



The Retirement Benefit Scheme
of the National Farmers Union
Mutual Insurance Society Limited
(DB Section)

Implementation Statement

**For year ending 31
December 2023**

May 2024

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Section 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 2023 to 31 December 2023 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 June 2023 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/>

Section 2: SIP reviews/changes over the year

The Trustee reviewed and amended the SIP in January 2023 and June 2023 to reflect the following changes, this replaced the February 2022 SIP that had been in place at the start of the Scheme Year:

January 2023 amendments:

- Updates to Appendix C, i.e. the Scheme's Strategic Allocation, to update the dynamic benchmark allocation and acceptable ranges. The benchmark return index was also updated for the Index Linked Gilts allocation and added for the new allocation to Fixed Interest Gilts.

June 2023 amendments:

- Updates to Appendix C, i.e. the Scheme's Strategic Allocation, to reflect the disinvestment from the Scheme's property portfolio, which was expected to be gradually sold in due course with the proceeds from the sale to be allocated to fixed interest gilts and index linked gilts, as well as updating the dynamic benchmark allocation and acceptable ranges. The benchmark return index for the property allocation was also updated.

The Trustee also reviewed the SIP in January 2024, this review will be detailed in next year's implementation statement.

Section 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 continually review investment policy in light of changing scheme position and market conditions.

Investment managers

Area	Approach and actions taken over the Scheme Year
Section 4.1	
Active management	<p>The Trustee continues to monitor the Scheme's investment managers and the policy around active management.</p> <p>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.</p>
Section 4.2	
Rights Attaching to Shares	<p>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.</p> <p>During the Scheme year the Trustee reviewed the annual 2023 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.</p>
Section 4.3	
Financially material considerations including ESG Factors	<p>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.</p> <p>The Trustee noted no concerns around the current ESG approach from the MISCO team.</p>

Section 4.5 to 4.9**Diversification, pooled funds, matching, currency risk and investment management fees**

The Trustee reviewed these policies 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.

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 this 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 and engaged with the investment managers. 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 April 2023. 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 broadly in line with expected turnover ranges.

Overall the Trustee noted no concerns.

Section 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.

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 2023 and the 10 most significant voting activities.

1. The table below reflects the analysis of voting for the DB scheme (internally managed assets) in 2023 (2022 figures in brackets):

	UK Equities	Overseas Equities	Total Equities
Size of fund mandate	£ 121.2m (£ 123.9m)	£ 127.2m (£ 101.8m)	£ 248.4m (£ 225.7m)
Number of equity holdings	127 (129)	342 (332)	469 (461)
Number of meetings voted	133 (159)	305 (340)	438 (499)
Number of resolutions voted	2,529 (2,733)	5,151 (5,957)	7,680 (8,690)
Times voted against management	32 (35)	402 (454)	434 (489)

2. The table below reflects the analysis of voting for the DB scheme (externally managed assets) in 2023 (2022 figures in brackets):

	Overseas Equities
Size of fund mandate (DB)	£ 104.4m (£ 104.1m)
Number of equity holdings	3,909 (3,937)
Number of meetings voted	6,029 (6,011)
Number of resolutions voted	56,949 (56,635)
Times voted against management	10,517 (10,625)

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 4,650 meetings with 39,580 resolutions and voted against management 7,683 times. The main topics of dissention were board related (2,790), compensation (994) and changes to company status (1,093).

Mercer Strategic Fund – LGIM also manage this fund which tracks a multi-factor index. They voted at 465 meetings with 46,449 resolutions and voted against management 1,637 times. The main topics of dissention were board related (847) and compensation (430).

Mercer Global Alpha Fund – this fund comprises 8 active mandates across all international regions. The different sub-investment managers voted at 914 meetings with 10,920 resolutions and voted against management 1,197 times. The main topics of dissention were board related (438) and compensation (331).

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

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.

Company Name	Description	Date	Percentage of voteable shares	Votes against management communicated	Outcome of the vote	Intention to escalate stewardship efforts
Apple Inc. (US)	<p>Report on Median Gender/Racial Pay Gap</p> <p>We supported a shareholder resolution calling for increased disclosure on Apple’s gender and racial pay gaps. This was due to the company providing statistically adjusted numbers which can be misleading and lagged compared to peers when disclosing this information. Providing this information will allow greater transparency when assessing their progress towards diversity, equity, and inclusion goals.</p>	10/03/2023	0.002%	No	66% voted against management.	No.

Glencore (UK)	Approve Climate Report We voted against their climate report despite considerable improvements in disclosures. As in 2022, questions persisted as to whether their targets are aligned with the Paris Agreement. The achievement of their aims appears dependent on actions taken after 2035, whereas experts emphasize the importance of taking action in this decade. Concerns remained on their advocacy and lobbying activities. Despite record profits, of which 53% derived from coal, the investment in the transition in 2022 had not significantly increased.	26/05/2023	0.004%	No	30.25% of votes cast against management.	Not at this point.
John Wood Group (UK)	Remuneration Report We voted against the remuneration report in 2023. The pay out under non-financial metrics was not consistent with that of the financials given the shareholder experience and total shareholder return during the period.	11/05/2023	0.022%	No	23.02% of votes cast against management.	We will continue to monitor the company's remuneration practices.
Kromek Group (UK)	Re-election of Directors We voted against the re-election of two Non-Executive Directors on the basis that they have served on the board for 10 years and cannot be deemed independent. The composition of the Audit and Remuneration Committees does not adhere to UK best practice recommendations for a company of this size.	28/09/2023	0.025%	No	9.86% and 8.67% of votes cast against management.	No.
London Stock Exchange (UK)	Remuneration Report We voted against the remuneration report as the CFO was awarded a salary increase which was significantly higher than the increases being granted to the wider workforce.	27/04/2023	0.004%	No	1.4% of votes cast against.	We will continue to monitor the company's remuneration practices.

Medica Group (UK)	Approve Acquisition We supported the acquisition of the company by a private equity firm, as the offer price was at an attractive premium and a cash consideration which represented certainty of value for shareholders.	09/06/2023	0.25%	Yes	79.9% of votes approved the acquisition	NA – acquisition has taken place.
Restaurant Group (UK)	Approve Acquisition We voted against the recommended cash acquisition of the Restaurant Group in late 2023. We have been long term shareholders in the company and felt that the offer was opportunistic and did not reflect the long-term value of the business and its brands.	27/11/2023	0.25%	Yes	6.54% of votes cast against management.	NA – acquisition has taken place.
Tesla, Inc. (US)	Re-election of Director We voted against the re-election of the audit committee chair given concerns on the risk oversight function of the board. This was following the pledging of a significant amount of the company's stock by certain directors and executives, which can pose a risk to the investments of outside shareholders. Those with a pledged position may be forced to sell company stock, which could negatively impact the stock price and may violate insider trading policies. The pledging activity had no compelling rationale and the company lacks a robust anti-pledging policy, raising doubt over the audit committee's ability to effectively oversee risk.	16/05/2023	0.001%	No.	25.6% voted against management.	No
Unilever (UK)	Remuneration Report We voted against the remuneration report as the incoming CEO's salary had been set higher than his predecessor's and was significantly higher than his salary at his previous employer and other UK market peers.	03/05/2023	0.03%	No.	58.03% of votes cast against management.	We will continue to monitor the company's remuneration practices.

	The company had not provided compelling justification for this remuneration package.					
Visa (US)	Require Independent Board Chair We voted in support of a shareholder resolution requiring an independent board chair. We believe having an independent chair in place, as is commonplace in the UK, brings governance benefits and subsequently look to advocate this as best practice in the US where we can.	24/01/2023	0.0002%	No.	17.4% voted against management.	We intend to continue supporting shareholder proposal in the US which call for an independent board chair.