay increases, when members will retire and how long members will live.

The actuarial method and significant actuarial assumptions used to determine the technical provisions at 31 December 2020 are as follows (all assumptions adopted are set out in the Statement of Funding Principles). Details of the assumptions adopted as at 31 December 2017 are set out in italics below:

Method

The actuarial method to be used in the calculation of the technical provisions was the projected unit credit method.

Significant actuarial assumptions

Discount interest rate: rates set by reference to the fixed interest gilt yield curve at the valuation date plus an addition of 91 bps moving to gilt curve plus 70 bps in 7 steps over 7 years.

(2017: rates set by reference to the fixed interest gilt yield at the valuation date plus an addition of 100 bps moving to gilt curve plus 70 bps in 10 steps over 10 years.)

Future Retail Price inflation (RPI): term dependent rates set by reference to the gilt implied break-even inflation curve at the valuation date.

(2017 term dependent rates set by reference to the gilt implied break-even inflation curve at the valuation date.)

Future Consumer Price inflation (CPI): term dependent rates derived from the assumption for future retail price inflation less 1.0% per annum up to the year 2030 and 0% per annum post year 2030.

(2017: term dependent rates derived from the assumption for future retail price inflation less 1.0% per annum.)

Salary increases: term dependent rates derived from the assumption for future retail price inflation plus an adjustment equal to +1.5% per annum.

(2017: term dependent rates derived from the assumption for future retail price inflation plus an adjustment equal to +1.5% per annum.)

Deferred pension revaluation:
Revaluation (CPI): CPI curve with relevant cap and floor applied.
Revaluation (Avon Harvest): RPI Curve plus an adjustment equal to +1.75% per annum.

(2017: Revaluation (CPI): CPI curve with relevant cap and floor applied.
Revaluation (Avon Harvest): RPI Curve plus an adjustment equal to +1.75% per annum.)

Pension Increases:
Discretionary / RPI (0,2.5): RPI curve with relevant cap and floor applied.
RPI (0,5): RPI curve with relevant cap and floor applied.

(2017: Discretionary / RPI (0,2.5): RPI curve with relevant cap and floor applied.
RPI (0,5): RPI curve with relevant cap and floor applied.)

Mortality base tables:
Male Pensioners: 95% of SAPS S2 “light” normal pensioners tables.
Female Pensioners: 85% of SAPS S2 normal pensioners tables.

(2017: Male Pensioners: 95% of SAPS S2 “light” normal pensioners tables.
Female Pensioners: 85% of SAPS S2 normal pensioners tables.)

Future Improvements in Longevity: CMI 2020 from 2007 with a long term trend of 1.50% per annum, smoothing parameter of 7.0, an initial addition parameter of 0.50% and 2020 weighting of 0%.

(2017: CMI 2017 with a long term trend of 1.5% pa)

Proportion of pension exchanged for a lump sum at retirement: 15% on current terms.

(2017: 15% on current terms.)

Expenses: 1.5% of past service reserve.

(2017:1.5% of past service reserve.)

Chair's Annual Governance Statement 2022 (DCS)

The Retirement Benefit Scheme of the National Farmers Union Mutual Insurance Society Limited ("the Scheme") offers both Defined Benefit ("DB") and Defined Contribution ("DC") benefits. This assessment covers the DC section of the Scheme and the DB additional voluntary contributions ("AVCs"), as per the regulations in force.

What is this Statement for?

It's important that you can feel confident that your savings in the Scheme are being looked after and give good value.
This Statement sets out how the Trustee managed the Scheme in the last Scheme Year and what it aims to do in the coming year.
A copy of this Statement, together with other key Statements about how the Scheme is managed are posted on-line at https://www.nfumstaffpensions.co.uk/

What's in this Statement?

We've included information on the following areas in this Statement:

1. How we manage your Scheme – who the Trustee are and what guides our decision making;
2. Investment options – what we have done to check the performance and suitability of the Scheme's investment options, especially those used by members who don't want to make an investment choice known as the "default arrangement";
3. Investment performance – what returns the investment options have produced over the last year;
4. Costs and charges – what costs and charges you have paid in the last year and how these might impact the size of a typical member's savings in the Scheme over time;
5. Value for Members - how the quality of the Scheme's services (including the investment returns on your savings) which you pay for compared to other pension schemes;
6. Administration – how well the Scheme has been administered including how promptly and accurately key transactions (such as the investment of your contributions) have been processed;
7. Trustee knowledge – what the Trustee has done to maintain its level of knowledge and obtain the professional advice needed to look after the Scheme for you; and
8. Completed actions and our plans for the next year – what key actions the Trustee took in the last year and what it aims to do in the coming year to continue to improve the Scheme for all its members.

What were the highlights from the last 12 months?

1. How we manage your Scheme

There has been one change to the Trustee Board during the year, with the addition of Mr John Deane as a Trustee Director on 1 November 2022.

The Statement of Investment Principles (SIP), which sets out the Trustee's policies on how your contributions should be invested, was updated and signed on 20 June 2022 to reflect changes to the investment strategy (more details of which are set out in this Statement). The implementation report describing how the Trustee followed its policies set out in the SIP over the year to 31 December 2021 was published on the website.

At 31 December 2022 the DC Section of the Scheme had 6,964 members and was worth a total of approximately £252 million.

2. Investment options

Following the investment strategy reviews undertaken on 24 March 2020 and 22 September 2021, the Trustee implemented the proposed changes on 8 August 2022. The transition was carried out efficiently and in line with expectations, at a minimal cost to members. For more information about the implemented changes, please refer to section 2.

There have been no other changes to the investment options in the last Scheme Year.

3. Investment performance

2022 was another challenging year for investment markets mainly because of:

- The Russian invasion of Ukraine, leading to economic sanctions being imposed on Russia, which in-part has contributed to slow economic growth and energy supply issues affecting the world's leading economies;
- The cost of living crisis and high inflation creating a turbulent environment for investment markets; and
- Bond markets suffering at the end of 2022 due to the mini-Budget.

Over the year to 31 December 2022 the funds used in the Scheme's default arrangement saw investment returns vary between a decrease in value of 9.78%, or a fall of £97.80 for every £1,000 invested in the NFU Mutual Mixed Portfolio 40-85% Shares Fund to a rise in value of 1.12% or, put another way, a rise of £11.20 for every £1,000 invested in the NFU Mutual Managed Plan Deposit Fund.

The investment returns produced by the funds used by the Scheme were generally in line with the funds' objectives.

More information about investment performance can be found in section 3.

4. Costs and charges

You pay for the Scheme's investment and transaction costs while NFU Mutual pays for the Scheme's administration, communications and governance services.

We monitored the costs and charges going out of members' pension pots during the last year:

The charges in the last year for the default arrangement, the Drawdown Lifestyle Strategy, were in a range from 0.30% p.a. to 0.34% p.a. of the amount invested, or put another way, £3.00 to £3.40 for every £1,000 invested. The charges in the last year for the Drawdown Lifestyle Strategy (Pre 2022) (prior to the 8 August 2022 investment transition), were in a range from 0.30% p.a. to 0.32% p.a. of the amount invested, or put another way, £3.00 to £3.20 for every £1,000 invested. The charges for the default arrangement were well within the charge cap for auto-enrolment in our Scheme required by the Government.

We have also looked at how the costs and charges taken out of a typical member's pension pot each year (assumed to be £1,000 at the start of the retirement journey) might affect its future size when they come to retire. Over a 40-year period, the current level of costs and charges for the Scheme's default arrangement could reduce the size of a pension pot by £9,000 leaving £119,000 at age 60 (the figures are based on a set of assumptions which can be found in Appendix 3).

More information about costs and charges can be found in section 4.

5. Value for Members

Each year we look at the costs and charges you pay as well as the range and quality of the services you pay for and see how they compare with similar pension schemes.

We found that the Scheme gave Excellent value for members in the last Scheme Year. Over the next year the main ways we expect to improve value for you will be by monitoring take-up of the new investment strategy and reviewing the investment strategy in March 2023 – please see section 5 for more details.

6. Administration

We ensure that the administration of the Scheme is going smoothly at our quarterly meetings. Over the year to 31 December 2022, we found that whilst the vast majority of key transactions were processed promptly, accurately and efficiently by the Scheme Administrator, there were a small number of transactions that were not processed promptly, accurately and efficiently.

Trafalgar House's service level adherence has been lower than expected over the year, however we are closely monitoring this and acknowledge that there has been improvement since the previous year. We note that many of the administration complexities were inherited from the previous administrator.

There was a significant improvement in the conditional data quality scores for the DC section of the Scheme.

More details about the administration can be found in section 6.

7. Trustee knowledge

It's important that we as Trustee Directors maintain our knowledge of pension and investment matters and have access to sound professional advice.

All of the Trustee Directors attended training sessions during the year on subjects such as cyber security, Pension Dashboards and new transfer regulations. We put plans in place to check our level of knowledge and understanding by carrying out an assessment to confirm and identify any gaps in the Trustee's knowledge; this assessment was undertaken in March 2022. We will assess this on an annual basis going forward – see section 7 for more details.

Overall, the Trustee believes that it has the right skills and expertise together with access to good quality professional advice so that it can run your Scheme properly.

8. Our key actions last year and plans for the next year

During the Scheme Year the Trustee undertook the following (over and above "business as usual"):

- Improved Value for Members by:
    - Implementing the previously agreed changes to the investment strategy, with a view to improving member outcomes;
    - Sending members a survey to understand their views on investment options, retirement and responsible investment;
    - Updating the investment guide to reflect the new investment strategy;
    - Sending a communication to members regarding the cost of living crisis, together with the annual benefit statements;
    - Working with Trafalgar House to improve the DC conditional data accuracy scores; and
    - Undertaking an effectiveness review of the Trustee Board and its advisers, as well as a review of training received (via questionnaires to each individual Trustee).

In the coming year (which will be covered by the next Chair's Statement), the Trustee intends to carry out the following:

- Continue to monitor the performance of the funds underlying the default arrangement as well as the other self-select funds;
- Continue to monitor take-up of the new investment options;
- Review the investment strategy in March 2023;
- Monitor the performance of Trafalgar House against their SLAs over 2023;
- Continue to work with Trafalgar House on the data cleansing project; and
- Prepare for compliance against the General Code of Practice which is expected to come into force in 2023.

The Trustee is satisfied that it has obtained full information on charges and transaction costs which it is able to report on. There was no missing information for this reporting period.

The rest of this Statement goes into more detail - please read on if you want to find out more about how we have managed your Scheme in the last Scheme Year (to 31 December 2022). We hope this Statement is of help to you planning for your future.

If you have any questions, you should contact Trafalgar House at nfumutual@thpa.co.uk or write to NFU Mutual Retirement Benefit Scheme, Trafalgar House, PO Box 119, Blyth, NE24 9EN or the Pensions Team at NFU Mutual at RBS@nfumutual.co.uk or write to NFU Mutual Retirement Benefit Scheme, Group Legal, Tiddington Road, Stratford upon Avon, Warwickshire, CV37 7BJ.

Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements like the Scheme, to help members achieve a good outcome from their pension savings. The Trustee is required to produce a yearly statement describing how these governance requirements have been met.

This Statement covers the period from 1 January 2022 to 31 December 2022 ("the Scheme Year").

For the record

This Annual Statement regarding governance has been prepared in accordance with:

Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) as amended by subsequent Regulations

Brian Duffin **Date:** **16 June 2023**

Signed by Brian Duffin OBE FFA, the Chair of the Trustee of the Retirement Benefit Scheme of the National Farmers Union Mutual Insurance Society Limited.

If you wish to obtain a signed copy, please contact the Pensions Team at NFU Mutual at RBS@nfumutual.co.uk.

1. How we manage your Scheme

At 31 December 2022, the Trustee Directors of the Scheme were:

- Mr Brian Duffin (Chairman)
- Mr Kenneth Graves
- Mr Jonathan Priestley
- Mr Andrew Spriggs
- Mr Kevin Davies
- Mr John Deane

There was one change to the Trustee Directorship with the addition of Mr John Deane starting from 1 November 2022. There were no changes to the Trust Deed and Rules (which govern the Scheme) over the Scheme Year. You can request a copy of the Trust Deed and Rules from the Pensions Team at NFU Mutual at RBS@nfumutual.co.uk.

The SIP sets out the Trustee's investment policies which the Trustee, with the help of its advisers, reviews at least every three years. The SIP for the investment strategy in place as at 31 December 2022 was last reviewed in 2022 and the Statement was changed on 20 June 2022 to reflect the changes to the investment strategy.

An implementation statement setting out how the Trustee complied with the Statement of Investment Principles during the Scheme Year to 31 December 2022 will be published by October 2023 alongside this statement and will be published on-line at https://www.nfumstaffpensions.co.uk/

Over the year to 31 December 2022, the number of members grew from 6,773 to 6,964, while the total value of members' pension pots fell from approximately £258 million to approximately £252 million. This was largely due to turbulent investment markets over 2022 which caused a reduction in value in funds across most investment markets.

2. Investment options

Default arrangements
The Scheme's default arrangement is designed for members who join the Scheme and do not choose an investment option. The Trustee is responsible for the governance of the default arrangement which includes setting and monitoring its investment strategy.

The Trustee decided that the default arrangement should be a lifestyle strategy, which means that members' contributions are automatically moved between different funds as they approach their selected retirement date to manage risk.

The main investment objectives for the default arrangement 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 level of investment returns and risks for the funds used are consistent with the Trustee's objectives for the default arrangement.

The Statement of Investment Principles ("SIP") covering the default arrangement in place as at 31 December 2022 is appended to this Statement, in Appendix 1. Please note that the SIP covers all of the Scheme's investments – the principles guiding the design of the default arrangement are set out on pages 3 to 4.

In choosing what is felt to be an appropriate default arrangement, the Trustee has considered 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 arrangement. The Trustee recognises that members may have also built-up retirement benefits elsewhere.

Based on this analysis, the Trustee believes most members will want to take their retirement benefits flexibly (e.g. through income drawdown) during retirement. Therefore, the Drawdown Lifestyle Strategy has been set as the Scheme's default arrangement and this remains consistent with the aims and objectives of the default arrangement as described in the SIP.

The Trustee regularly monitors the investment performance of the default arrangement and formally reviews both the investment performance against the default arrangement's objectives and the suitability of the investment strategy at least every three years. The investment performance of these funds during the last year is shown in section 3 below and Appendix 4.

The Trustee had undertaken an initial strategic review on 24 March 2020 focusing on areas which could improve outcomes for members, with changes agreed in principle by the Trustee. A further review of the performance and suitability of the default arrangement was completed on 22 September 2021. The Trustee finalised and agreed these changes at the Trustee meeting on 22 September 2021 following the completion of a change in Scheme administrator.

The Trustee also carried out an annual high-level review of the performance and suitability of the default arrangement on 26 January 2022. This review considered the merits of implementing the previously proposed investment changes.

The Trustee made the following changes to the default arrangement on 8 August 2022 as a result of these reviews:

- The allocation to equity markets within the earlier stages of the default arrangement was increased from c.80% to up to 100%. This was achieved by replacing the NFU Mutual Mixed Portfolio 40-85% Shares Fund with the NFU Mutual Mixed Portfolio Max 100% Shares Fund.
- Exposure to equity markets was reduced from up to 100% to around 60% at retirement for members approaching retirement. This was achieved by gradually moving members' assets from the NFU Mutual Mixed Portfolio Max 100% Shares Fund to the NFU Mutual Mixed Portfolio 40-85% Shares Fund from 7 years before retirement. A 25% allocation to the NFU Mutual Deposit Fund at retirement was introduced in the final 3 years in line with the current approach.

These changes were made because:

- A higher allocation to equity markets within the growth phase is expected to improve member outcomes for those members who are far away from retirement;
- The lower exposure to equity markets for members closer to retirement should help to preserve the value of savings built up by members over their lifetime by protecting against material losses due to adverse market movements in equities;
- A 7-year phasing period would help preserve the value of savings even further, by protecting against extreme market movements earlier in a member's journey to retirement; and
- The revised default arrangement is expected to lead to improve retirement outcomes for most members.

Having reviewed the default arrangement on 24 March 2020 and 22 September 2021 as detailed above, and making changes which were implemented on 8 August 2022, the Trustee is satisfied that the default arrangement is appropriate for the majority of the Scheme's members because:

- It is believed that a proportion of the membership are either unengaged in or unable to decide where their DC pot should be invested;
- The Scheme is a qualifying scheme for auto-enrolment purposes and is required by regulations to have a default arrangement;
- The Trustee reviews the investment strategy periodically and will make changes if these are expected to improve outcomes for most members;
- Performance from the default arrangement has been consistent with its investment objectives;
- The demographic profile of the membership has not changed materially; and
- Members' needs and likely benefit choices at retirement have not changed materially.

In addition to the strategy review the Trustee also reviews the performance of the default arrangement against its aims, objectives and policies on a regular basis. This review includes an analysis of fund performance and member activity to check that the risk and return levels meet expectations. The Trustee's reviews that took place during the Scheme year concluded that the default arrangement was performing broadly as expected and is consistent with the aims and objectives of the default as stated in the SIP.

It is intended that the next full review will take place by no later than March 2023 or immediately following any significant change in investment policy or the Scheme's member profile.

Other investment options
The Trustee recognises that the default arrangement will not be suitable for the needs of every member and so the Scheme also offers members a choice of other investment options including two alternative lifestyle strategies and a number of self-select funds.

- The alternative lifestyle strategies are the Annuity Lifestyle Strategy which targets buying an annuity at retirement, and the Cash Lifestyle Strategy which targets cash at retirement. The main objectives of the lifestyle strategies are:
- To give good member outcomes;
- To manage the principal investment risks that members face during their membership of the Scheme;
- To 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
- To give further choice for members who feel that the default arrangement is not appropriate to their needs, but do not otherwise want to be involved in deciding where their contributions are invested.

In a consistent fashion, the following changes were made to the other investment options offered by the Scheme on 8 August 2022:

- The NFU Mutual Mixed Portfolio 40-85% Shares Fund was replaced with the NFU Mutual Mixed Portfolio Max 100% Shares Fund within the growth phases of the Annuity Lifestyle Strategy and the Cash Lifestyle Strategy.
- From 7 years before retirement, the Annuity Lifestyle Strategy gradually moves from the NFU Mutual Mixed Portfolio Max 100% Shares Fund to the Legal & General (L&G) Over 15 Year Gilt Index Fund and the NFU Mutual Deposit Fund.
- Within the transition phase of the Cash Lifestyle Strategy, members' savings gradually move into the NFU Mutual Mixed Portfolio 40-85% Shares Fund so that three years before retirement members' accounts are fully invested in the NFU Mutual Mixed Portfolio 40-85% Shares Fund. From this point, the Cash Lifestyle Strategy gradually moves into the NFU Mutual Deposit Fund so that at the point of retirement members' savings are fully invested in the NFU Mutual Deposit Fund.
- The NFU Mutual Mixed Portfolio Max 100% Shares Fund is now offered as a self-select fund option for members who wish to create their own investment strategy.

The Trustee currently offers members a choice of 12 self-select funds (including the newly added NFU Mutual Mixed Portfolio Max 100% Shares Fund). The main objectives of the self-select funds are 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 arrangement and alternative lifestyle strategies;
- Provide a broader choice of levels of investment risk and return and investment approaches; and
- Help members more closely tailor how their pension funds are invested to their personal needs, attitude to risk and to reflect the benefits they intend to take at retirement.

The Trustee carries out an in-depth review of the performance and suitability of these other investment options at least every 3 years. The last full review was undertaken on 22 September 2021.

In keeping with the Pensions Regulator's guidance, the Trustee also carried out an annual high-level review of the performance and suitability of these other investment options on 26 January 2022. This review considered the merits of implementing the previously proposed investment changes. There were no issues with these investment options last year.

Bulk transfer of assets
The Trustee reviewed the way in which the investment transition on 8 August 2022 was to be conducted.

The transition costs and risks were mitigated by:

- Setting up a group made up of representatives of the Pensions Team, the NFU Mutual Investments Team, the Scheme administrator and the investment advisers to carry out the transition;
- Setting up regular group calls to monitor the transition;
- Putting in place a project plan with clear timescales and responsibilities;
- Reassigning the majority of underlying assets (c.90%) rather than physically trading on investment markets to minimise costs; and
- Using incoming contributions to support the rebalancing of the new investment strategy.

The NFU Mutual Investments Team confirmed that the costs were negligible; after reviewing the asset reconciliation, the value of members' investments was not impacted on the date the transition was carried out.

The Trustee is satisfied that this bulk transfer was conducted efficiently to mitigate the costs and risks for members as far as practicable.

3. Investment performance

Full details on the investment performance of all funds can be found in Appendix 4.

Investment conditions
When looking at the following figures it should be borne in mind that global stock markets, as measured by the FTSE All World Total Return Index fell by c.20% over the same period. This was due to market turbulence over the reporting year.

Default arrangement
Over the year to 31 December 2022 the funds used in the Scheme's default arrangement saw investment returns vary between a decrease in value of 9.78%, or a fall of £97.80 for every £1,000 invested in the NFU Mutual Mixed Portfolio 40-85% Shares Fund to a rise in value of 1.12% or, put another way, a rise of £11.20 for every £1,000 invested in the NFU Mutual Managed Plan Deposit Fund.

The investment performance of the funds used in the default arrangement during the year to 31 December 2022 net of costs and charges, as well as transaction costs, expressed as a percentage were:

Drawdown Lifestyle Strategy – default arrangement post the 8 August 2022 transition

Fund	1 year
NFU Mutual Managed Plan Mixed Max 100% Shares Fund	(9.33%)
NFU Mutual Mixed Portfolio 40-85% Shares Fund	(9.78%)
NFU Mutual Managed Plan Deposit Pn Fund	1.12%

Source: NFU Mutual Investments Team.

Drawdown Lifestyle Strategy (Pre 2022) – default arrangement prior to the 8 August 2022 transition

Fund	1 year
NFU Mutual Mixed Portfolio 40-85% Shares Fund	(9.78%)
NFU Mutual Managed Plan Deposit Pn Fund	1.12%

Source: NFU Mutual Investments Team.

Despite the falls in value across the majority of funds, the Trustee notes the returns were in line with how most investment markets fared over 2022. The Trustee is satisfied that all funds used by the default arrangement have performed in line with their objectives. The funds' objectives / benchmarks are shown in Appendix 4.

Other investment options

Over the year to 31 December 2022 the funds used in the Scheme's other investment options saw investment returns vary between a fall in value of -40.12%, or a fall of £401.20 for every £1,000 invested in the L&G Over 15 Year Gilt Index Fund to a rise in value of 1.12% or, put another way, a rise of £11.20 for every £1,000 invested in the NFU Mutual Managed Plan Deposit Pn Fund.

The investment performance of the funds used in the other investment options during the year to 31 December 2022 net of costs and charges, as well as transaction costs, expressed as a percentage were:

Fund	1 year
NFU Mutual Managed Plan Deposit Fund	1.12%
NFU Mutual Managed Plan Fixed Interest Fund	(20.81%)
NFU Mutual Managed Plan Index Linked Fund	(29.55%)
NFU Mutual Managed Plan International Fund	(7.13%)
NFU Mutual Managed Plan Mixed Portfolio 20-60% Shares Fund	(9.20%)
NFU Mutual Managed Plan Mixed Portfolio 40-85% Shares Fund	(9.78%)
NFU Mutual Managed Plan Mixed Max 100% Shares Fund	(9.33%)
NFU Mutual Managed Plan Property Fund	(27.64%)
NFU Mutual Managed Plan UK Equity Fund	(10.06%)
L&G UK Equity Index Fund	0.35%
L&G Global Equity 50:50 Index Fund	(3.47%)
L&G Over 15 Year Gilt Index Fund	(40.12%)

Source: NFU Mutual Investments Team and LGIM.

Despite the falls in value across the majority of funds, the Trustee notes the returns were in line with how most investment markets fared over 2022. The Trustee is satisfied that all funds used by the other investment options (including the self-select fund range) have performed in line with their objectives except for the NFU Mutual Managed Plan Property Fund and the NFU Mutual Managed Plan UK Equity Fund, both of which underperformed the benchmark by over 2% over the year. All funds' objectives / benchmarks are shown in Appendix 4. The Trustee will continue to monitor investment returns for the next reporting period.

More information

Investment returns for all funds over several periods of time to 31 December 2022 are shown in Appendix 4.

Further information on the funds, how they are invested and their investment performance during the year, can be found on the Scheme's website at https://www.nfumstaffpensions.co.uk/

When preparing this section, the Trustee has taken account of the statutory guidance in place at the time of writing.

4. Costs and charges

The charges and costs borne by members and / or NFU Mutual for the Scheme's services are:

Service	By members	Shared	By NFU Mutual
Investment management	Yes		
Investment transactions	Yes		
Administration			Yes
Governance			Yes
Communications			Yes

The presentation of the charges and costs, together with the projections of the impact of charges and costs, takes into account the statutory guidance issued by the Department for Work and Pensions.

The Trustee has followed the statutory guidance in all areas.

Charges

The charges quoted in this Statement are the funds' Total Expense Ratios ("TERs"). The TER consists of a fund's Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE"). OCEs include, for example, the fund's custodian costs, but exclude transaction costs. While the AMC is usually fixed, the OCE, and hence the TER, can vary slightly from day to day.

Transaction costs

The funds' transaction costs are in addition to the funds' TERs and can arise when:

- The fund manager buys or sells part of a fund's portfolio of assets; or
- The platform provider or fund manager buys or sells units in an underlying fund.

Transaction costs vary from day to day depending on where each fund is invested and stock market conditions at the time. Transaction costs can include: custodian fees on trades, stockbroker commissions and stamp duty (or other withholding taxes).

Transaction costs are deducted before the funds' unit prices are calculated. This means that transaction costs are not readily visible, but these costs will be reflected in a fund's investment performance.

The Financial Conduct Authority ("FCA") requires fund managers and providers to calculate transaction costs using the "slippage method", which compares the value of assets immediately before and after a transaction has taken place. This can give rise to negative transaction costs where favourable stock market movements during a transaction offset the rest of the trading costs (such as stockbroker commission).

Member-borne charges and transaction costs

The charges and transaction costs have been supplied by the Scheme's investment managers for all funds.

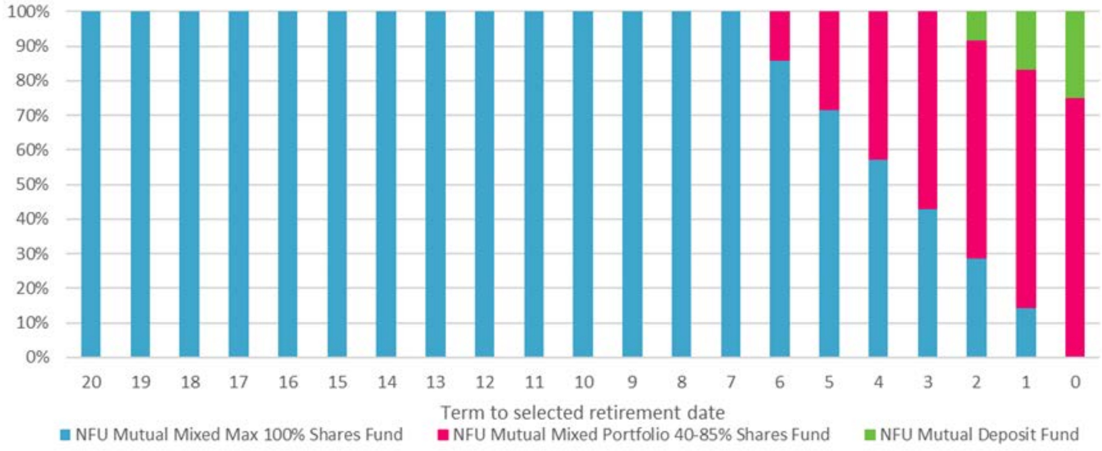
Default arrangements

The default arrangement is a "lifestyle strategy" which invests contributions in funds according to how far each member is from retirement. The default arrangement has been set up as a "lifestyle strategy", which means that members' assets are automatically moved between different funds as they approach their target retirement date. This means that the level of charges and transaction costs borne by members can vary from year to year depending on how close members are to their selected retirement age and in which fund they are invested at that time.

In this section we refer to the Drawdown Lifestyle Strategy (Pre 2022), Annuity Purchase Lifestyle Strategy (Pre 2022) and Cash Lifestyle Strategy (Pre 2022) as the lifestyle strategies available prior to the investment transition on 8 August 2022. We refer to the Drawdown Lifestyle Strategy, Annuity Purchase Lifestyle Strategy and Cash Lifestyle Strategy as the lifestyle strategies available following the investment transition.

Default arrangement charges and transaction costs

Drawdown Lifestyle Strategy



During the period covered by this Statement, the member-borne charges for the default arrangement, the Drawdown Lifestyle Strategy, were in a range from 0.30% to 0.34% p.a. of the amount invested or, put another way, in a range from £3.00 to £3.40 per £1,000 invested.

The transaction costs borne by members in the default arrangement, the Drawdown Lifestyle Strategy, during the year were in a range from 0.03% to 0.04% of the amount invested or, put another way, in a range from £0.30 to £0.40 per £1,000 invested.

For the period covered by this Statement, the annualised charges and transaction costs are:

Period to selected retirement date	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
7 years or greater	0.34%	£3.40	0.04%	£0.40
6 years	0.34%	£3.40	0.04%	£0.40
5 years	0.33%	£3.30	0.04%	£0.40
4 years	0.33%	£3.30	0.04%	£0.40
3 years	0.33%	£3.30	0.04%	£0.40
2 years	0.32%	£3.20	0.04%	£0.40
1 year	0.31%	£3.10	0.03%	£0.30
At retirement	0.30%	£3.00	0.03%	£0.30

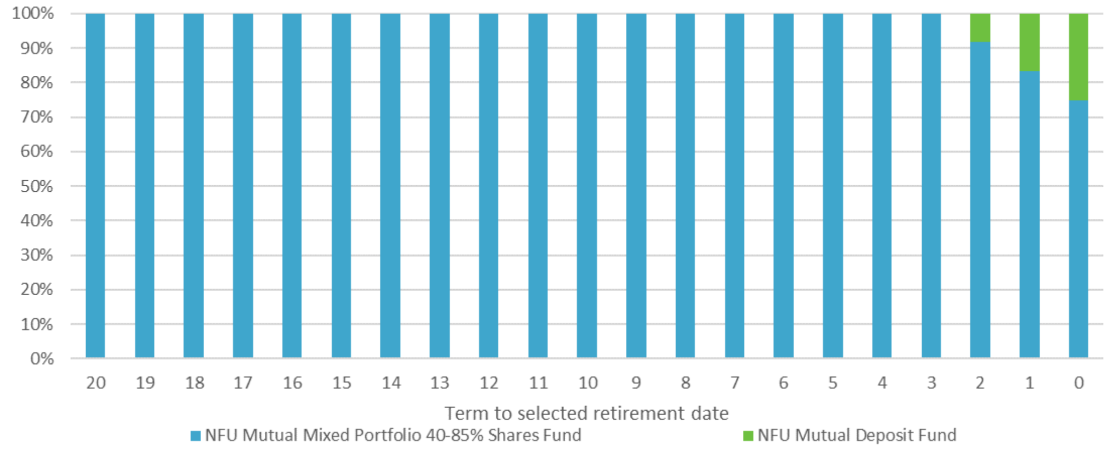
Source: NFU Mutual Investments Team.

The average charge over a 40-year period for the default arrangement, the Drawdown Lifestyle Strategy, was 0.34% p.a..

The table in Appendix 2a gives the charges and transaction costs for each fund used by the default arrangement.

The Scheme is a qualifying scheme for auto-enrolment purposes and the member borne charges for the default arrangement complied with the charge cap during the Scheme Year covered by this Statement.

Drawdown Lifestyle Strategy (Pre 2022)



During the period covered by this Statement, the member-borne charges for the default arrangement, the Old Drawdown Lifestyle Strategy, were in a range from 0.30% to 0.32% p.a. of the amount invested or, put another way, in a range from £3.00 to £3.20 per £1,000 invested.

The transaction costs borne by members in the default arrangement, the Old Drawdown Lifestyle Strategy, during the year were in a range from 0.03% to 0.04% of the amount invested or, put another way, in a range from £0.30 to £0.40 per £1,000 invested.

For the period covered by this Statement, the annualised charges and transaction costs were:

Period to selected retirement date	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
3 years or greater	0.32%	£3.20	0.04%	£0.40
2 years	0.31%	£3.10	0.04%	£0.40
1 year	0.31%	£3.10	0.03%	£0.30
At retirement	0.30%	£3.00	0.03%	£0.30

Source: NFU Mutual Investments Team.

The average charge over a 40-year period for the default arrangement, the Drawdown Lifestyle Strategy, was 0.32% p.a.

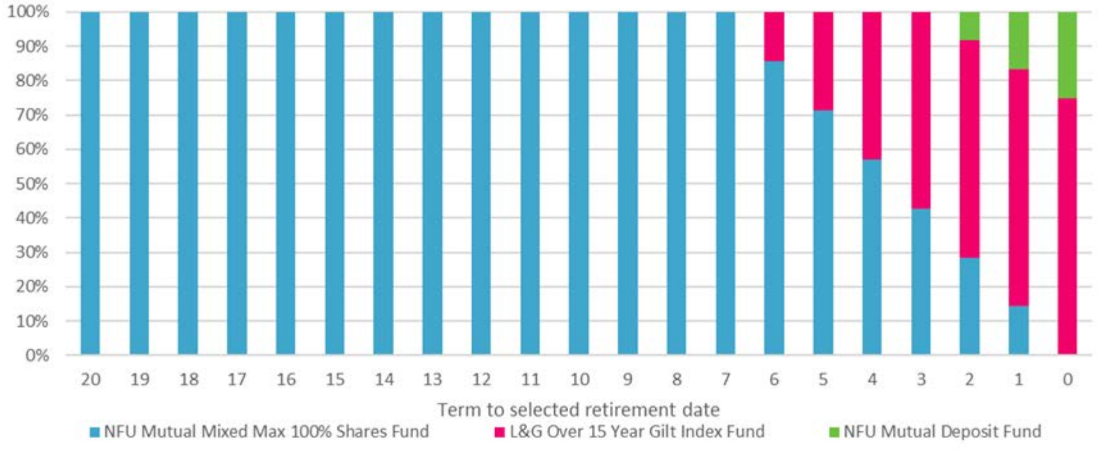
The table in Appendix 2a gives the charges and transaction costs for each fund used by the default arrangement.

The Scheme is a qualifying scheme for auto-enrolment purposes and the member borne charges for the default arrangement complied with the charge cap during the Scheme Year covered by this Statement.

Charges and transaction costs for the investment options outside the default arrangement
In addition to the default lifestyle, members also have the option to invest in other lifestyles and self-select funds.

Lifestyle options
The lifestyle options outside the default arrangement also invest contributions in different funds according to how far each member is from retirement. The charges borne by each member can also vary from one year to the next.

Annuity Purchase Lifestyle Strategy



During the period covered by this Statement, the member-borne charges for the Annuity Purchase Lifestyle Strategy were in a range from 0.14% to 0.34% p.a. of the amount invested or, put another way, in a range from £1.40 to £3.40 per £1,000 invested.

The transaction costs borne by members in the Annuity Purchase Lifestyle Strategy during the year were in a range from 0.04% to 0.14% of the amount invested or, put another way, in a range from £0.40 to £1.40 per £1,000 invested.

The annual charges for the Annuity Purchase Lifestyle Strategy during the period covered by this Statement were:

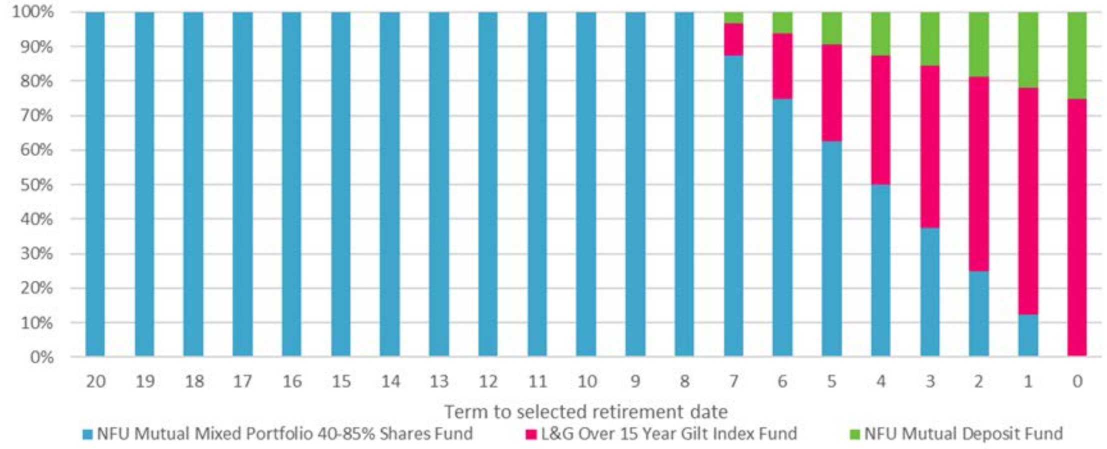
Period to selected retirement date	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
7 years or greater	0.34%	£3.40	0.04%	£0.40
6 years	0.31%	£3.10	0.06%	£0.60
5 years	0.27%	£2.70	0.08%	£0.80
4 years	0.24%	£2.40	0.11%	£1.10
3 years	0.21%	£2.10	0.13%	£1.30
2 years	0.19%	£1.90	0.13%	£1.30
1 year	0.16%	£1.60	0.14%	£1.40
At retirement	0.14%	£1.40	0.14%	£1.40

Source: NFU Mutual Investments Team & LGIM.

The average charge over a 40-year period for the Annuity Lifestyle Strategy was 0.32% p.a.

The table in Appendix 2b gives the charges and transaction costs for each fund used by the Annuity Lifestyle Strategy.

Annuity Purchase Lifestyle Strategy (Pre 2022)



During the period covered by this Statement, the member-borne charges for the Annuity Purchase Lifestyle Strategy (Pre 2022) were in a range from 0.14% to 0.32% p.a. of the amount invested or, put another way, in a range from £1.40 to £3.20 per £1,000 invested.

The transaction costs borne by members in the Annuity Purchase Lifestyle Strategy (Pre 2022) during the year were in a range from 0.04% to 0.14% p.a. of the amount invested or, put another way, in a range from £0.40 to £1.40 per £1,000 invested.

The annual charges for the Annuity Purchase Lifestyle Strategy (Pre 2022) during the period covered by this Statement were:

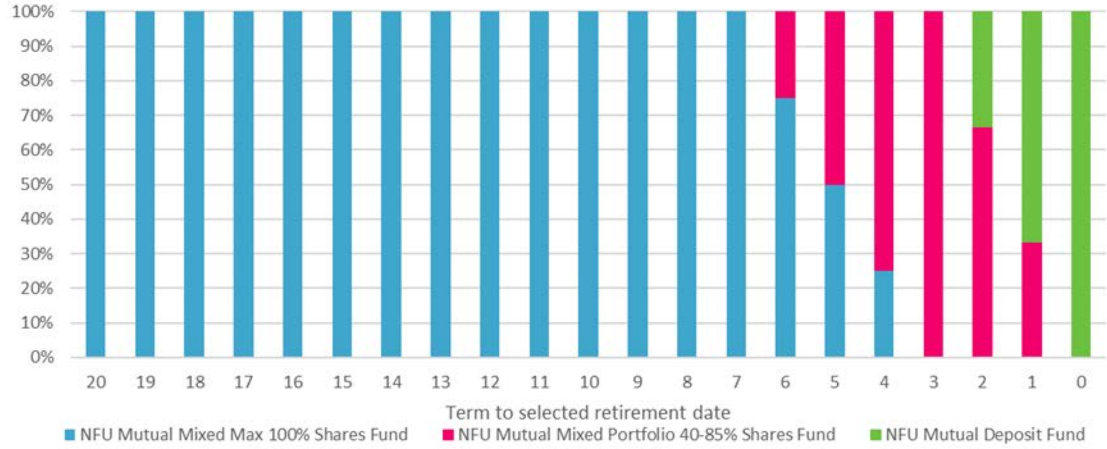
Period to selected retirement date	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
8 years or greater	0.32%	£3.20	0.04%	£0.40
7 years	0.30%	£3.00	0.05%	£0.50
6 years	0.28%	£2.80	0.07%	£0.70
5 years	0.25%	£2.50	0.08%	£0.80
4 years	0.23%	£2.30	0.09%	£0.90
3 years	0.21%	£2.10	0.10%	£1.00
2 years	0.19%	£1.90	0.12%	£1.20
1 year	0.17%	£1.70	0.13%	£1.30
At retirement	0.14%	£1.40	0.14%	£1.40

Source: NFU Mutual Investments Team & LGIM.

The average charge over a 40-year period for the Annuity Lifestyle Strategy (Pre 2022) was 0.30 p.a.

The table in Appendix 2b gives the charges and transaction costs for each fund used by the Annuity Lifestyle Strategy (Pre 2022).

Cash Lifestyle Strategy



During the year covered by this Statement the member-borne charges for the Cash Lifestyle Strategy were in a range from 0.25% to 0.34% p.a. of the amount invested or, put another way, in a range from £2.50 to £3.40 per £1,000 invested.

The transaction costs borne by members in the Cash Lifestyle Strategy during the year were in a range from 0% to 0.04% of the amount invested or, put another way, in a range from £0 to £0.40 per £1,000 invested.

The annual charges for the Cash Lifestyle Strategy during the period covered by this Statement were:

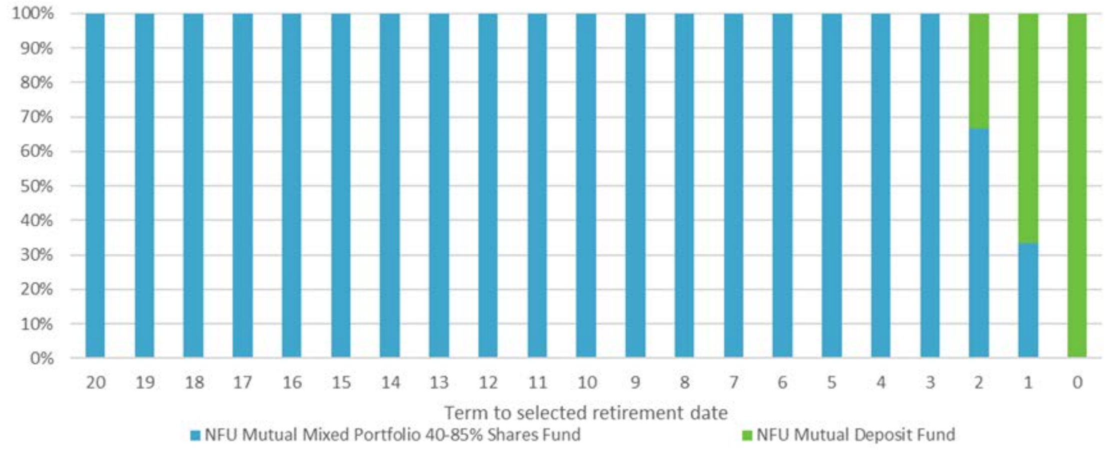
Period to selected retirement date	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
7 years or greater	0.34%	£3.40	0.04%	£0.40
6 years	0.34%	£3.40	0.04%	£0.40
5 years	0.33%	£3.30	0.04%	£0.40
4 years	0.33%	£3.30	0.04%	£0.40
3 years	0.32%	£3.20	0.04%	£0.40
2 years	0.30%	£3.00	0.03%	£0.30
1 year	0.27%	£2.70	0.01%	£0.10
At retirement	0.25%	£2.50	0.00%	£0.00

Source: NFU Mutual Investments Team

The average charge over a 40-year period for the Cash Lifestyle Strategy was 0.33% p.a.

The table in Appendix 2b gives the charges and transaction costs for each fund used by the Cash Lifestyle Strategy.

Cash Lifestyle Strategy (Pre 2022)



During the year covered by this Statement the member-borne charges for the Cash Lifestyle Strategy (Pre 2022) were in a range from 0.25% to 0.32% p.a. of the amount invested or, put another way, in a range from £2.50 to £3.20 per £1,000 invested.

The transaction costs borne by members in the Cash Lifestyle Strategy (Pre 2022) during the year were in a range from 0% to 0.04% of the amount invested or, put another way, in a range from £0 to £0.40 per £1,000 invested.

The annual charges for the Cash Lifestyle Strategy (Pre 2022) during the period covered by this Statement were:

Period to selected retirement date	Charge		Transaction costs	
	% p.a.	£ per £1,000	% p.a.	£ per £1,000
3 years or greater	0.32%	£3.20	0.04%	£0.40
2 years	0.30%	£3.00	0.03%	£0.30
1 year	0.27%	£2.70	0.01%	£0.10
At retirement	0.25%	£2.50	0.00%	£0.00

Source: NFU Mutual Investments Team

The average charge over a 40-year period for the Cash Lifestyle Strategy was 0.32% p.a.

The table in Appendix 2b gives the charges and transaction costs for each fund used by the Cash Lifestyle Strategy.

Self-select funds

During the year the charges for the self-select funds were in a range from 0.11% p.a. to 0.42% p.a. of the amount invested or, put another way, in a range from £1.10 to £4.20 per £1,000 invested.

The transaction costs borne by members in the self-select funds during the Scheme Year were in a range from 0.00% p.a. to 0.19% p.a. of the amount invested or, put another way, in a range from £0.00 to £1.90 per £1,000 invested.

The table in Appendix 2c gives the charges and transaction costs for each self-select fund, including those used in the default arrangement, over the period covered by this Statement.

Additional Voluntary Contributions ("AVCs")
There are 3 AVC Sections within the Scheme:

- **DB Group AVC:** Members of the DB section who invest their AVCs in the funds available within the Group AVC policy. Members also had the option of investing in the With Profits Fund. This section stopped accepting contributions when the DB section closed on 31 December 2016.
- **DB Deposit AVC:** Members of the DB section who invest in a cash fund that provides interest in line with the Bank of England rates. This section stopped accepting contributions when the DB section closed on 31 December 2016.
- **DB DC AVC:** Members of the DB Scheme that elected to pay contributions to the DC Section of the Scheme, which stopped accepting contributions when the DB section closed on 31 December 2016. This includes members who have transferred in their AVCs from another scheme.

The Scheme offered members in the DB section a choice of the DB DC AVC which includes 12 self-select funds and 3 lifestyle strategies, the DB Deposit AVC and the DB Group AVC where members can choose from 7 self-select funds as well as a With Profits Fund.

Charges for Unit-Linked AVCs
During the year the charges for the unit-linked AVC funds available within the DC section were in a range from 0.11% p.a. to 0.42% p.a. of the amount invested or, put another way, in a range from £1.10 to £4.20 per £1,000 invested.

The transaction costs borne by members in the unit-linked AVC funds available within the DC section during the Scheme Year were in a range from 0.00% p.a. to 0.19% p.a. of the amount invested or, put another way, in a range from £0.00 to £1.90 per £1,000 invested.

There are no charges or transaction costs for the DB Deposit AVC, which invests members' contributions in the Trustee bank account.

The charges on the AVC funds differ depending on whether they are AVCs for the DC Section of the Scheme or for the DB Group AVC Section of the Scheme. During the Scheme Year the charges for the DB Group AVC Section were in a range from 0.38% to 0.80% p.a. of the amount invested, or put another way, £3.80 to £8.00 per £1,000 invested. The transaction costs borne by members in the DB Group AVC Section during the Scheme Year were in a range of 0.00% to 0.07% or, put another way, in a range of £0.00 to £0.70 per £1,000 invested.

The table in Appendix 2c gives the charges for the AVCs within the DC Section of the Scheme, whereas Appendix 2d gives the charges for the DB Group AVC Section of the Scheme.

AVCs invested in With Profits
Some members' AVCs are invested in the NFUM With Profits Series 2 Personal Pension Fund.

During the year the charges for the With Profits Fund were 0.83% p.a. of the amount invested or, put another way, £8.30 per £1,000 invested. The transaction costs borne by members in With Profits during the year were 0.01% p.a. of the amount invested or, put another way, £0.10 per £1,000 invested.

The NFU Mutual With Profits Series 2 Fund was reviewed on 22 September 2021, as part of the wider investment strategy review. As value for members cannot be assessed as easily as unit-linked funds, the review considered the Fund's financial strength, its investment strategy as well as bonuses and governance with respect to other comparable providers. The assessment concluded that the With Profits Fund gives fair value for members. The Fund will be considered as part of the investment suitability review in March 2023.

Impact of costs and charges - illustration of charges and transaction costs
The Trustee has asked NFU Mutual and Hymans Robertson (the Trustee's DC adviser) to illustrate the impact over time of the costs and charges borne by members.

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. These illustrations show projected fund values in today's money before and after costs and charges for 2 typical members at stages from joining the Scheme at age 20 up to retirement.

The tables in Appendix 3 to this Statement show these figures for the default arrangement (the Drawdown Lifestyle Strategy) and a selection of funds together with a note of the assumptions used in these illustrations. The illustrations also include figures for the highest charging self-select fund, the NFU Mutual Managed Plan International Pn Fund, as well as figures for the lowest charging self-select fund, the L&G Over 15 Year Gilt Index Fund.

The "before costs" figures show the projected value of a member's savings assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures show the projected value of a member's savings using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

Notes on illustrations

- These illustrated values are not guaranteed and may not prove to be a good indication of how your own savings might grow;
- The transaction cost figures used in the illustration are those provided by the managers over the reporting period;
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

Please see the notes to the tables in Appendix 3 for the assumptions used in calculating these illustrations.

5. Value for members

Each year, with the help of its advisers, the Trustee carries out an assessment of whether the charges and transaction costs for the default arrangement and other investment options, which are borne in full or in part by members, represent good Value for Members. Value is not simply about low cost – the Trustee also considers how the quality and scope of provision compare against similar schemes and available external benchmarks.

Approach

The Trustee adopted the following approach to assessing Value for Members for the last year:

- Services – considered the services where members bear or share the costs;
- Outcomes – weighted each service according to its likely impact on outcomes for members at retirement;
- Comparison – the cost and quality of each service compared against similar schemes and available external comparisons; and
- Rating – each service was rated on the below basis.

Results for the Year ending 31 December 2022

The Trustee has concluded that the Scheme gave Excellent Value for Members in the year ending 31 December 2022, and particularly the member borne charges and transaction costs provided Excellent Value for Members.

The ratings and weightings used for the Value for Members assessment were:

Rating	Definition
Excellent	The Trustee considers the Scheme offers excellent value for members, providing services within a top 20% quality/cost range compared with typical options for similar schemes.
Good	The Trustee considers the Scheme offers good value for members, providing services at better quality/cost compared with typical options for similar schemes.
Average	The Trustee considers the Scheme offers average value for members, providing similar services at similar quality/cost compared with typical options for similar schemes.

Below average	The Trustee considers the Scheme offers below average value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar schemes.
Poor	The Trustee considers the Scheme offers poor value for members providing services, within the bottom 20% quality/cost range compared with typical options for similar schemes.

The rationale for the rating of each service within the Value for Members assessment was in outline:

Service and weighting	Rating (out of 5)	Rationale
Investment **100%**	**Excellent (4.6)**	The Scheme's investments are held with NFU Mutual and Legal and General Investment Management ("LGIM"). The default arrangement is under the 0.75% p.a. charge cap requirement. The Trustee undertook an investment review on 24 March 2020 and some changes to the default arrangement were agreed in principle by the Trustee, with a view to improve member outcomes. The Trustee implemented these changes to the investment strategy via a transition which took place on 8 August 2022. The changes to the lifestyle strategies mainly involved introducing the NFU Mutual Mixed Portfolio Max 100% Shares Fund, with a view to increasing the equity allocation in the growth phase and improving expected member outcomes at retirement. The Trustee is comfortable the transition was carried out appropriately with minimal cost to members. Over the period 1 January 2022 – 8 August 2022, the charges for the default arrangement, the Drawdown Lifestyle Strategy (Pre 2022), were in a range from 0.30% p.a. to 0.32% p.a. Over a 40-year saving period the average charge for the Drawdown Lifestyle Strategy (Pre 2022) was 0.32% p.a. Over the period 8 August 2022 – 31 December 2022, the charges for the current default arrangement, the Drawdown Lifestyle Strategy, were in a range from 0.30% p.a. to 0.34% p.a. Over a 40-year saving period the average charge for the current default arrangement was 0.34% p.a. This is slightly higher than the average charge of 0.28% p.a. in the DWP's 2020 survey for trust-based qualifying schemes with over 1,000 members. The Trustee notes there was an increase in the average charge due to the inclusion of the NFU Mutual Mixed Portfolio Max 100% Shares Fund within the growth phase of the default arrangement. The Trustee is comfortable that members have better expected member outcomes despite the slightly higher charge. The charges for the alternative lifestyle strategies range between 0.14% p.a. and 0.34% p.a. and the charges for the self-select funds range between 0.11% p.a. and 0.42% p.a. The transaction costs are comparable with those for similar funds used by other schemes. The transaction costs for the default arrangement ranged from 0.03% p.a. to 0.04% p.a. The transaction costs for the self-select funds ranged from 0% p.a. to 0.19% p.a. The Trustee notes that the transaction costs for the L&G Over 15 Year Gilt Index Fund increased from 0.04% p.a. last year to 0.19% p.a. this year. This was due to additional transactional activity caused by the bond market crisis towards the end of 2022. Over the reporting period the funds underlying the default arrangement have performed within an acceptable tolerance of their respective benchmarks. In terms of the self-select funds, the NFU Mutual Managed Plan Property Fund has underperformed its benchmark over a one-year, three-year and five-year period. There was significant turbulence in investment markets which is likely to have driven the underperformance. The Statement of Investment Principles (SIP) was last reviewed on 20 June 2022, when the changes to the investment strategies were documented.

The Trustee also considers the broader Overall Value for Money definition that considers all services where the member and/or the Society bear the costs. The Scheme was assessed as having given Excellent (4.5 out of 5) Overall Value for Money in the year ending 31 December 2022.

In January 2022, the Trustee reviewed the appropriateness of its Overall Value for Money weighting and has decided to update them to better reflect its beliefs relative to the importance of each area to the Overall Value for Money that the Scheme provides. The updated weightings are reflected in the table below.

Service and weighting	Rating (out of 5)	Rationale
Investment 60%	**Good (4.60)**	As above
Administration 14%	**Good (4.25)**	The Scheme administration was largely carried out close to the agreed service standards, although the service level performance metrics are still below the 95% target (85% for Q1 2022, 93% for Q2 2022, 94% for Q3 2022 and 97% for Q4 2022). The Trustee acknowledges the complexities associated with changing administrators (as was the case with the change in 2021), and the administration issues that were inherited from the previous administrator. The Trustee notes there was improvement in the adherence to service level standards by each quarter in 2022. The Trustee will closely monitor future performance and expects to see future improvement. Over the reporting period there was an improvement in the DC conditional scores, as a result of data cleansing work. Further work is expected to be undertaken to address common data scores. The Scheme Administrator is accredited to the ISO 9001:2000 standard and with PASA.
Communications 13%	**Good (4.20)**	Members are provided with a range of communications both from the Scheme Administrator and the Pensions Team. Members have on-line access to My Work Pension which allows members to access and model their pension details. Over the reporting period, the annual benefit statements were sent in an online format (where email addresses were available) as a continuation of the move towards paperless communications. The external website is clear, provides educational materials and gives members access to all of the relevant Scheme documentation and information. This is of a high quality and a useful resource for members. Over the year, the investment guide was updated to reflect the new investment strategy.
Scheme management / Governance 13%	**Excellent (4.5)**	The Trustee met 10 times during the year. The Chairman of the Trustee is a professional Trustee. The Trustee has provided effective, independent oversight and management of the Scheme to ensure regulatory compliance, assess and enhance value, manage risks and ensure that members' interests were considered.

The Trustee has agreed an action plan for the following year to improve value where necessary which can be found in section 8.

6. Administration

In July 2021, Trafalgar House was appointed to administer the Scheme on behalf of the Trustee. The Trustee monitored core financial transactions during the year including:

- The receipt and investment of contributions (including inward transfers of funds); and
- Switches between investment options; and
- Payments of benefits (including retirements and outward transfers of funds).

The Trustee has a service level agreement (SLA) in place with the Scheme Administrator covering:

- New joiner processing within 6 working days, regular contributions files within 3 working days and the allocation of contributions are processed within 5 working days;
- Provision of DC Fund value within 5 working days;
- Transfer out within 4 working days;
- Responding to general web queries within 5 working days;
- Response to member general enquiries within 5 working days; and
- Processing of investment changes within 5 working days.

Over the reporting period, Trafalgar House achieved the following % of their SLAs:

Quarter	%
Q1 2022	85.0%
Q2 2022	93.23%
Q3 2022	93.68%
Q4 2022	97.1%

The Scheme's administrator, Trafalgar House, aim to ensure that a minimum of 95% of all these processes are completed within these service levels.

The Trustee understands that the Scheme Administrator monitors its performance against these service levels by:

- Maintaining compliance with ISO 27001:2013 Certificate;
- Monitoring daily transactions;
- Monitoring daily workflow items;
- Regular internal audits of administration procedures; and
- Reviewing the level, causes and resolution of complaints.

The Trustee monitored core financial transactions and administration service levels during the year by:

- Checking that contributions deducted from members' earnings have been paid promptly to the Scheme by NFU Mutual;
- Receiving regular reports from administrators on the processing of financial transactions and other administration processes against the agreed service levels;
- Considering the reasons for and resolution of any breaches of service standards;
- Receiving reports from the Scheme's Auditor, who independently tests sample transactions for accuracy and timeliness; and
- Considering member feedback including any complaints and member surveys.

There were 27 complaints to Trafalgar House over the period 1 January 2022 – 31 December 2022. However, 11 of these were due to additional due diligence undertaken by Trafalgar House as part of the implementation of the transfer regulations which was outside of Trafalgar House's control. The volume of complaints received from members (16) (if not considering the complaints related to transfer regulations) was lower than last year (22). The Trustee considers the number of complaints to be reasonable given the size of the membership.

The Trustee identified the following issues with the processing of financial transactions / administration service levels during the year:

- SLAs improved during the year but were below agreed levels in Q1, Q2 and Q3; and
- Trafalgar House had delays in processing transfers-in, transfer values, and retirements.

Overall the Trustee was satisfied that, whilst the vast majority of core financial transactions were processed promptly, accurately and efficiently by the Scheme Administrator, there were a small number of transactions that were not processed promptly, accurately and efficiently. The lower level of SLAs met in Q1 2022 was due to changes in transfer value legislation, as well as a significant increase in member activity in March 2022. The Trustee also notes that some of the administration complexities are due to the legacy data issues inherited from Mercer, the previous Scheme administrator (prior to July 2021). Whilst the SLAs were lower than the target of 95% in the first three quarters of the year, the Trustee is comfortable that there was improvement by each quarter and will be working closely with Trafalgar House to improve the scores.

The Trustee has put in place an action plan with Trafalgar House to deal with the administration complexities.

Data quality
Each year the Trustee asks the Scheme's administrator to confirm that they have undertaken an audit of the Scheme's common data (which is the key data needed by the Scheme to calculate members' benefits such as dates of birth), to ensure that the records for all members are accurate and up to date.

For the whole Scheme (DB and DC) the results were 73% of common data was present and accurate. The majority of data gaps are in relation to pensioners, and hence the DB section of the Scheme. Despite the score being lower than in previous years, the tests carried out by Trafalgar House are more comprehensive than the previous ones carried out by Mercer.

The conditional data for the DC section stands at 99.8% for legacy data and 98.5% for new data (improving from 86.7% and 72.1%, respectively). The significant improvement was due to data cleansing work carried out over 2022 to rectify data issues (from when Mercer were administrators).

Cyber security
The Trustee is conscious of the growing threat of cyber-attacks on pension scheme information.

The Trustee requires the Scheme's administrator to have effective and up to date cyber security protocols in place and this is independently verified in the administrator's annual AAF report. The Trustee expects that the Scheme's administrator will report any security breach immediately and ensure that members are notified as soon as possible. The Trustee undertook training on cyber security at the Trustee meeting on 20 June 2022.

Trafalgar House have confirmed to the Trustee that there are adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately, with the exceptions outlined above.

Security of assets
The situation regarding the security of where pension contributions are invested is complex. It can vary from scheme to scheme and from fund to fund within each scheme. To-date, there have only been a few instances where members of schemes such as ours have seen their benefits reduced as a result of a financial failure of a provider or fund manager.

The Trustee has reviewed the structure of the funds used within the default arrangement and other investment options. The Trustee believes that the current structures are appropriate for members when compared to other possible structures.

The Trustee takes the security of assets into account when selecting and monitoring the funds used by the Scheme. The Trustee reviewed the security of members' assets in September 2021 and will continue to keep this under review.

7. Trustee knowledge

The Scheme's Trustee is required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Sections 247 and 248 of the Pensions Act 2004 require that each Trustee Director must:

- Be conversant with the Trust Deed and Rules of the Scheme, the Scheme's Statement of Investment Principles (SIP) and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally; and
- Have, to the degree that is appropriate for the purposes of enabling the individual to properly to exercise his or her functions as a Trustee Director, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment of the assets of occupational pension schemes.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

The Trustee's current practices to maintain and develop its level of knowledge and understanding of matters relating to the Scheme are:

- There is an induction process for newly appointed Trustee Directors, who are asked to complete the Pensions Regulator's "Trustee Toolkit" within 6 months of becoming a Trustee Director;
- Training is provided to ensure that Trustee Directors maintain a working knowledge of the Scheme's Trust Deed and Rules, the Scheme's SIP as well as the investment concepts and principles relevant to the Scheme, contract documents in relation to the administration of the Scheme and the law and legislation relating to pension schemes and trusts;
- Trustee Directors are encouraged to undertake further study and qualifications which support their work as Trustee Directors;
- The Trustee Directors have a plan in place for ongoing training appropriate to their duties;
- The effectiveness of these practices and the training received are reviewed annually;
- The Trustee Directors carry out regular assessments to confirm and identify any gaps in their knowledge and skills; and
- The Trustee Directors also receive quarterly "hot topics" from their advisers covering technical and legislative / regulatory changes affecting defined contribution (and additional voluntary contribution) schemes in general.

The Trustee, with the help of its advisers, regularly considers training requirements to identify any knowledge gaps. The Trustee's investment advisers raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers typically deliver training on such matters at Trustee meetings if they are material.

All the Trustee Directors have access to copies of and are familiar with the current governing documentation for the Scheme, including the Trust Deed & Rules (together with any amendments) and the SIP. The Trustee refers to the Trust Deed and Rules as part of deciding to make any changes to the Scheme, and the SIP is formally reviewed either at least every three years or as part of making any change to the Scheme's investments or to comply with new legislative or regulatory requirements. The SIP was last reviewed in 2022 and it was finalised and signed on 20 June 2022, to reflect changes to the investment strategy.

All the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit (the Trustee Toolkit is a free online learning programme from The Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law). Mr John Deane, who joined the Board as a Trustee Director on 1 November 2022, completed the Trustee Toolkit on 25 October 2022. A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. The Scheme has a structured induction process for new Trustee Directors.

There is a professional Trustee on the Board who, alongside the Trustee's advisers (who attend all Trustee meetings) , provide input and explanations or training on matters as they are discussed. This ensures that the Trustee receives "on the job" training.

A survey was issued to the Trustee Board to get the Trustee Directors' views on the training received. The last survey's results were presented at a Strategy Day in March 2022. The Trustee indicated it was happy with the level of training received and that the Directors were able to enrol in any training to assist them in their role as Trustee Directors. No particular knowledge gaps were identified, however one Trustee Director indicated a training need in terms of investment and, as a result, an individual session was set up for the individual Trustee Directors with the Scheme's investment adviser. The Trustee will carry out this survey annually going forward.

The Trustee also carries out a regular evaluation of the performance and effectiveness of the Trustee Board as a whole, measured against the objectives in the Scheme's business plan. The Trustee carried out an effectiveness review in March 2022 and this will be carried out annually going forward. The following actions were agreed as a result of the effectiveness review:

- The Pensions Team would circulate useful links for pension news;
- Trustee Directors would advise the Pensions Team of any specific topics that they would like to receive training on;
- Details of training topics would be tailored as much as possible given meeting time constraints; and
- Trustee Directors would have an additional session to review the General Code of Practice (this has been carried forward to 2023 as the General Code of Practice has not yet been released).

The Trustee tests its familiarity with the Scheme's documentation, pensions Law/Regulation and the Pensions Regulator's DC Code of Practice 13 and supporting guides by completing an annual assessment against the DC Code. The Trustee has a working knowledge of all documents setting out the Trustee's current policies. The Trustee has an Annual Business Plan in place which sets out a timeline for an ongoing review of these documents. The Trustee regularly updates these documents when they are due according to the Plan, or earlier, if required.

Further, to ensure that the Trustee is compliant with its duties it reviews the DC performance on a quarterly basis with its legal and investment advisers as part of its Trustee meetings.

The Trustee also has a Trustee training policy, which is updated and reviewed annually. It is also legally reviewed. The policy is to ensure the Trustee meets the Trustee Knowledge and Understanding requirements that are required of them, in particular those set out under the provisions of the Pensions Act 2004 and the Pension Regulator's Code of Practice on Trustee Knowledge and Understanding. The policy was last reviewed on 22 September 2021 and it will be next reviewed no later than September 2024.

During the period covered by this Statement, the Trustee carried out training on topics including the following:

Date	Topic	Aim/benefit	Trainer
26/01/2022	Value For Money (VFM) Assessment	The session covered background information on why the value for members and the overall value for money assessments are carried out. Members benefit from the Trustee assessing the value of the Scheme in an effective manner.	Hymans Robertson
26/01/2022	New Transfer Regulations	The session focused on the conditions and flags for statutory transfers, as administrators had to carry out more detailed checks prior to enabling a transfer. Members benefit as the Trustee and Scheme administrator ensure compliance with the new regulations.	Gowlings
15/03/2022	Diversity & Inclusion	The session covered what diversity and inclusion meant as well as a framework for developing a priorities for pensions schemes. Members benefit from the Trustee taking an active interest in the Board governance, particularly on diversity and inclusion.	Willis Towers Watson
15/03/2022	Taskforce for Climate-Related Financial Disclosures (TCFD)	The Trustee received training with regards to requirements of and disclosures required by TCFD. Members benefit from the Trustee being prepared to meet the Scheme requirements on TCFD.	Willis Towers Watson
20/06/2022	Pensions Dashboards	This session provided an overview of how Dashboards work, and the data processes that need to be followed. Members benefit from the Trustee being prepared for Pension Dashboards and meeting its staging deadline.	Trafalgar House
20/06/2022	Cyber Security	This session covered an overview of Trafalgar House’s approach to cyber security and the procedures in place. Members benefit from the Trustee being aware of the cyber protections in place.	Trafalgar House
20/07/2022	Trustee Duties & Decision Making	This session covered a reminder of Trustee duties, Trustee decision-making and case studies. Members benefit from the Trustee ensuring it is aware of its duties to the Scheme.	Gowlings

The Trustee notes some of the training sessions in the table above relate more to the Defined Benefit (DB) section of the Scheme rather than the Defined Contribution (DC) section. Although not always relevant to the DC section, the Trustee also undertakes training in relation to DB funding and investment. In addition, some of the Trustee Directors also took the opportunity to attend seminars and conferences over the Scheme Year that covered a variety of pension topics such as climate change and infrastructure investment.

The Trustee has appointed suitably qualified and experienced actuaries, legal advisers, investment consultants and benefit consultants to provide advice on the operation of the Scheme in accordance with its Trust Deed and Rules, legislation and regulatory guidance.

The Trustee reviews the effectiveness of its advisers annually and periodically reviews the appointment of its advisers. The Trustee reviewed its advisers as part of the effectiveness review carried out in March 2022 and was comfortable with their performance.

The Trustee undertook the following reviews during the last year:

Date	Review of
26 January 2022	Value for Members approach and weightings
15 March 2022	Trustee Effectiveness and effectiveness of advisers
15 March 2022	Training needs
23 November 2022	Reviewed its investment advisers against previously set objectives

As a result of these reviews, the Trustee is satisfied that during the Scheme Year it has:

- Taken effective steps to maintain and develop its knowledge and understanding; and
- Ensured it received suitable advice.

The Trustee is satisfied that the combination of its knowledge and understanding, including knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes, together with access to suitable advice enabled it to properly exercise its duties during the period covered by this Statement.

8. Our key actions last year and plans for the next year

During the Scheme Year the Trustee undertook the following (over and above "business as usual"):

- Improved Value for Members by:
    - Implementing the previously agreed changes to the investment strategy, with a view to improving member outcomes;
    - Sending members a survey to understand their views on investment options, retirement and responsible investment;
    - Updating the investment guide to reflect the new investment strategy;
    - Sending a communication to members regarding the cost of living crisis, together with the annual benefit statements;
    - Working with Trafalgar House to improve the DC conditional data accuracy scores; and
    - Undertaking an effectiveness review of the Trustee Board and its advisers, as well as a review of training received (via questionnaires to each individual Trustee).

In the coming year (which will be covered by the next Chair's Statement), the Trustee intends to carry out the following:

- Continue to monitor the performance of the funds underlying the default arrangement as well as the other self-select funds;
- Continue to monitor take-up of the new investment options;
- Review the investment strategy in March 2023;
- Monitor the performance of Trafalgar House against their SLAs over 2023;
- Continue to work with Trafalgar House on the data cleansing project; and
- Prepare for compliance against the General Code of Practice which is expected to come into force in 2023.

Progress should be regularly monitored over the next 12 months in readiness for next year's assessment and Chair's Statement.

The Trustee believes that this work will help you get the best out of our Scheme.

DB Implementation Statement

1. Introduction

This document is the Annual Implementation Statement ('the Statement') prepared by the Trustee ("the Trustee') of the Retirement Benefit Scheme of the National Farmers Union Mutual Insurance Society Limited ('the Scheme') covering the 'Scheme Year' from 1 January 2022 to 31 December 2022 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 February 2022 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 will be made available on the following website https://www.nfumstaffpensions.co.uk/

2. SIP reviews/changes over the year

The Trustee reviewed and amended the SIP in February 2022 to reflect the following changes, this replaced the September 2020 SIP that had been in place at the start of the Scheme Year:

- Update to the Scheme's listed service providers in Appendix B, following the appointment of Trafalgar House Pensions Administration Limited.
- Updates to Appendix C including, the Scheme's Strategic Allocation, to reflect the addition of two new asset classes (High Yield Debt and Emerging Market Debt), as well as reflecting the most dynamic benchmark allocation; the addition of benchmark returns and expected returns for High Yield Debt and Emerging Market Debt; and the removal of legacy wording around implementation of the Scheme's equity portfolio. The addition of these new asset classes had been agreed during 2021.
- Update to wording in Appendix D to clarify the currency hedging of the overseas corporate bond exposure and to note that the Scheme's derivatives position would exclude those used for currency hedging, following agreement with the Trustee.

The Trustee also reviewed and finalised the SIP in January 2023 and June 2023, these reviews will be detailed 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.

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 has recently reviewed the investment strategy in more detail following the actuarial valuation as at 31 December 2020 and the rise in interest rates.

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 NFU Mutual Investment Services Limited ("MISCO") and NFUM 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 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 2022 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 Diversification, pooled funds, matching, currency risk and investment management fees	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 NFUM property team. During the year no concerns were raised. The Trustee made some minor changes to the policies in Appendix D, to clarify the currency hedging of the overseas corporate bond exposure and to note that the Scheme's derivatives position would exclude those used for currency hedging. No other changes were made during the year.
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 management team provided regular written reports included within the Trustee meeting papers. These reports are augmented by presentations from the MISCO and NFUM 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 review was undertaken in March 2022. The Trustee noted no changes to the policies over the year as a result of the review.
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 noted that mandates were in line with expected turnover ranges with the exception of the Index Linked Gilts, Index-linked Corporates and Global High Yield funds. The Trustee is comfortable that these funds were outside of their expected ranges over the year as a result of decisions made by the Trustee over the year resulting and flows into these funds. Overall the Trustee noted no concerns

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 2022 and the 10 most significant voting activities.

4.1 The table below reflects the analysis of voting for the DB scheme (internally managed assets) in 2022 (2021 figures in brackets):

	UK Equities	Overseas Equities	Total Equities
Size of fund mandate	£123.9m (£156.3m)	£101.8m (£136.1m)	£225.7m (£292.4m)
Number of equity holdings	129 (147)	332 (356)	461 (503)
Number of meetings voted	159 (174)	340 (373)	499 (547)
Number of resolutions voted	2,733 (2,927)	5,957 (5,390)	8,690 (8,317)
Times voted against management	35 (66)	454 (413)	489 (479)

4.2 The table below reflects the analysis of voting for the DB scheme (externally managed assets) in 2022 (2021 figures in brackets):

	Overseas Equities
Size of fund mandate	£104.1m (£170.6m)
Number of equity holdings	3,937 (3,662)
Number of meetings voted	6,011 (5,671)
Number of resolutions voted	56,635 (53,493)
Times voted against management	10,625 (9,018)

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 4,677 meetings with 40,612 resolutions and voted against management 8,111 times. The main topics of dissention were board related (3,035), compensation (1,052) and changes to company status (1,430).

Mercer Strategic Fund – LGIM also manage this fund which tracks a multi-factor index. They voted at 367 meetings with 4,699 resolutions and voted against management 1,119 times. The main topics of dissention were board related (631) and compensation (252).

Mercer Global Alpha Fund – this fund comprises 9 regional active mandates across all international regions. The different sub-investment managers voted at 967 meetings with 11,324 resolutions and voted against management 1,395 times. The main topics of dissention were board related (505) and compensation (339).

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

Company Name	Description	Date	Percentage of voteable shares	Votes against management communicated	Outcome of the vote	Intention to escalate stewardship efforts
Activision Blizzard (US)	**Increased Disclosure due to Labour Issues** We supported a shareholder resolution calling for increased disclosure due to the ongoing scrutiny over the company's sexual harassment and discrimination issues involving protected classes of employees. Increased transparency would help to fully assess how the company is managing associated risks.	22/06/2022	0.014%	No	67.4% Votes in favour (shareholder proposal)	Not at this point – we will wait to see if disclosure improves following previous vote.
Alphabet (US)	**One Share, One Vote** We supported a number of shareholder proposals at the Alphabet (parent company for Google) AGM this year. Most significantly we supported calls for a recapitalisation plan calling for all stock to have one vote per share to help align voting power with economic ownership, strengthening the governance of the company. We also supported several shareholder proposals on environmental and social aspects calling for increased disclosure and reporting on areas such as climate change, water related risks, lobbying and racial equity.	01/06/2022	0.011% - A Shares	No	33.2% Votes in favour (shareholder proposal)	Yes – if similar resolutions were proposed in the future, we would continue to support them.

Aveva	**Cash Acquisition** We decided not to support the cash acquisition of Aveva by Schneider Electric. We felt the bid was opportunistic at a time where the share price had been depressed, something which we fed back to the company's advisers. Whilst an improved bid was received, we still felt that this did not represent the long-term value potential of the company.	25/11/2022	0.309%	Yes	16.5% Votes against	NA – acquisition has taken place.
Berkshire Hathaway (US)	**GHG Emissions and Climate Related Risks and Opportunities** We withheld support for the lead independent director as the company does not yet adequately report on climate change related risks and opportunities. Further, we supported shareholder resolutions calling for increased reporting of greenhouse gas emission reduction targets and climate related risks and opportunities. We also withheld support for members of the compensation committee due to an absence of a management say on pay proposal. As part of our ongoing work calling for the separation of chair and CEO roles, we also supported a proposal for an independent board chair.	30/04/2022	0.009%	No	26.5% Votes in favour (shareholder proposal)	Yes – if similar resolutions were proposed in the future, we would continue to support them.

Bodycote	**Remuneration Policy** We voted against a new remuneration policy for the company. This looked to formally introduce the practice localising base salary increases and pension contributions by country of residence. This does not align with market standards and was not accompanied by appropriate rationale for doing so.	25/05/2022	1.42%	No	23.4% Votes against	Not currently. We received a follow up from the Chair of the Remuneration committee in August 2022.
Exxon Mobil (US)	**Greenhouse Gas Targets** We supported a shareholder resolution calling for the company to set GHG emissions reduction targets consistent with Paris Agreement goals. We supported further resolutions calling for reporting in line with the IEA's net zero scenario analysis, reducing plastic reduction and political contributions.	25/05/2022	0.01%	No	27.1% Votes in favour (shareholder proposal)	Yes
GSK	**Remuneration Policy** We voted against the proposed remuneration policy which looked to increase maximum bonus opportunities. Whilst this was paired with more stretching targets, the new quantum was higher than peers in the FTSE 100 and was being proposed whilst the company was completing a	04/05/2022	0.23%	No	38.2% Votes against	No. We will monitor the company's response to significant shareholder dissent and their future remuneration practice.

	demerger, thus simplifying business activities.					
Glencore	**Climate Progress Report** We voted against the climate progress report levelled by management. This was due to concerns over the Company's activities around thermal coal, which accounts for the majority of its Scope 3 emissions.	28/04/2022	0.08%	No	23.7% Votes against	Yes – would intend to continue to support similar resolutions.
ITV	**Remuneration Report** We voted against the remuneration report for the period. Executives had been paid near maximum bonuses whilst share prices had underperformed the market. Further, the CEO was still being paid a pension higher than that available to much of the workforce, we felt that FTSE 100 companies should have aligned executive pension to the wider workforce by now.	28/04/2022	0.25%	No	18.68% Votes against	No. We will monitor the company’s response to significant shareholder dissent and their future remuneration practice.
Restaurant Group	**Remuneration Report** We voted against the remuneration report as we believed that bonus targets which had been adjusted during the pandemic were not stretching enough. The company used Government support during the year, including the Coronavirus Job Retention Scheme and did not pay a dividend for the year. Despite the	24/05/2022	1.7%	No	32.3% Votes against	No. We will monitor the company’s response to significant shareholder dissent and their future remuneration practice.

	downward discretion applied to the formulaic bonus outcomes, the pay-outs were considered excessive					

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.

DC Implementation Statement

Welcome to the Trustee's Statement of how it implemented the policies and practices in the Scheme's Statement of Investment Principles during the year ending 31 December 2022.

Why do the Scheme's investments matter to me?

The DC section of the Scheme provides you with benefits on a defined contribution ("DC") basis (sometimes called money purchase benefits). This means that the size of the benefits paid to you when you retire will depend on how much the funds where your savings are invested grow over the years.

What is the Statement of Investment Principles ('SIP')?

The SIP sets out the investment principles and practices the Trustee follows when governing the Scheme's investments. It describes the rationale for the investment options which you can choose (including the default arrangement if you don't make a choice), explains the risks and expected returns of the funds used and the Trustee's approach to responsible investing (including climate change).

The latest review of the Scheme's SIP was completed on 20 June 2022 to reflect the changes to the investment strategy which were introduced in August 2022. The review of the SIP was outside of the statutory three-yearly review and it was carried out as a result of the investment strategy changes.

If you want to find out more, you can find a copy of the Scheme's SIP (and the Scheme's Chairs Statement) at https://www.nfumstaffpensions.co.uk

What is this Implementation Statement for?

Each year, the Trustee is required to prepare an Implementation Statement, which sets out how they have complied with the Scheme's SIP during the last year.

Overall, the Trustee is satisfied that:

- **The Scheme's DC investments have been managed in accordance with the SIP; and**
- **The provisions in the SIP remain suitable for the Scheme's DC members.**

How the Scheme's investments are governed

The Trustee's responsibilities are set out on page 21 of the SIP.

The Trustee has overall responsibility for how the Scheme's investments are governed and managed in accordance with the Scheme's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations.

There have been no changes to the Trustee or the governance processes during the last year.

The Trustee has delegated day-to-day investment decisions, such as which investments to buy and sell, to the fund managers.

The Trustee Directors undertook training during the last year to ensure that their knowledge of investment matters remains up to date, which included:

- Training on the General Code of Practice with a focus on additional risk management requirements
- Training on the new transfer regulations
- Training on diversity and inclusion
- Training on the Taskforce for Climate Related Disclosures (TCFD) and the Scheme's requirements

The Trustee also monitors how well their investment advisers meet the objectives agreed with them. The last review was completed in November 2022.

The investment advisers' main responsibilities are set out on page 24 of the SIP. The objectives agreed with the investment consultants stipulate that they should:

- Assist the Trustee in the preparation and annual review of the SIP in consultation with the Principal Employer.

- Provide advice to the Trustee on default strategy, alternative lifestyle strategies and the self-select fund range.
- Undertake project work including reviews of investment strategy, investment performance and manager structure as required by the Trustee.
- Provide general advice on the Scheme's investment activities in respect of the DC Section.
- Provide views on the investment managers used by the DC Section of the Scheme and assist the Trustee in the selection and appointment of appropriate investment managers where necessary.
- Provide training or education on any investment-related matter as and when the Trustee sees fit.

The Trustee is satisfied that during the last year:
- **The Scheme's DC governance structure was appropriate;**
- **The Trustee has maintained its understanding of investment matters; and**
- **The Trustee's investment advisers met the agreed objectives.**

How the default arrangement and other investment options are managed
The objectives and rationale are set out in the SIP on pages 3 to 4 for the default arrangement and for the other investment options on pages 5 to 6.

The Trustee carried out an in-depth three-yearly review of the default arrangement and other investment options on 24 March 2020 to ensure they remain suitable for most members. As part of the review, the Trustee adhered to the monitoring practices outlined in the "Choice of platform providers and funds" section. For instance, the Trustee monitors the investment performance of each fund by assessing the funds' return both yearly and over the previous three years and compared them against suitable benchmarks / industry comparators. Previous presentations from the investment managers also fed through the Trustee's decision to keep all the existing funds and only add one more fund within the lifestyles and to the self-select fund offering.

The three-yearly review involved:

- Looking at the demographic profile of the Scheme's membership;
- Looking at the members' investment choices and what choices of benefits they make when they retire;
- Considering market conditions and developments in investment thinking;
- Considering the time over which members will be invested in the investment options;
- Deciding whether any changes to the default arrangement's and other investment options' objectives are necessary;
- Monitoring the investment performance of each fund;
- Monitoring the turnover of the assets in which each fund is invested;
- Considering whether the design of the default arrangement and other investment options, as well as the funds they use, still meet their investment objectives;
- Considering whether the default arrangement and other investment options still represent good value for members; and
- Obtaining investment advice on any changes to the default arrangement and other investment options.

Following the investment review, whilst the Trustee was comfortable that the investment strategy met its objectives, the Trustee also agreed to make a few changes to further improve member outcomes.

The Trustee finalised the plan to make the following changes to ensure that the default arrangement meets the needs of most members:

- The allocation of equity within the growth phase to be increased from c.80% to up to 100%;
- Exposure to equities for members approaching retirement will be gradually reduced in the 7 years before retirement to c.60% at retirement; and
- A 25% allocation to cash at retirement will be gradually introduced in the final 3 years before retirement, in line with the current approach.

The changes outlined above were reflected in the SIP as part of the latest SIP review on 20 June 2022. The NFU Mutual Mixed Portfolio Max 100% Shares Fund was also added as a self-select fund and this was reflected in the SIP. The only other changes made to the SIP were style changes e.g. changing “lifecycle” to “lifestyle”.

These changes were suggested because:

- An increased allocation to equity within the growth phase is expected to improve member outcomes for those members who are far away from retirement;
- Reducing exposure to equity markets for members approaching retirement would help better preserve the value of savings built up by members over their lifetime by protecting against material losses due to adverse market movements in equities;
- A 7-year phasing period would help preserve the value of savings even further, by protecting against extreme market movements earlier in a member’s journey to retirement; and
- The revised default arrangement is expected to improve retirement outcomes for most members.

The Trustee undertook another review on 22 September 2021 on the implementation of the proposed changes and the proposed changes were implemented on 8 August 2022.

The investment transition was carried out in an effective and sustainable manner, aiming to reduce the risk of any errors occurring. The Trustee, the Pensions Team, the advisors, the NFU Mutual Investments Team and the Scheme administrator were all engaged in ongoing project planning to ensure the smooth running of the transition. The costs to members’ funds were ‘negligible’, because the large majority (c.90%) of underlying assets were re-assigned rather than subject to physical trading in markets. The Trustee was comfortable with how the transition was carried out.

It is intended that the next full review will take place in March 2023 or immediately following any significant change in investment policy or the Scheme’s member profile.

The Trustee is satisfied that the default arrangement remains suitable for most members because it has met the principal objectives as outlined in the SIP:

- **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 Trustee is satisfied that the other investment options remain suitable for members.

Investment beliefs

The Trustee has developed a set of investment beliefs which are set out in the SIP on page 7 and 8 which it uses as a guide when making investment decisions. The Trustee has also used these beliefs as a guide when reviewing the investment strategy. No deviation from the investment beliefs has occurred.

There have been no changes to these beliefs in the last year.

Investment risks

The investment risks relating to members’ DC benefits are described in the SIP on pages 9 to 12 and the expected returns from each type of investment used by the Scheme are set out in the SIP on page 13.

The Trustee believes that the main investment risks members face described in the SIP have not changed materially over the last year.

The Trustee is satisfied that the current expected rates of investment return for the types of funds described in the SIP are still reasonable relative to the risks that members face.

The Trustee's views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e. what types of assets and areas of the world the Scheme invests in over the longer-term) for the Scheme's lifestyle options (which gradually change the funds in which your savings are invested as you approach retirement). Offering the default arrangement, two alternative lifestyle strategies and a wide selection of self-select funds helps the Trustee, and hence the Scheme members, mitigate the investment risks set out in the SIP. For instance, the benefit conversion risk outlined on page 9 of the SIP is mitigated by de-risking within the three lifestyle strategies, as members approach retirement. The self-select fund range also helps mitigate this risk by offering a wide choice of funds of different risk profiles which members can invest in as they approach retirement. Counterparty risk is mitigated by investing in pooled funds. The security of the Scheme's assets was reviewed on 22 September 2021.

The Trustee's views on the long-term mix of investments for the Scheme's lifestyle options including the default arrangement did not change during the last year.

Platform providers and fund managers

Choice of platform providers and funds

The investment managers' main responsibilities are set out on page 25 of the SIP and the details of the fund managers are set out on page 26. The Trustee monitors the service of the fund managers used by the DC section of the Scheme by:

- Reviewing quarterly reports on fund performance from their fund managers;
- Considering reports on the voting and engagement activities of their fund managers; and
- Receiving presentations from the fund managers during meetings, providing an opportunity for questions and challenges.

The Trustee monitors the performance of the funds used by the DC section of the Scheme by:

- Reviewing quarterly reports on fund performance from their fund managers;
- Annually assessing the value for members provided by the funds by considering the funds compared to other peer group funds; and
- Considering performance as a part of the triennial review of the investment strategy.

There have been no changes to the fund managers but one additional fund was added during the last year. From 8 August 2022, the NFU Mutual Managed Plan Mixed Portfolio Max 100% Shares Fund was introduced into the earlier years of the lifestyle strategies, in order to improve member outcomes at retirement. This fund is also available to members as a self-select option.

The Trustee is satisfied that the fund managers used by the Scheme remain appropriate.

Ability to invest / disinvest promptly

It's important that your contributions can be invested promptly in the default arrangement or the investment options you have chosen and that your investments can be sold promptly when you want to change where they are invested, transfer your pension pot to another scheme or your benefits are due to be paid out when you retire. This is set out on page 11 of the SIP.

The Trustee ensure this happens by monitoring service level agreements with the Scheme Administrator, as well as how promptly and accurately key transactions have been processed. There have been no changes to the Scheme Administrator during the year. This Scheme Administrator has been in place since 1 July 2021 and its performance is reviewed on a periodic basis.

The Trustee is satisfied that money can be invested in and taken out of the Scheme's funds without delay as set out in the SIP, and that the measures set out in the SIP have been followed.

Changes in where funds are invested

The Trustee monitors the volume of buying and selling of the assets and the nature of those assets in which each fund is invested that is carried out by the funds' managers.

Short-term changes in the level of turnover of the assets in which a fund is invested may be expected when a fund manager alters its investment strategy in response to changing market conditions. However, a change in the level of portfolio turnover might indicate a shift in the amount of risk the fund manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustee.

The Trustee reviews the level of transaction costs for each of the funds the Scheme invests in. As part of this process, no material issues have been identified that could indicate concerns about the level of portfolio turnover and associated costs for members.

The Trustee is satisfied that the level of trading of the funds' assets carried out by the fund managers has been consistent with the funds' objectives.

Security of your savings in the Scheme

The security of Scheme assets is outlined on page 16 of the SIP. In addition to the normal investment risks faced investing in the funds used by the Scheme, the security of your savings in the Scheme depends upon:

- The financial strength of the fund managers used by the investment platform; and
- The legal structure of the funds the Scheme invests in.

The financial strength of the fund managers has a bearing on the risk of losses to the Scheme's DC members caused by the remote chance of one of these institutions getting into financial difficulties. The legal structure of the funds used has a bearing on the degree to which the funds' assets are "ringfenced" from the rest of the fund managers' business in the unlikely event that the managers become insolvent. There have been no changes to the structure of the funds used by the Scheme during the last year.

The Trustee is not aware of any material changes in the financial strength of the investment platform provider or the fund managers used by the platform in the last year.

Conflicts of interest

As described on page 21 of the SIP, the Trustee considers potential conflicts of interest:

- When choosing fund managers;
- When monitoring the fund managers' investment performance and the fund managers' approaches to investment stewardship and responsible investing; and
- When the fund manager is making decisions on where each fund is invested.

The Trustee expects the fund managers to invest the Scheme's assets in the members' best interests. The Trustee expects the fund managers to report on their own investment governance of the funds including potential conflicts of interest. The Trustee invites fund managers to present at Trustee meetings regularly.

The Trustee is satisfied that there have been no material conflicts of interest during the year which might affect members' benefit expectations.

Manager incentives

As described on page 14 and 15 of the SIP, the Trustee seeks to ensure that the fund managers are suitably incentivised to deliver investment performance in keeping with the funds' objectives. The Trustee believes that the incentives and measures described in the SIP have been implemented. For instance, the Trustee undertook its annual value for members assessment over the reporting period and considered that the funds offered good value for members, meaning that the funds' charges and services remained competitive, and the fund performance was in line with expectations. Therefore, the Trustee believed that the managers were suitably incentivised to provide good value for members.

The Trustee is satisfied that the fund managers are suitably incentivised to deliver good outcomes for the Scheme's members.

Responsible Investment

The Trustee believes that responsible investing covers both sustainable investment and effective stewardship of the assets the Scheme's members invests in. This is referenced on pages 10, 12 and 13 of the SIP.

The Trustee's approach to responsible investing has not changed during the last year.

Sustainable Investment

The Trustee believes that investing sustainably is important to control the risks that environmental factors (including climate change), social factors (such as the use of child labour) and corporate governance behaviour (called "ESG" factors) can have on the value of the Scheme's investments and in turn the size of your retirement benefits.

The Trustee have considered the length of time members' contributions are invested in the Scheme when choosing and reviewing the funds used in the investment options. The Scheme potentially has members joining from age 16 (the minimum legal age for individuals to take up employment and hence entitlement to join the Scheme) who could therefore have savings invested for 44 years during which their assets will be subjected to transitional and physical risks associated with climate change, as well as a range of other financially material factors.

The Trustee periodically reviews the fund managers' approaches to sustainable investing. The Trustee receives quarterly reports from the fund managers on how they have handled these risks.

The Trustee reviewed possible ESG investment options as part of the investment review conducted in September 2021. The Trustee carried out a member survey at the beginning of 2022 to gather members' feedback on the Scheme and particularly their interest in ESG investment options; a few members expressed an interest in "ESG" / "green" funds. The Trustee will review the merits of adding ESG investment options at the investment review in March 2023.

The Trustee is satisfied that during the last year the Scheme's investments were invested in accordance with the policies on sustainable investing set out in the SIP.

Investment stewardship

As described on page 18 of the SIP, the Trustee believes it is important that the fund managers, as shareholders or bond holders, take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on major issues which affect a company's financial performance (and in turn the value of the Scheme's investments).

The Trustee:

- Chooses fund managers whose voting policy are consistent with the Scheme's objectives;
- Expects fund managers to vote in a way which enhances the value of the funds in which the Scheme invests;
- Monitors how the fund managers exercise their voting rights.

How do the Trustee monitor this?

The Trustee periodically reviews the platform provider's and fund managers' approaches to stewardship including their voting and engagement policies.

The Trustee receives regular reports from the fund managers on how they have voted at shareholder meetings and what topics they have discussed with the companies in which they invest.

The funds with voting rights attached that are available to members as part of the default arrangement or the self-select fund range are listed below along with summary voting statistics for each fund.

NFU Mutual are responsible for voting shares for equity funds (UK, International and Property Shares) held in the NFU Mutual Mixed Portfolio Max 100% Shares Fund which is used in the default arrangement. Voting statistics Gon their activity within these funds are shared below.

	UK Equity	International	Property Shares
Size of fund mandate (at year end)	£795.4m	£1.10bn	£50.8m
Number of equity holdings	62	4,268	30
Number of meetings voted	168^	6,353	43*
Number of resolutions voted	2494^	62,625	567*
Times voted against management	30^	11,074	4*
% resolutions voted	100%	96.23%	100%

* For voting purposes the different UK equity unitised pension funds are combined.
# These numbers are based on the Property Shares OEIC which runs a very similar strategy.
Source: NFU Mutual Investments Team.

LGIM are responsible for voting shares for the UK Equity Index Fund and the Global Equity 50:50 Index Fund. Voting statistics on their activity within these funds is shared below.

	Legal & General UK Equity Index	Legal & General Global Equity 50:50 Index
No. of resolutions eligible to vote	10,854	40,837
% resolutions voted	99,93%	99.79%
% votes with management	94.52%	82.00%
% votes against management	5.48%	17.86%
% votes abstained	0.00%	0.14%

Source: LGIM.

The Trustee also considers how the fund managers voted on specific issues. The Trustee considers ‘significant votes’ to be either companies with relatively large weightings in the funds members invest in, where there were shareholder issues that members are expected to have an interest or where the impact of the resolution could be significant in terms of impacting shareholder value. The significant votes reported on in the implementation statement each year is guided by views from the investment managers, but ultimately agreed by the Trustee.

The most significant shareholder votes and details of how LGIM and NFU Mutual voted during the last year were:

Company	Meeting date	Resolution	LGIM	NFU Mutual	Commentary
Activation Blizzard (US)	Not provided	Increased Disclosure due to Labour Issues	-	For	NFU Mutual supported a shareholder resolution calling for increased disclosure due to the ongoing scrutiny over the company's sexual harassment and discrimination issues involving protected classes of employees. Increased transparency would help to fully assess how the company is managing associated risks.
Alphabet (US)	1 June 2022	One Share, One Vote	-	For	NFU Mutual supported a number of shareholder proposals at the Alphabet (parent company for Google) AGM this year. Most significantly it supported calls for a recapitalisation plan calling for all stock to have one vote per share to help align voting power with economic ownership, strengthening the governance of the company. NFU Mutual also supported several shareholder proposals on environmental and social aspects calling for increased disclosure and reporting on areas such as climate change, water related risks, lobbying and racial equity.
Aveva	Not provided	Scheme Arrangement	-	Against	NFU Mutual decided not to support the cash acquisition of Aveva by Schneider Electric. It felt the bid was opportunistic at a time where the share price had been depressed, something which was fed back to the company's advisers. Whilst an improved bid was received, it was still felt that this did not represent the long-term value potential of the company.
Berkshire Hathaway (US)	30 April 2022	GHG Emissions and Climate Related Risks and Opportunities	Withheld	Withheld	NFU Mutual withheld support for the lead independent director as the company does not yet adequately report on climate change related risks and opportunities. NFU Mutual also withheld support for members of the compensation committee due to an absence of a management say on pay proposal. As part of its ongoing work calling for the separation of chair and CEO roles, NFU Mutual also supported a proposal for an independent board chair.

					LGIM withheld as they expected a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.
Exxon Mobil Corporation	25 May 2022	Greenhouse Gas Targets	For	For	NFU Mutual and LGIM both supported a shareholder resolution calling for the company to set GHG emissions reduction targets consistent with Paris Agreement goals. Both supported further resolutions calling for reporting in line with the IEA's net zero scenario analysis, reducing plastic reduction and political contributions.
Glencore Plc	28 April 2022	Approve Climate Progress Report	Against	Against	LGIM acknowledged the progress the company has made in strengthening its medium-term emissions reductions by 50% by 2035 but was still concerned by the company's activities around thermal coal and lobbying. LGIM felt this inconsistent with the required ambition required to stay within the 1.5C trajectory (the Paris goal of limiting the global average temperature increase to 1.5C). NFU Mutual also voted against the report stating concerns around thermal coal, which accounts for most of the Scope 3 emissions.
Restaurant Group	Not provided	Approve remuneration report	-	Against	NFU Mutual voted against the remuneration report as it believed that bonus targets which had been adjusted during the pandemic were not stretching enough. The company used Government support during the year, including the Coronavirus Job Retention Scheme and did not pay a dividend for the year. Despite the downward discretion applied to the formulaic bonus outcomes, the pay-outs were considered excessive.

Source: NFU Mutual Investments Team and LGIM.

How do fund managers implement their votes?

The managers often make use of proxy voting to inform their decision making. The managers use the following organisations as proxies for their voting activity:

Manager	Comment on approach
NFU Mutual	NFU Mutual uses the service provided by the Institutional Shareholder Services (ISS) to facilitate voting on internally managed equity holdings. The NFU Mutual Investment team votes on all eligible stock at every meeting, with a few exceptions if there are blocking policies or legal approvals required. ISS provide recommendations on how to vote on each resolution and NFU Mutual ensure they are happy with how ISS vote or can enter their own votes if desired.
LGIM	LGIM uses ISS to place its electronic votes through ISS ProxyExchange. LGIM have a custom voting policy in place to ensure their provider votes in accordance with their position on ESG.

The Trustee is satisfied that the fund managers' voting record on the companies in which their funds invest was aligned with the stewardship policy described in the SIP.

Ethical Investing

The Trustee recognises that some members will have strong views on where their pension savings should be invested. This is set out on page 8 of the SIP. The Scheme offers members a choice of funds which includes:

- self-select funds that members can utilise to build their own strategy; and
- Two alternative lifestyle strategies targeting cash at retirement and annuity purchase, respectively.

Nevertheless, the Trustee recognises that it is not possible to cater for everyone's views on non-financial/ethical matters.

The Trustee also monitors developments in ethical investing funds which could be appropriate to the Scheme's members.

The Trustee intends to hold member focus groups in order to better understand members' views around ethical investing.

The Trustee's approach to ethical investing has not changed during the year. The Trustee is satisfied that the Scheme offers suitable investment options for members in accordance with the SIP and will continually revisit the appropriateness of the wider fund range to reflect feedback from members.

Communication and member engagement

Communication is set out within the Governance section on page 21 of the SIP. The Trustee made the following changes to how the Scheme's investment options and investment governance are communicated to the members:

- Updated the SIP and the investment guide to reflect the changes to the investment strategy – these are both available on the Scheme website.
- Published the Implementation Statement as at 31 December 2021 on the Scheme website.

During the last year the Trustee undertook the following to support member engagement and obtain member feedback:

- Carried out a survey at the start of 2022 to understand members' views on investment options, responsible investment and retirement.
- Informed members of the changes to the investment strategy.
- Sent members a reassuring message on the cost of living crisis along with the annual benefit statements.

The Trustee believes that they have appropriate avenues to receive member.
During the last year the Trustee followed the policies and practices described in the SIP.

More information

We hope this Statement helps you understand how the Scheme's investment of your savings for retirement has been managed in the last year. If you have any questions or feedback, please contact the Pensions Team at NFU Mutual at RBS@nfumutual.co.uk.

Appendix 1 – Statement of Investment Principles

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:

Asset Class	Expected Return
Equities	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.
Property	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.
Corporate Bonds	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.
Fixed Interest Government Bonds (Gilts)	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.
Index-linked Government Bonds (Index-Linked Gilts)	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).
Cash	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.
Long-dated Government Bonds (Gilts) and long-dated Corporate Bonds	Values should move broadly in line with the financial factors influencing annuity rates.
Multi-Asset Funds	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.
Responsible Investment	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 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-terms 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 reassurance 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.

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
20th 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

The Trustee's primary investment responsibilities:
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

The investment consultants' main responsibilities:
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.

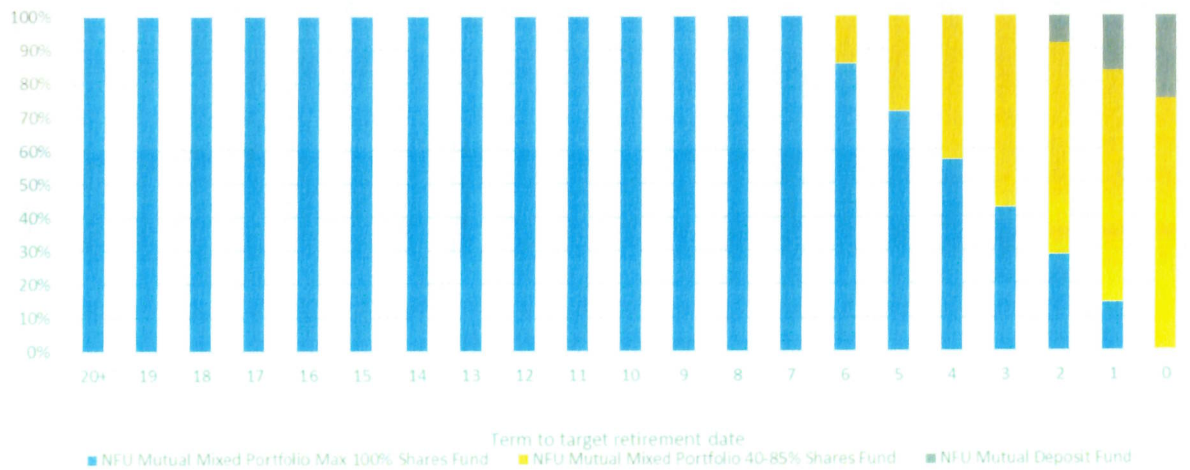
Fund name	Objective	Asset classes	Management style
NFU Mutual Mixed Portfolio Max 100% Shares Fund	Aims to achieve long-term growth. It invests in a combination of NFU Mutual's funds, to maintain a spread across different types of investment. This fund can invest up to 100% in equities.	Shares/ Property/ 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.

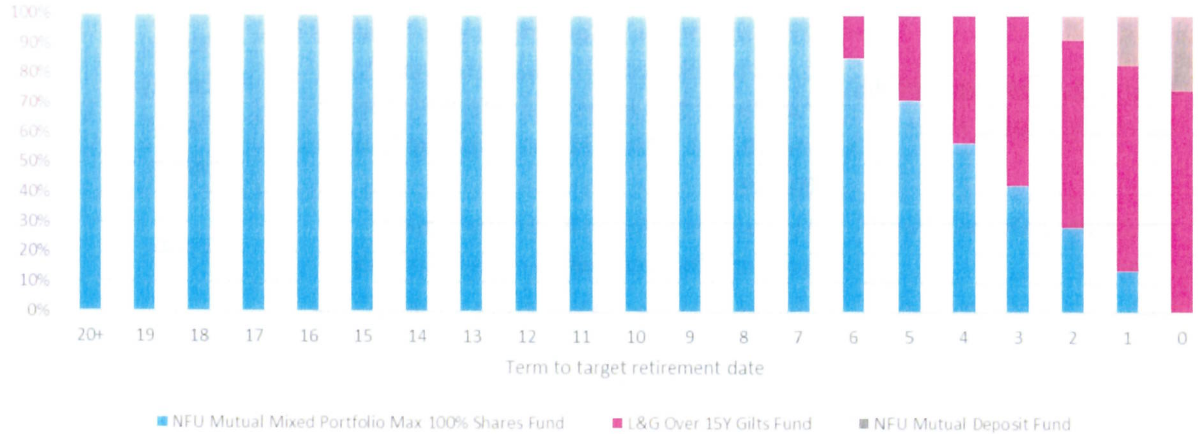
This strategy invests in the NFU Mutual Mixed Portfolio Max 100% Shares Fund with the aim of growing members' assets in real terms until 7 years before retirement. From 7 years to retirement, members' assets are gradually invested in the NFU Mutual Mixed Portfolio 40-85% Shares Fund with a 25% allocation 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).



Annuity Purchase Lifestyle Strategy

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

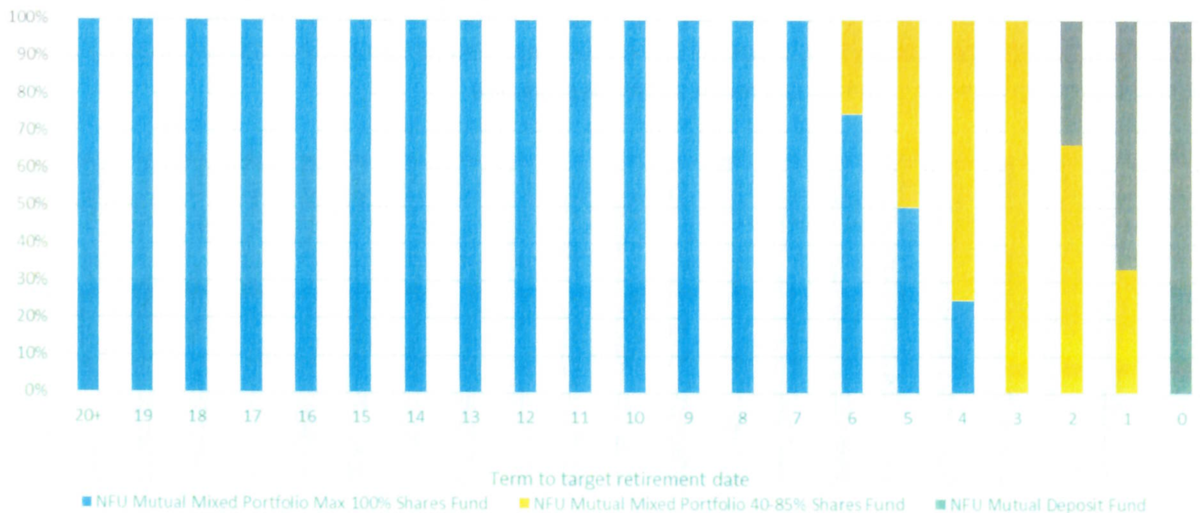
This strategy invests in the NFU Mutual Mixed Portfolio Max 100% Shares Fund until 7 years from a member's target retirement age. It then begins to de-risk gradually into a long-dated gilt fund and from 3 years from a member's target retirement age also de-risks into cash, so that at the point of retirement 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
Equity funds				
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
Multi-asset funds				
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
Property funds				
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
Bond funds				
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.

Appendix 2 – charges and transaction costs

2a Default arrangement
In this section we refer to the Drawdown Lifestyle Strategy (Pre 2022) as the default strategy available prior to the investment transition on 8 August 2022. We refer to the Drawdown Lifestyle Strategy as the default strategy available following the investment transition.

Drawdown Lifestyle Strategy
The charges for each fund used in the default Drawdown Lifestyle Strategy (as "Total Expense Ratios") and transaction costs in the last year used were:

Fund	ISIN *	Charges **		Underlying Fund	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
NFU Mutual Managed Plan Mixed Portfolio Max 100% Shares Fund	GB00BYXPCB84	0.34%	£3.40	*Top holdings:* UP International Fund UP Equity Fund UP Fixed-Interest Fund UP UK Smaller Companies Fund UP Deposit Fund UP Index-Linked Fund UP Property Fund	0.04%	£0.40
NFU Mutual Mixed Portfolio 40-85% Shares Fund	GB00BYXPBB77	0.32%	£3.20	*Top holdings:* UP International Fund UP Equity Fund UP Fixed-Interest Fund UP Deposit Fund UP Index-Linked Fund UP Property Fund	0.04%	£0.40
NFU Mutual Managed Plan Deposit Fund	GB00BYXPB392	0.25%	£2.50	N/A	0.00%	£0.00

Source: NFU Mutual Investments Team.

Drawdown Lifestyle Strategy (pre 2022)
The charges for each fund used in the default Drawdown Lifestyle Strategy (Pre 2022) (as "Total Expense Ratios") and transaction costs in the last year used were:

Fund	ISIN *	Charges **		Underlying Fund	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
NFU Mutual Mixed Portfolio 40-85% Shares Fund	GB00BYXPBB77	0.32%	£3.20	*Top holdings:* UP International Fund UP Equity Fund UP Fixed-Interest Fund UP Deposit Fund UP Index-Linked Fund UP Property Fund	0.04%	£0.40
NFU Mutual Managed Plan Deposit Fund	GB00BYXPB392	0.25%	£2.50	N/A	0.00%	£0.00

Source: NFU Mutual Investments Team.

2b Lifestyle options outside the default arrangement

In this section we refer to the Annuity Purchase Lifestyle Strategy (Pre 2022) and the Cash Lifestyle Strategy (Pre 2022) as the alternative strategies available prior to the investment transition on 8 August 2022. We refer to the Annuity Purchase Lifestyle Strategy and the Cash Lifestyle Strategy as the alternative strategies available following the investment transition.

Annuity Lifestyle Strategy

The charges for each fund used in the Annuity Lifestyle Strategy (as "Total Expense Ratios") and transaction costs in the last year used were:

Fund	ISIN *	Charges **		Underlying Fund	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
NFU Mutual Managed Plan Mixed Portfolio Max 100% Shares Fund	GB00BYXPCB84	0.34%	£3.40	*Top holdings:* UP International Fund UP Equity Fund UP Fixed-Interest Fund UP UK Smaller Companies Fund UP Deposit Fund UP Property Fund UP Index-Linked Fund	0.04%	£0.40
NFU Mutual Managed Plan Deposit Pn	GB00BYXPB392	0.25%	£2.50	N/A	0.00%	£0.00
L&G Over 15 year Gilt Index Fund	N/A	0.11%	£1.08	N/A	0.04%	£0.39

Source: NFU Mutual Investments Team and LGIM.

Annuity Lifestyle Strategy (pre 2022)

The charges for each fund used in the Annuity Lifestyle Strategy (Pre 2022) (as "Total Expense Ratios") and transaction costs in the last year used were:

Fund	ISIN *	Charges **		Underlying Fund	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
NFU Mutual Mixed Portfolio 40-85% Shares Fund	GB00BYXPBB77	0.32%	£3.20	*Top holdings:* UP International Fund UP Equity Fund UP Fixed-Interest Fund UP Deposit Fund UP Index-Linked Fund UP Property Fund	0.04%	£0.40
NFU Mutual Managed Plan Deposit Fund	GB00BYXPB392	0.25%	£2.50	N/A	0.00%	£0.00
L&G Over 15 year Gilt Index Fund	N/A	0.11%	£1.10	N/A	0.19%	£1.90

Source: NFU Mutual Investments Team and LGIM.

Cash Lifestyle Strategy
The charges for each fund used in the Cash Lifestyle Strategy (as “Total Expense Ratios”) and transaction costs in the last year used were:

Fund	ISIN *	Charges **		Underlying Fund	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
NFU Mutual Managed Plan Mized Portfolio Max 100% Shares Fund	GB00BYXPCB84	0.34%	£3.40	*Top holdings:* UP International Fund UP Equity Fund UP Fixed-Interest Fund UP UK Smaller Companies Fund UP Deposit Fund UP Property Fund UP Index-Linked Fund	0.04%	£0.40
NFU Mutual Mixed Portfolio 40-85% Shares Fund	GB00BYXPBB77	0.32%	£3.20	*Top holdings:* UP International Fund UP Equity Fund UP Fixed-Interest Fund UP Deposit Fund UP Property Fund	0.04%	£0.40
NFU Mutual Managed Plan Deposit Fund	GB00BYXPB392	0.25%	£2.50	N/A	0.00%	£0.00

Source: NFU Mutual Investments Team.

Cash Lifestyle Strategy (Pre 2022)
The charges for each fund used in the Cash Lifestyle Strategy (Pre 2022) (as "Total Expense Ratios") and transaction costs in the last year used were:

Fund	ISIN *	Charges **		Underlying Fund	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
NFU Mutual Mixed Portfolio 40-85% Shares Fund	GB00BYXPBB77	0.32%	£3.20	*Top holdings:* UP International Fund UP Equity Fund UP Fixed-Interest Fund UP Deposit Fund UP Property Fund	0.04%	£0.40
NFU Mutual Managed Plan Deposit Pn	GB00BYXPB392	0.25%	£2.50	N/A	0.00%	£0.00

Source: NFU Mutual Investments Team.

2c Self-select funds

The charges for the self-select funds (as "Total Expense Ratios") and transaction costs in the last year for the self-select funds used were:

Fund	ISIN *	Charges **		Underlying Fund ***	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
NFU Mutual Managed Plan Deposit Fund	GB00BYXPB392	0.25%	£2.50	N/A	0.00%	£0.00
NFU Mutual Managed Plan Fixed Interest Fund	GB00BYXPB400	0.15%	£1.50	N/A	0.00%	£0.00
NFU Mutual Managed Plan Index-Linked Fund	GB00BYXPB731	0.15%	£1.50	N/A	0.00%	£0.00
NFU Mutual Managed Plan International Fund	GB00BYXPB848	0.42%	£4.20	N/A	0.01%	£0.10
NFU Mutual Managed Plan Mixed Portfolio 20-60% Shares Fund	GB00BYXPB954	0.38%	£3.80	*Top holdings:* NFU Mutual North America Equity Core Fund NFU Mutual Gilt and Corporate Bond I Fund NFU Mutual UK Equity Income I Fund NFU Mutual Corporate Bond Fund NFU Mutual UK Growth Inc Fund NFU Mutual Global Alpha Fund NFU Mutual Cash Plus 1 Fund	0.01%	£0.10

				NFU Mutual Global Regional Fund NFU Mutual UK Equity Core Fund Top holdings: UP International Fund UP Equity Fund UP Fixed-Interest Fund UP Deposit Fund UP Index-Linked Fund UP Property Fund		
NFU Mutual Managed Plan Mixed Portfolio 40-85% Shares Fund	GB00BYXPBB77	0.32%	£3.20	*Top holdings:* UP International Fund UP Equity Fund UP Fixed-Interest Fund UP Deposit Fund UP Property Fund UP Index-Linked Fund	0.04%	£0.40
NFU Mutual Managed Plan Mixed Portfolio Max 100% Shares Fund	GB00BYXPCB84	0.34%	£3.40	*Top holdings:* UP International Fund UP Equity Fund UP Fixed-Interest Fund UP UK Smaller Companies Fund UP Deposit Fund UP Property Fund UP Index-Linked Fund	0.04%	£0.40
NFU Mutual Managed Plan Property Fund	GB00BYXPBD91	0.35%	£3.50	N/A	0.07%	£0.70
NFU Mutual Managed Plan UK Equity Fund	GB00BYXPBF16	0.25%	£2.50	N/A	0.05%	£0.50
L&G UK Equity Index Fund	N/A	0.18%	£1.80	N/A	0.04%	£0.40

L&G Global Equity 50:50 Index Fund	N/A	0.22%	£2.20	N/A	0.05%	£0.50
L&G Over 15yr Index-Linked Gilts	N/A	0.11%	£1.10	N/A	0.19%	£1.90

Source: NFU Mutual Investments Team & LGIM

2d Additional Voluntary Contributions (AVCs) for members in the Defined Benefit (DB) Group AVC section

The funds' charges (as "Total Expense Ratios") and transaction costs in the last year for the AVC funds in the DB Group AVC section were:

Fund	ISIN *	Charges **		Underlying Fund ***	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
NFU Mutual Mixed Portfolio 40 – 85% Shares Fund	GB0006188121	0.71%	£7.10	*Top holdings:* UP International Fund UP Equity Fund UP Fixed-Interest Fund UP Deposit Fund UP Property Fund	0.04%	£0.40
NFU Mutual UK Equity Pn Fund	GB0006188238	0.63%	£6.30	N/A	0.05%	£0.50
NFU Mutual International Pn Fund	GB0006188451	0.80%	£8.00	N/A	0.01%	£0.10
NFU Mutual Property Pn Fund	GB0006188675	0.63%	£6.30	N/A	0.07%	£0.70
NFU Mutual Index-Linked Pn Fund	GB0006188568	0.63%	£6.30	N/A	0.00%	£0.00
NFU Mutual Fixed Interest Pn Fund	GB0006188345	0.63%	£6.30	N/A	0.00%	£0.00
NFU Mutual Deposit Pn Fund	GB0006188782	0.38%	£3.80	N/A	0.00%	£0.00

Source: NFU Mutual Investments Team.

The Scheme also holds AVCs in the following funds:

Fund	ISIN *	Charges **		Underlying Fund ***	Transaction costs	
		% p.a. of the amount invested	£ p.a. per £1,000 invested		% p.a. of the amount invested	£ p.a. per £1,000 invested
DB Deposit AVC	N/A	0.00%	£0.00	N/A	N/A	N/A
NFU Mutual With Profits Series 2 Fund [1]	N/A	0.83%	£8.30	N/A	0.01%	£0.10

[1] The charges and transaction costs for With Profits Funds are deducted from the overall fund before bonus rates are set for all policyholders. As a result, it is not possible to determine the exact charges and costs borne by members.

Source: NFU Mutual Investments Team.

* ISIN = the International Securities Identification Number unique to each fund.
** Charge = the funds' Total Expense Ratio ("TER"), which includes the funds' Annual Management Charge ("AMC") and Operating Costs and Expenses ("OCE").
*** Underlying Fund = the fund in which the Scheme's top level Fund invests.

Appendix 3 - illustrations

Tables illustrating the impact of charges and costs

The following tables show the potential impact over time of the costs and charges borne by two typical members on projected values at retirement in today's money at several times up to retirement for a selection of funds and a range of contribution levels. These illustrations for the NFU Mutual Funds were produced by the NFU Mutual Investments Team. The illustrations for the Legal and General fund were produced by Hymans Robertson.

The following illustrations have been produced for the default arrangement, as well as a selection of funds, including the highest charging fund (the International Equities Fund) and the lowest charging fund (the L&G Over 15 Year Gilt Index Fund).

3a 4% employee contributions / 4% employer contributions

	Fund Choice									
	Drawdown Lifestyle Strategy		International Equities Fund		Property Fund		Deposit Fund		L&G Over 15 Year Gilt Index Fund	
Years	Before Charges	After all costs & charges deducted	Before Charges	After all costs & charges deducted	Before Charges	After all costs & charges deducted	Before Charges	After all costs & charges deducted	Before Charges	After all costs & charges deducted
1	£2,930	£2,930	£2,950	£2,940	£2,920	£2,910	£2,870	£2,860	£2,940	£2,930
3	£6,950	£6,910	£7,040	£6,980	£6,890	£6,840	£6,570	£6,540	£7,010	£6,960
5	£11,100	£11,000	£11,300	£11,200	£11,000	£10,800	£10,200	£10,100	£11,300	£11,100
10	£22,600	£22,200	£23,500	£22,900	£22,000	£21,500	£19,100	£18,800	£23,200	£22,700
15	£35,500	£34,600	£37,700	£36,400	£34,200	£33,000	£27,600	£27,100	£37,000	£35,800
20	£50,100	£48,400	£54,300	£51,700	£47,500	£45,400	£35,900	£35,000	£52,900	£50,700
25	£66,600	£63,700	£73,700	£69,300	£62,300	£58,800	£43,900	£42,500	£71,200	£67,500
30	£85,200	£80,600	£96,400	£89,400	£78,500	£73,200	£51,600	£49,700	£92,500	£86,600
35	£106,000	£99,500	£122,000	£112,000	£96,400	£88,800	£59,000	£56,500	£117,000	£108,000
40	£128,000	119,000	£153,000	£138,000	£116,000	£105,000	£66,100	£63,000	£145,000	£132,000

3b 8% employee contributions / 12% employer contributions

	Fund Choice									
	Drawdown Lifestyle Strategy		International Equities Fund		Property Fund		Deposit Fund		L&G Over 15 Year Gilt Index Fund	
Years	Before Charges	After all costs & charges deducted	Before Charges	After all costs & charges deducted	Before Charges	After all costs & charges deducted	Before Charges	After all costs & charges deducted	Before Charges	After all costs & charges deducted
1	£5,800	£5,790	£5,830	£5,810	£5,780	£5,770	£5,690	£5,680	£5,820	£5,800
3	£15,700	£15,600	£15,900	£15,800	£15,600	£15,500	£14,900	£14,900	£15,800	£15,700
5	£26,200	£26,000	£26,700	£26,400	£25,800	£25,600	£24,100	£23,900	£26,500	£26,200
10	£54,600	£53,700	£56,800	£55,500	£53,300	£52,100	£46,400	£45,800	£56,000	£54,900
15	£86,700	£84,500	£91,900	£88,700	£83,500	£80,700	£67,800	£66,600	£90,200	£87,400
20	£122,000	£118,000	£133,000	£126,000	£116,000	£111,000	£88,500	£86,400	£129,000	£124,000
25	£163,000	£156,000	£181,000	£170,000	£153,000	£144,000	£108,000	£105,000	£175,000	£166,000
30	£209,000	£198,000	£237,000	£220,000	£193,000	£180,000	£127,000	£123,000	£227,000	£213,000
35	£261,000	£245,000	£302,000	£277,000	£238,000	£219,000	£146,000	£140,000	£288,000	£266,000
40	£316,000	294,000	£379,000	£342,000	£287,000	£261,000	£164,000	£156,000	£358,000	£327,000

1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
2. The starting pot size is assumed to be £1,000.
3. Inflation is assumed to be 2.5% each year.
4. The starting salary is assumed to be £23,860.
5. Contributions are assumed to increase in line with assumed earnings inflation of 2.5% each year.
6. Values are estimates and are not guaranteed.
7. The projected growth rate for each fund or arrangement are as follows:
   NFU Mutual Mixed Portfolio 40-85% Shares fund: 2.5% above inflation
   NFU Mutual International Equities fund: 3.3% above inflation
   NFU Mutual Property Fund 2.0% above inflation
   NFU Mutual Deposit Fund 0.8% below inflation
   NFU Mutual Mixed Max 100% Shares Fund 3.0% above inflation
   NFU Mutual UK Equities Fund 3.3% above inflation
   L&G Over 15 Year Gilt Index Fund 0.8% below inflation
8. The figures for the Drawdown Lifestyle Strategy assume that Lifestyle switching occurs from year 37 onwards.

Appendix 4 – Investment Performance

The Trustee has obtained information on investment performance up to 20 years to 31 December 2022, or less if the Scheme started to invest in the funds less than 20 years to 31 December 2022. Benchmarking information is only available up until 5 years to 31 December 2022.

The age-based investment performance figures shown for members aged 25, 45, 55 and 65 are illustrative and calculated based on the funds that members would invest in at that point in the lifestyle journey and assuming this allocation had remained unchanged throughout the term invested. No figure is provided for a 25-year old as they would not have been invested 10 or 20 years prior to being aged 25.

Net performance for the NFU Mutual Managed Plan Mixed Max 100% Shares Fund and NFU Mutual Managed Plan Mixed Portfolio 20-60% Shares Fund is not available for the 10-year and 20-year periods as the Funds were launched on 1 July 2013. Net performance for the L&G Over 15 Year Gilt Index Fund is not available for the 20-year period as the Fund were launched on 1 July 2005. Where net performance was not available for this reason, it is marked as “not applicable” (n/a) in the tables below.

In this section we refer to the Drawdown Lifestyle Strategy (Pre 2022), Annuity Purchase Lifestyle Strategy (Pre 2022) and Cash Lifestyle Strategy (Pre 2022) as the lifestyle strategies available prior to the investment transition on 8 August 2022. We refer to the Drawdown Lifestyle Strategy, Annuity Purchase Lifestyle Strategy and Cash Lifestyle Strategy as the lifestyle strategies available following the investment transition.

Drawdown Lifestyle Strategy – current default arrangement

The investment performance of the funds used in the Drawdown Lifestyle Strategy up to 31 December 2022, net of all costs and charges, as well as transaction costs, and expressed as an annual geometric compound percentage were:

Fund	1 year		3 years		5 years		10 years	20 years
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Fund
NFU Mutual Managed Plan Mixed Max 100% Shares Fund	(9.33%)	(8.93%)	2.88%	2.87%	3.95%	3.34%	6.88%*	n/a
NFU Mutual Mixed Portfolio 40-85% Shares Fund	(9.78%)	(9.99%)	1.67%	1.33%	3.05%	2.47%	6.64%	7.33%
NFU Mutual Managed Plan Deposit Pn	1.12%	0.47%	0.52%	0.00%	0.51%	0.03%	0.34%	1.58%

Source: NFU Mutual Investments Team.
*This figure covers the period from 1 July 2013 to 31 December 2022 as the Fund launched on 1 July 2013.

The investment performance of the Drawdown Lifestyle Strategy according to member age was as below. No 10 or 20-year figure is provided for a 25-year-old as they would not have been invested 10 or 20 years prior to being aged 25. For members aged 45 or 55, there was an allocation to the NFU Mutual Managed Plan Mixed Max 100% Shares Fund, for which 10-year and 20-year performance figures were unavailable (as the Fund launched during the period). For members aged 65, the investment allocation would be between the NFU Mutual Mixed Portfolio 40-85% Shares Fund and the NFU Mutual Deposit Fund, for which 10-year and 20-year performance figures were available.

Member Age	1 year		3 years		5 years		10 years	20 years
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Fund
25	(9.33%)	(8.93%)	2.88%	2.87%	3.95%	3.34%	n/a	n/a
45	(9.33%)	(8.93%)	2.88%	2.87%	3.95%	3.34%	n/a	n/a
55	(9.33%)	(8.93%)	2.88%	2.87%	3.95%	3.34%	n/a	n/a
65	(7.06%)	(7.38%)	1.38%	1.00%	2.42%	1.86%	4.98%	5.89%

Source: NFU Mutual Investments Team.

Drawdown Lifestyle Strategy (Pre 2022) – current default arrangement

The investment performance of the funds used in the Drawdown Lifestyle Strategy (Pre 2022) up to 31 December 2022, net of all costs and charges, as well as transaction costs, and expressed as an annual geometric compound percentage were:

Fund	1 year		3 years		5 years		10 years	20 years
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Fund
NFU Mutual Mixed Portfolio 40-85% Shares Fund	(9.78%)	(9.99%)	1.67%	1.33%	3.05%	2.47%	6.64%	7.33%
NFU Mutual Managed Plan Deposit Pn	1.12%	0.47%	0.52%	0.00%	0.51%	0.03%	0.34%	1.58%

Source: NFU Mutual Investments Team.

The investment performance of the Drawdown Lifestyle Strategy (Pre 2022) according to member age was as below. No 10 or 20-year figure is provided for a 25-year-old as they would not have been invested 10 or 20 years prior to being aged 25:

Member Age	1 year		3 years		5 years		10 years	20 years
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Fund
25	(9.78%)	(9.99%)	1.67%	1.33%	3.05%	2.47%	n/a	n/a
45	(9.78%)	(9.99%)	1.67%	1.33%	3.05%	2.47%	6.64%	7.33%
55	(9.78%)	(9.99%)	1.67%	1.33%	3.05%	2.47%	6.64%	7.33%
65	(7.06%)	(7.38%)	1.38%	1.00%	2.42%	1.86%	5.07%	5.89%

Source: NFU Mutual Investments Team.

Other lifestyle strategies

The investment performance of the funds used in the other lifestyle strategies up to 31 December 2022, net of all costs and charges, as well as transaction costs, and expressed as an annual geometric compound percentage were:

Fund	1 year		3 years		5 years		10 years	20 years
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Fund
NFU Mutual Managed Plan Mixed Max 100% Shares Fund	(9.33%)	(8.93%)	2.88%	2.87%	3.95%	3.34%	6.88%*	n/a
NFU Mutual Mixed Portfolio 40-85% Shares Fund	(9.78%)	(9.99%)	1.67%	1.33%	3.05%	2.47%	6.64%	7.33%
NFU Mutual Managed Plan Deposit Pn	1.12%	0.47%	0.52%	0.00%	0.51%	0.03%	0.34%	1.58%
L&G Over 15 Year Gilt Index Fund	(40.12%)	(40.05%)	(14.25%)	(14.15%)	(6.70%)	(6.60%)	1.01%	4.39%**

Source: NFU Mutual Investments Team, Legal and General.
*This figure covers the period from 1 July 2013 to 31 December 2022 as the Fund launched on 1 July 2013.
**This figure covers the period from 1 July 2005 to 31 December 2022 as the Fund launched on 1 July 2005.

The investment performance of the Annuity Lifestyle Strategy according to member age was as below. No 10 or 20-year figure is provided for a 25-year-old as they would not have been invested 10 or 20 years prior to being aged 25. For members aged 45 or 55, there was an allocation to the NFU Mutual Managed Plan Mixed Max 100% Shares Fund, for which 10-year and 20-year performance figures were unavailable (as the Fund launched during the period). For members aged 65, there was an allocation to the L&G Over 15 Year Gilt Index Fund, for which 20-year performance figures were unavailable (as the Fund launched during the period).

Member Age	1 year		3 years		5 years		10 years	20 years
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Fund
25	(9.33%)	(8.93%)	2.88%	2.87%	3.95%	3.34%	n/a	n/a
45	(9.33%)	(8.93%)	2.88%	2.87%	3.95%	3.34%	n/a	n/a
55	(9.33%)	(8.93%)	2.88%	2.87%	3.95%	3.34%	n/a	n/a
65	(29.81%)	(29.92%)	(10.56%)	(10.61%)	(4.90%)	(4.94%)	0.84%	n/a

Source: NFU Mutual Investments Team, Legal and General.

The investment performance of the Annuity Lifestyle Strategy (Pre 2022) according to member age was as below. No 10 or 20-year figure is provided for a 25-year-old as they would not have been invested 10 or 20 years prior to being aged 25. For members aged 65, there was an allocation to the L&G Over 15 Year Gilt Index Fund, for which 20-year performance figures were unavailable (as the Fund launched during the period).

Member Age	1 year		3 years		5 years		10 years	20 years
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Fund
25	(9.78%)	(9.99%)	1.67%	1.33%	3.05%	2.47%	n/a	n/a
45	(9.78%)	(9.99%)	1.67%	1.33%	3.05%	2.47%	6.53%	7.33%
55	(9.78%)	(9.99%)	1.67%	1.33%	3.05%	2.47%	6.53%	7.33%
65	(29.81%)	(29.92%)	(10.56%)	(10.61%)	(4.90%)	(4.94%)	0.84%	n/a

Source: NFU Mutual Investments Team, Legal and General.

The investment performance of the Cash Lifestyle Strategy according to member age was as below. No 10 or 20-year figure is provided for a 25-year-old as they would not have been invested 10 or 20 years prior to being aged 25. For members aged 45 or 55, there was an allocation to the NFU Mutual Managed Plan Mixed Max 100% Shares Fund, for which 10-year and 20-year performance figures were unavailable (as the Fund launched during the period). For members aged 65, the investment allocation would be to the NFU Mutual Deposit Fund, for which 10-year and 20-year performance figures were available.

Member Age	1 year		3 years		5 years		10 years	20 years
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Fund
25	(9.33%)	(8.93%)	2.88%	2.87%	3.95%	3.34%	n/a	n/a
45	(9.33%)	(8.93%)	2.88%	2.87%	3.95%	3.34%	n/a	n/a
55	(9.33%)	(8.93%)	2.88%	2.87%	3.95%	3.34%	n/a	n/a
65	1.12%	0.47%	0.52%	0.00%	0.51%	0.03%	0.34%	1.58%

Source: NFU Mutual Investments Team, Legal and General.

The investment performance of the Cash Lifestyle Strategy (Pre 2022) according to member age was as below. No 10 or 20-year figure is provided for a 25-year-old as they would not have been invested 10 or 20 years prior to being aged 25.

Member Age	1 year		3 years		5 years		10 years	20 years
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Fund
25	(9.78%)	(9.99%)	1.67%	1.33%	3.05%	2.47%	n/a	n/a
45	(9.78%)	(9.99%)	1.67%	1.33%	3.05%	2.47%	6.64%	7.33%
55	(9.78%)	(9.99%)	1.67%	1.33%	3.05%	2.47%	6.64%	7.33%
65	1.12%	0.47%	0.52%	0.00%	0.51%	0.03%	0.34%	1.58%

Source: NFU Mutual Investments Team.

Other investment options

The investment performance of the funds used in the other investment options up to 31 December 2022, net of all costs and charges, as well as transaction costs, and expressed as an annual geometric compound percentage were:

Fund	1 year		3 years		5 years		10 years	20 years
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Fund
NFU Mutual Managed Plan Deposit Fund	1.12%	0.47%	0.52%	0.00%	0.51%	0.03%	0.34%	1.58%
NFU Mutual Managed Plan Fixed Interest Fund	(20.81%)	(21.56%)	(6.22%)	(6.98%)	(2.52%)	(3.17%)	1.17%	3.84%
NFU Mutual Managed Plan Index Linked Fund	(29.55%)	(36.08%)	(6.36%)	(9.74%)	(2.60%)	(5.12%)	2.36%	4.76%
NFU Mutual Managed Plan International Fund	(7.13%)	(9.06%)	6.53%	5.55%	5.86%	5.86%	10.21%	9.21%
NFU Mutual Managed Plan Mixed Portfolio 20-60% Shares Fund	(9.20%)	(10.84%)	(0.12%)	(0.87%)	1.28%	n/a	4.20%*	n/a
NFU Mutual Managed Plan Mixed Portfolio 40-85% Shares Fund	(9.78%)	(9.99%)	1.67%	1.33%	3.05%	2.47%	6.64%	7.33%
NFU Mutual Managed Plan Mixed Max 100% Shares Fund	(9.33%)	(8.93%)	2.88%	2.87%	3.95%	3.34%	6.88%*	n/a
NFU Mutual Managed Plan Property Fund	(27.64%)	(20.82%)	(8.02%)	(3.25%)	(1.02%)	0.87%	5.57%	6.11%
NFU Mutual Managed Plan UK Equity Fund	(10.06%)	(8.05%)	(0.16%)	(0.74%)	2.35%	0.85%	6.27%	7.57%
L&G UK Equity Index Fund	0.35%	0.34%	2.30%	2.30%	2.91%	2.92%	6.55%	7.66%
L&G Global Equity 50:50 Index Fund	(3.47%)	(3.39%)	4.72%	4.81%	4.98%	5.08%	8.88%	8.86%
L&G Over 15 Year Gilt Index Fund	(40.12%)	(40.05%)	(14.25%)	(14.15%)	(6.70%)	(6.60%)	1.01%	4.39%**

Source: NFU Mutual Investments Team, Legal and General.
*This figure covers the period from 1 July 2013 to 31 December 2022 as the Fund launched on 1 July 2013.
**This figure covers the period from 1 July 2005 to 31 December 2022 as the Fund launched on 1 July 2005.

Additional Voluntary Contributions (AVCs) for members in the defined contribution section

The investment performance of the AVC funds used in the DC section were as per the 'Other investment options' table above.

Additional Voluntary Contributions (AVCs) for members in the Defined Benefit (DB) Group AVC section

The investment performance of the funds used in the DB Group AVC section up to 31 December 2022, net of all costs and charges, as well as transaction costs, and expressed as an annual geometric compound percentage were:

Fund	1 year		3 years		5 years		10 years	20 years
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Fund
NFU Mutual Managed Plan Deposit Fund	0.73%	0.63%	0.17%	(0.04%)	0.16%	0.00%	0.08%	1.28%
NFU Mutual Managed Plan Fixed Interest Fund	(21.19%)	(21.56%)	(6.67%)	(6.98%)	(2.98%)	(3.17%)	0.69%	3.34%
NFU Mutual Managed Plan Index Linked Fund	(29.89%)	(36.08%)	(6.81%)	(9.74%)	(3.07%)	(5.12%)	1.88%	4.26%
NFU Mutual Managed Plan International Fund	(7.48%)	(9.06%)	6.13%	5.55%	5.46%	5.86%	9.79%	8.80%
NFU Mutual Managed Plan Mixed Portfolio 40-85% Shares Fund	(10.16%)	(9.99%)	1.28%	1.33%	2.65%	2.47%	6.23%	6.92%
NFU Mutual Managed Plan Property Fund	(27.84%)	(20.82%)	(8.28%)	(3.25%)	(1.29%)	0.87%	5.28%	5.82%
NFU Mutual Managed Plan UK Equity Fund	(10.40%)	(8.05%)	(0.54%)	(0.74%)	1.96%	0.85%	5.87%	7.17%
NFU Mutual Personal Pension With Profits Fund	-1.39%	n/a	3.97%	n/a	3.96%	n/a	7.21%	6.63%

Source: NFU Mutual Investments Team, Legal and General.