REPORT AND ACCOUNTS 2023

NFU Mutual
INSURANCE | PENSIONS | INVESTMENTS

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CHAIRMAN'S STATEMENT

During another year of economic instability, tough market conditions, and increasingly unpredictable weather, NFU Mutual's focus on our members remained unwavering.

Our members continued to feel the effects of inflation with rising costs in all aspects of life, and at NFU Mutual we also felt those effects. Nevertheless, our long-term approach means that we have the financial strength to support our members during such challenging times and in 2023 we were able to award £244m (2022: £247m) in Mutual Bonus.

I'm pleased to report a Group profit of £164m (£2022: £1,049m loss) for the year as investment returns began to recover and our portfolio achieved a strong finish to the year.

As I have mentioned, we continue to focus on members and in 2023 paid 97% (2022: 97%) of General Insurance claims totalling £1,327m (2022: £1,289m) during a year when our General Insurance business was affected by inflation, weather events, and higher volumes of very large claims which also increased in severity.

As a mutual insurer with over 280 agency offices across the UK, we can really support our members during their times of need. A number of severe storms hit the UK in the second half of the year, and we were proud to be on hand to help our members deal with the damage in the aftermath.

We also help our members 'Build Back Better' after flooding, and have now invested over £1m in flood resilience measures for customers since being one of the first insurers to introduce the initiative in 2018.

Our members depend on us to protect them against risks, and climate change poses one of the most significant challenges to humanity today. We take the impact our operations have on the world we live in seriously and we are committed to actively reducing our own environmental impact as we aim to become a net zero business by 2050.

In 2023, NFU Mutual became a proud member of ClimateWise, a global leadership group supporting the insurance industry to better communicate and respond to the risks and opportunities associated with climate change.

Being a responsible business has defined NFU Mutual during our history spanning over 110 years. Since launching our Environmental, Social and Governance (ESG) strategy in 2022 we have continued to develop our framework and in 2023 approved a set of flagship targets to deliver against our ESG commitments. We believe that together, we can make a positive impact on the planet and ensure a sustainable future for generations to come.

Also working to secure a sustainable and stable future are the UK's main farming unions, and in 2023 we made a voluntary donation of £8.4m (2022: £8.1m) to support them in their vital role.

We continued to stand by our customers and the communities they live in by donating £3.25m (2022: £3.25m) to support local and national charities during 2023. Our funding included donations to local front-line charities through our Agency Giving Fund, to national and regional charities through the NFU Mutual Charitable Trust, and to the Farm Safety Foundation, a charity founded and funded by NFU Mutual.

When I reflect on 2023 I have a great sense of pride in what this organisation has achieved to ensure we provide an excellent service to our members whilst also protecting their homes and businesses for the future. Our network of agencies remains a core part of this business, offering a level of support that sets us apart from the rest. I would like to thank them, as well as our people across the business who come together to achieve our goals.

Most importantly, I would also like to thank our members – your continued loyalty is hugely appreciated by us all at NFU Mutual and serving your needs is what keeps us all striving to continue to be a great company to do business with.

Jim McLaren
Chairman


NFU Mutual

FINANCIAL HIGHLIGHTS

GROUP	£164m Consolidated profit for the financial year 2022: £1,049m Loss	£20.2bn Total Funds under Management* 2022: £19.2bn	
GENERAL INSURANCE	£2,222m GWPI before Mutual Bonus* 2022: £1,987m	(£156m) Underwriting loss* 2022: £167m Loss	108.0% Combined Operating Ratio (COR)* 2022: 109.3%
FINANCIAL SERVICES LIFE	£66.9m APE – New Business* 2022: £69.8m	£12.3bn Life Funds under Management* 2022: £11.7bn	

* We use a range of alternative performance measures (APM) to assess business performance some of which are not defined or specified under the requirements of Financial Reporting Standards. They provide readers with important additional information on our business. A glossary explains why we have chosen to use them (page 220).

CHIEF EXECUTIVE'S STATEMENT

In 2023, NFU Mutual performed well, and I'm pleased to report that the business achieved a Group profit of £164m (2022: £1,049m loss) against a complex backdrop of business conditions.

Better than expected declines in inflation and growing hopes for lower interest rates led to a strong fourth quarter for equity and bond markets, resulting in healthy 2023 investment returns on our main portfolios, and our overall funds under management grew by 5.3% (2022: 13.8% decrease) to £20.2bn (2022: £19.2bn).

Our investment strategy is focused on long-term growth to ensure resilience during volatile market conditions and our good investment performance, particularly in the last months of the year, meant that we achieved a Group profit for the year whilst also awarding £244m (2022: 247m) in Mutual Bonus to our loyal members.

The business' financial and strategic foundations remain sound and our 2023 solvency ratio of 218% (2022: 218%) provides the capital strength to focus on our members.

The continued loyalty of our members, particularly in the current climate, means a great deal to us all at NFU Mutual. In 2023, customers experienced increased premiums due to claims cost inflation yet chose to remain loyal, with 95.0% (2022: 95.2%) renewing their policies with us. This led to a 11.8% (2022: 8.9%) increase in Gross Written Premium Income* (GWPI) for the year reaching £2,222m (2022: £1,987m).

The General Insurance business was however affected by rising claims costs caused by inflation, severity of very large claims, as well as severe storms. After a calm start to the year, from September onwards we saw seven named storms hitting the UK and this resulted in over 3,000 claims from customers whose properties suffered flood and storm damage.

As a Mutual owned by our members, paying claims is what we're here to do and these factors all contributed to an underwriting loss before Mutual Bonus of £156m (2022: £167m loss).

Our 2023 Combined Operating Ratio (COR) of 108.0% (2022: 109.3%) reflects all the variables I have outlined. We have experienced a higher level of weather claims over recent years with this continuing into the first quarter of 2024, however the long-term average claims experience remains within expected levels, and we are aligned with our aim to achieve a COR of 98% over the long-term.

* Gross Written Premium Income before Mutual Bonus as a non-statutory performance indicator, see Glossary on page 220.

Moving to the Financial Services side of the business, pensions and investments performed well at the start of the year following the Chancellor's Budget, however consumer confidence slowed in the second half of 2023 and this affected our Annual Premium Equivalent* result of £66.9m (2022: £69.8m).

Our financial advisers continued to support customers and advise those looking to invest, and although policy persistency was affected, levels remained high demonstrating our customer's loyalty.

Our dedication to supporting our customers remains central to the success of NFU Mutual, and I believe this is why so many of them stayed loyal during 2023. A highlight for me was winning the Which? Insurance Brand of the Year for yet another year. To receive independent recognition of this kind speaks volumes about our business priorities, and I've no doubt that our attention to customer experience was a key factor in that success.

Another key factor to our success is undoubtedly our people. Having a highly engaged workforce that is clear about what part they play in serving our members is integral to our longevity.

In 2023, we scored in the top 1% of all companies completing the Gallup Employee Engagement Survey for the sixth year running. We also won the Gallup Exceptional Workplace Award for an 8th consecutive year. As one of only two UK-headquartered companies to have been given this accolade, I'm constantly astounded by the commitment and care shown by our people.

That commitment and care extends wholeheartedly to our agency network, with our Agents, their staff and our people all working together seamlessly for the benefit of our members.

I would like to thank our loyal customers and everyone who makes NFU Mutual the business it is today – one that is achieving our long-term objectives to deliver 'sustainable profitable growth' be 'a great company to do business with', and 'a great place to work'.

Nick Turner
Group Chief Executive

* Annual Premium Equivalent as a non-statutory performance indicator, see Glossary on page 220.

BUSINESS MODEL AND STRATEGY

NFU Mutual was founded in 1910 by seven Warwickshire farmers and since then we have become the UK's leading rural insurer and part of the fabric of rural life. We remain true to our heritage; we are here to protect and enhance the lives of our customers and rural communities and, as a mutual, we are concerned with the long-term interests of our members rather than short-term profits.

The heart of our strategy is to deliver a local, personal and attentive service that is second to none.

As part of the very fabric of rurtal life, we are committed to making positive impacts for our customers and our people. Doing business the right way not only benefits the local farming and rural communities in which we operate but also has a favourable impact on wider environmental goals.

Business model

We operate our General Insurance business primarily through a network of Tied Agents, located mainly in rural areas throughout the United Kingdom. Our Agency model provides specialist advice for relationship led customers with complex insurance needs, alongside a range of products for those whose requirements are less complex and more standard and which can also be bought directly.

We offer life assurance, investment and pensions products on an advised based via our Financial Advisers. We offer a broad range of products to meet the needs of our members, who can also access them on a non-advised basis from our Non-Advised Sales Consultants.

Our strategy

Our strategy supports the achievement of our three long-term objectives and has a particular focus on five areas, as shown on the wheel below. This strategy covers both our General Insurance and Financial Services (Life and Investments) businesses.

Sustainable profitable growth

As a mutual, we do not have shareholders and so are able to reinvest in our business for the benefit of our customers, and we have a responsibility to run a profitable business for them.

Key Performance Indicators used:

- Group Financial Performance
- Group Funds Under Management

We will continue to leverage our financial strength to sustain our business for current and future generations of customers. We strive to build on our strengths and diversify into targeted segments, sectors and markets to help us grow our customer base, optimise our capital, and provide resilience for the future.

Our investment strategy underpins our financial strength and stability, with an asset portfolio of £20.2bn (2022: £19.2bn) which is managed by a dedicated investment and property management team. Although in the short term our investments are subject to normal market movements, our strategy is long-term and focuses on building quality, sustainable portfolios for both our Life and General Insurance Business funds.

This long-term view, together with our efficient business model combining product manufacture with effective distribution, enables us to invest for the future with confidence and deliver value for our members.

Great company to do business with

Our customers are at the heart of our organisation, and we value their loyalty. We embed ourselves in our local communities and invest time in developing long-lasting customer relationships.

We work together to understand our customers' needs and provide exceptional service by offering the right products and services at a transparent, fair and accurate price. Most importantly, we aim to provide an excellent experience, especially when it is most needed such as during a claim.

As the UK's leading rural insurer, we take the support we offer to our members and rural communities very seriously, and this extends beyond insurance into our Responsible Business activity. We champion education and awareness campaigns on a number of key issues affecting those who live and work in rural communities. We support the Farm Safety Foundation which helps to raise awareness of farm safety and reduce risk across the industry. Our Risk Management Services subsidiary provides wide-ranging risk management advice to customers. We make a voluntary financial contribution to farming unions to support the farming industry as well as funding the work of the NFU Mutual Charitable Trust.

Key Performance Indicators used:

- Persistency

Great place to work

We are making NFU Mutual an organisation that people are proud to be part of, and where they wish to stay and develop their careers.

This will be achieved by creating and sustaining a positive culture, which embraces diversity and where people strive to be the best they can be, in an environment which provides an outstanding employee experience and opportunities to learn, develop and deliver the best work of their careers.

Key Performance Indicators used:

- Employee Engagement Score

General Insurance business strategy

In an increasingly commoditised and competitive general insurance market, our strategy of local personal service continues to differentiate us from the competition.

We aim to provide the protection our members need for their assets, businesses and livelihoods through the provision of quality products offering a broad range of cover as standard.

Our value for money approach extends to our claims service and proactive claims management. We focus on working alongside our members in the fields of rehabilitation for injury claims as well as offering proactive support to claims incidents (such as major localised flooding) together with services aimed specifically at managing risks better.

The General Insurance strategy and business model ensures that the Group continues to meet changing member needs and expectations. The focus remains on developing the Agency model to enhance the customer experience through relationship building, ensuring that we maintain our award-winning service and competitive cost base. We will continue to develop and improve access to our products and services through other channels to augment the Agency network over the long term.

The vast majority of the General Insurance products we sell are manufactured in-house. The remainder are sourced from carefully chosen specialist lines providers.

To measure progress against delivering the strategy, we use a number of Key Performance Indicators as shown below (calculated excluding Mutual Bonus).

Key Performance Indicators used:

- Gross Written Premium Income
- New Business
- Underwriting Result
- Combined Operating Ratio
- Persistency

Refer to Strategic Objective KPIs on pages 12 to 13 for more information.

Financial Services business strategy

We remain firmly committed to growing our Financial Services business by strengthening relationships with our customers and developing a good understanding of their circumstances and financial needs. We aim to provide our customers with high quality advice, delivered by our team of dedicated Financial Advisors, in addition to easy access to quality products without advice when it is not required. This offer is reinforced by a range of quality investment funds.

The Financial Services strategy will:

- Provide quality products and services that meet customers' needs
- Build on and enhance our advised proposition and its performance
- Improve our distribution channels to enhance customer experience and profitability
- Use improved data and analytics capabilities to drive customer, adviser and agent insights.

We provide in-house Financial Services products and services in areas where we can demonstrably add value. Other products are provided by carefully selected partners.

We use the following Key Performance Indicators to track and measure our progress against delivering the strategy.

Key Performance Indicators used:

- Annual Premium Equivalent
- Life Funds under Management

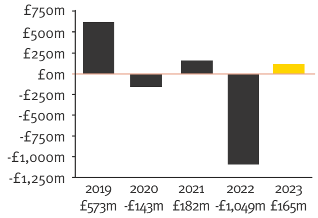
Refer to Strategic Objective KPIs on pages 12 to 13 for more information.

STRATEGIC OBJECTIVE KPIs

Sustainable Profitable Growth (Group)

Financial Performance

In 2023 NFU Mutual performed well during another year of economic instability and tough market conditions, to achieve an overall Group profit after tax of £164m (2022: £1,049m loss).



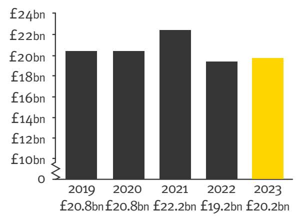
The General Insurance business was affected by inflation, weather events and higher volumes and severity of very large claims.

Our good investment performance, particularly in the last months of the year, meant that we achieved a Group profit for the year whilst also awarding £244m (2022: £247m) in Mutual Bonus to our loyal members.

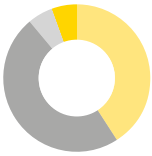
Our 2023 solvency ratio, which measures our ability to survive the most extreme plausible loss over the course of a year, remains high at 218% (2022: 218%) and we have the capital strength to support our members.

Funds Under Management*

A strong finish to the year saw our overall funds under management grow by 5.3% (2022: 13.8% decrease) to £20.2bn (2022: £19.2bn). The General Business Fund saw a gain of 7.9% (2022: -8.8%) in 2023 which took 3-year annualised returns to 1.8% (2022: -0.7%), with performance for both periods being ahead of the fund's internal benchmark.



Our investment strategy is focused on long-term growth to ensure resilience during market volatility and funds under management have grown from £15.9bn to £20.2bn over the last ten years.

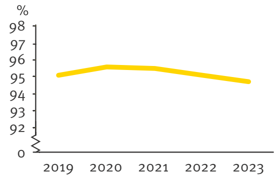


- NFU Mutual General £7.9bn (2022:£7.5bn)
- NFU Mutual Life £9.4bn (2022: £9.0bn)
- OEIC** Funds £1.9bn (2022: £1.7bn)
- NFUMIS Pension Fund £1.0bn (2022: £1.0bn)

Great company to do business with

Persistency (General Insurance business)*

Our persistency levels remained high at 95.0% (2022: 95.2%) with customers continuing to renew their policies with us and remaining loyal despite the continuing cost of living crisis and price rises to address inflation.



** Open Ended Investment Company.

Great place to work

Employee engagement

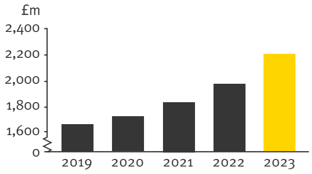
In 2023, we scored in the top 1% of all companies completing the Gallup Employee Engagement Survey for the sixth year running. We also won the Gallup Exceptional Workplace Award for an 8th consecutive year, and NFU Mutual is one of only two UK-headquartered companies to have been given this accolade.

GALLUP

Sustainable profitable growth (General business)

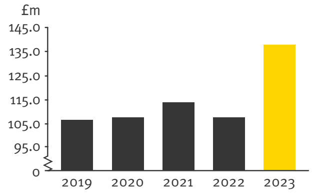
Gross Written Premium Income (GWPI)*

Sales performed well in 2023 and Gross Written Premium Income before Mutual Bonus increased 11.8% (2022: 8.9%) to reach £2,222m (2022: £1,987m), reflecting sustained persistency levels alongside increases in premiums due to claims cost inflation.



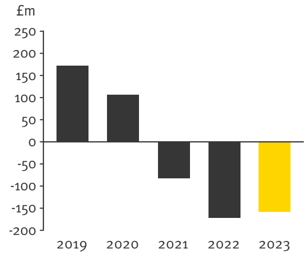
New business

New business sales increased by 29.7% (2022: 4.4%) in the year to £137m (2022: £106m), reflecting higher quote volumes, generated by the level of market disturbance, and our ambitions for business growth.



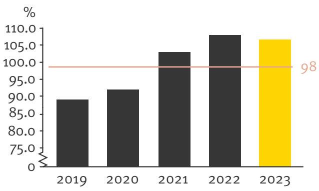
Underwriting profit and loss*

The General Insurance business was affected by rising claims costs due to continued inflation and an increase in the volume and severity of large claims, as well as the severe storms in the latter part of the year, which contributed to an underwriting loss of £156m (2022: £167m loss). Paying claims is what we're here to do and we focus on the long-term to ensure we can support our members when they need us.



Combined Operating Ratio (COR)*

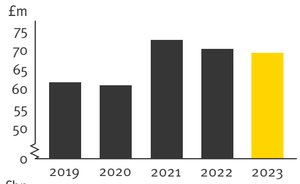
Our 2023 Combined Operating Ratio of 108.0% (2022: 109.3%) reflects the impact of inflationary pressure on the cost of claims for current and prior years, weather events and increases in the volume and severity of very large claims. Continued customer loyalty along with premium growth helped to mitigate the impact and we remain aligned with our aim to achieve a COR of 98% over the long-term.



Sustainable profitable growth (Life business)

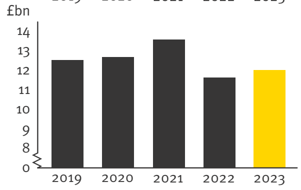
Annual Premium Equivalent (APE)*

Pensions and investments performed well at the start of the year following the Chancellor's budget, however, consumer confidence slowed in the second half of 2023 due to persistent inflation and high levels of interest rates resulting in an Annual Premium Equivalent of £66.9m (2022: £69.8m).



Life funds under management*

Life fund values increased in 2023 to £12.3bn (2022: £11.7bn) due to healthy gains in equity and fixed income portfolios.



* We use a range of performance measures (APM) to assess business performance, some of which are not defined or specified under the requirements of Financial Reporting Standards. They provide readers with important additional information on our business. A glossary explains why we have chosen to use them (page 220).

BUSINESS REVIEW 2023

Finance Director, Richard Morley

In 2023 NFU Mutual performed well during another year of economic instability and tough market conditions, with a late rally for investments more than offsetting the Mutual Bonus award and an underwriting loss to deliver an overall Group profit for the year of £164m (2022: £1,049m loss).

	2023	2022
Underwriting loss	(£156m)	(£167m)
Mutual Bonus Earned*	(£244m)	(£249m)
Allocated Investment Return	£101m	£71m
Balance on the Technical Account	**(£299m)**	**(£345m)**
Investment Return	£551m	(£830m)
Other Income and Expenses	(£89m)	(£40m)
Taxation	£1m	£166m
Profit / (Loss) for the year	**£164m**	**(£1,049m)**

* The Mutual bonus earned of £244m (2022: £249m) is calculated as the mutual bonus written of £244m (£2022: £247m) and the movement in the unearned mutual bonus reserve of £0m (2022: £2m).

Following the challenges of the previous year for investment markets, 2023 saw a much-improved year for global returns, which resulted in a 5.3% growth (2022: 13.8% decline) of funds under management to £20.2bn (2022: £19.2bn). The strong finish to the year for equity and fixed income assets resulted in healthy returns across our investment funds.

Our investment strategy is focused on long-term growth to ensure resilience during market volatility. Our good investment performance in 2023, particularly in the later months of the year, resulted in us reporting an overall Group profit and we were able to award £244m in Mutual Bonus savings (2022: £247m) to our loyal members.

The General Insurance business has reported strong sales performance; however, profitability has been affected by rising claims costs due to continued inflation, severe storms towards the end of the year and an increase in the volume and severity of very large claims. This contributed to an underwriting loss of £156m (2022: £167m loss) as we continued to support members and pay their claims.

Our pensions and investments business achieved an Annual Premium Equivalent (APE) of £66.9m for the year (2022: £69.8m). After a good start to the year for pensions following the Chancellor's budget, the second half of the year was more challenging, with fewer customers looking to invest.

Financial Performance

We ended the year with an overall profit after tax of £164m (2022: £1,049m loss). Our underlying financial, capital and solvency position remains strong, and our 2023 solvency ratio, which measures our ability to survive the most extreme plausible losses, of 218% (2022: 218%) remains high and we have the capital strength to focus on our members. Our balance sheet remains resilient, and our funds under management grew by 5.3% to £20.2bn (2022: £19.2bn).

Our General Insurance business operating performance has continued to achieve solid premium growth, however challenges within the claims environment, resulting from inflation, very large claims severity and weather, has led to an overall underwriting loss for the year.

General Insurance

Gross Written Premium Income

GWPI of £2,222m, represents growth of 11.8%, with healthy persistency of 95.0%.

Gross Written Premium Income has increased to £2,222m with an 11.8% growth on last year (2022: £1,970m). This performance is underpinned by ongoing healthy persistency levels (the percentage of policies renewed each year) of 95.0% (2022: 95.2%), alongside increases in premiums necessary to offset the impact of inflation on claims cost. Our local, personal approach continues to see higher volumes of advised sales generated than in previous years.

New Business also increased to £137m (2022:£106m), with more customers looking to NFU Mutual following large price increases across the market.

Underwriting result

The underwriting loss of £156m (2022: £167m loss) reflects another year affected by claims cost inflation and weather events and volatility in very large claims. We continue to support our customers and pay out on claims in a challenging economic environment.

Claims costs in 2023 were adversely impacted by the continued high inflationary environment, with motor damage costs and wage inflation continuing to increase at record levels. Prior year reserves have been strengthened as a result. This was coupled with some significant storm and flooding events towards the end of the year.

Cost control remains an ongoing focus, with solid management of business-as-usual expenditure enabling us to continue to invest in our change programmes and systems, to modernise our business and provide the best offering to our members.

Combined Operating Ratio (COR)

COR at 108.0% (2022: 109.3%) reflects the impact of significant weather events towards the end of the year, a higher volume and increased severity of very large claims, and ongoing inflationary pressure on the cost of claims for current and prior years.

The combination of higher premiums and the continued resilience of persistency has helped to support underlying profitability in the face of ongoing inflationary pressures. However, as well as weather events and volatility in very large claims, prior year reserve strengthening has impacted the calendar year COR, which ended the year at 108.0% (2022: 109.3%).

Last year was the fourth consecutive year of weather claims costs higher than the long-term average . In this context, climate change risk represents a key area of focus across our pricing, reserving, and capital modelling. Weather continues to be priced for over the long term and whilst recent years have seen a higher level of weather claims, the long term average claims experience remains within expected levels.

Across a 10-year rolling period we remain within our 98% aim, with the first seven years averaging at below 90%, and the last three years with underwriting losses averaging at 108%. This trend reflects the long term nature of insurance and our strategy to write profitable and sustainable business whilst offering outstanding levels of customer service and adapting to a continually changing environment. All of this underpins our commitment to provide savings in renewal premiums to our loyal customers through the form of Mutual Bonus.

COR is calculated as claims, expenses and commissions as a percentage of earned premiums (the element of the written premium that relates to the accounting period) before earned Mutual Bonus and after allowing for reinsurance.

Mutual Bonus

In 2023 we provided £244m (2022: £247m) in Mutual Bonus.

Our Mutual Bonus scheme enables us to reward the loyalty of our General Insurance customers with a saving on the renewal premium of their GI policies. Despite the underwriting losses experienced in 2023, we provided £244m of Mutual Bonus, and given our continued financial strength we are able to provide a significant Mutual Bonus going forward for all renewing members.

Life, pensions and investments

Annual premium equivalent (APE)

Against a volatile political and economic backdrop, APE at £66.9m was down 4% in 2023 (2022: £69.8m), as strong results for our pension business were eroded by inflationary pressures and the cost of living crisis, with subdued investor sentiment due to the continuing economic uncertainty.

The external environment in 2023 was challenging (inflation and interest rates), impacting overall sales, especially Investments and ISA business, with new business volumes declining by 4% to £66.9m (2022: £69.8m). The Chancellor's budget at the start of the year delivered favourable outcomes for pensions business as customers took advantage of the fiscal policy changes, in particular the removal of the lifetime allowance tax charge. The development of our self-service channel grew further as we opened more products to our customers, giving an enhanced offering for those who did not require advice and wanted to transact online.

Policy persistency levels were also impacted by the inflationary pressures however remain high demonstrating our customer's loyalty to NFU Mutual.

With-Profits

NFU Mutual remains committed to the concept of With-Profits (which offers a smoothing of returns and an element of guarantee) and maintaining a viable Life business in the future. The With-Profit funds on our Pension products continue to see an increase in inflows (£65m in 2023, £46m in 2022) despite the challenging backdrop. 2023 saw people continue to invest with NFU Mutual and 27% (2022: 31%) of these new customers chose a With-Profits option when investing into ISAs, pensions and bonds.

NFU Mutual shared a £54m Mutual Investment Bonus with eligible With-Profits customers in 2023.

Mutual Investment Bonus is applied as an uplift to investments, representing a 1.5% increase in investments for 2023, and is in addition to the annual bonus provided to customers that receive one.

As a mutual with no shareholders, eligible customers who invest in the With-Profits fund benefit from the success of the fund and its financial strength, reflecting the current and expected economic conditions. Thanks to the Mutual's financial strength, over £180m has been added to investments of eligible With-Profits customers through Mutual Investment Bonus over the past five years.

My Investments

This year marked the 5th anniversary of NFU Mutual's 'My Investments' platform and it continues to grow, with 39,000 customers (2022: 36,000) now having their investments on the platform. The 'My Investments' platform assets under management increased to £1.74bn (2022: £1.52bn), of which £121m is With-Profits business (2022: £91m). NFU Mutual customers can view many of their investments online, giving them quicker access to see how their funds are performing, their current value and greater flexibility.

Group companies

Avon Insurance plc

Avon Insurance continued to demonstrate strong profitability of £6.0m.

Avon Insurance is a wholly owned subsidiary which specialises in personal accident and accidental death insurance products. Avon Insurance closed to new business in 2013 but continues to service the existing book of more than 420,000 policies. In addition, Avon Insurance underwrites insurance cover for the Group, writing Motor Fleet, Property, Employers Liability and Public Liability insurance policies.

Avon's Gross Written Premium in 2023 was £16.8m (2022: £18.6m), with profit before tax and dividends of £7.8m (2022: £1.2m). Avon returned dividends to the Group of £3.5m (2022: £6m).

Risk Management Services Limited (RMS)

RMS continues to deliver value to our customers through the Health & Safety consultancy it provides to improve workplace environments and the Loss Control surveys it completes to inform Underwriting decisions.

RMS is a wholly-owned subsidiary whose primary objective remains to deliver value to our customers by helping to identify and manage risk within their business resulting in fewer accidents and losses and in doing so reducing claims to the NFU Mutual Group.

In tough economic conditions, RMS have seen a high turnover of experienced surveyors and consultants in 2023 resulting in increased costs to secure and train new staff. This attrition has impacted our ability to generate planned revenue and RMS has posted a loss of £0.6m in 2023 (2022: £0.1m profit). Despite this, demand for RMS services has increased as customers and stakeholders recognise the need for risk management support to reduce the likelihood and occurrences of accidents and claims.

Group funds under management

A strong finish to the year saw our overall Group funds under management increase to £20.2bn (2022: £19.2bn). The General Business Fund saw a gain of 7.9% in 2023 which took 3-year annualised returns to 1.8%, with both periods outperforming the Fund's internal benchmark.

Towards the end of the year, better than expected reductions in inflation across key countries and a change in tone from the US Federal Reserve encouraged investors to believe that interest rates had peaked, and central banks would be cutting sooner and by more than previously expected. This led to further gains for equity markets which had a strong year and also boosted fixed income assets. UK commercial property investments were relatively flat in 2023 and returns on cash were boosted by the higher interest rates available, leading to our overall investment assets under management increasing by 5.3% in 2023 to £20.2bn.

General funds under management

An investment return of 7.9% in 2023 saw the General Business Fund outperform its internal benchmark and increased the value of its assets to £7.9bn in 2023 (2022: £7.5bn). All of the asset classes in the Fund achieved positive returns, with the international equity, high yield bonds and emerging market debt portfolios all seeing double-digit gains. This resulted in 3-year annualised Fund returns of 1.8%, comfortably ahead of the 0.5% benchmark return. The mix of asset classes in the portfolio saw an increase in fixed income categories following the significant improvement in yields available. There were corresponding reductions in exposure to equities, UK property and cash. Further geographic diversification was seen with the introduction of overseas property, with a small initial exposure introduced just before year-end.

Life funds under management

Healthy gains from our equity and fixed income portfolios saw the overall Life funds under management increase to £12.3bn in 2023 (2022: £11.7bn). Our With-Profits and mixed asset retail funds form the bulk of these funds, and they also increased their exposure to fixed income assets in 2023. The main Life fund achieved a return of 7.6% in 2023, which improved the 3-year annualised return to 4.2% against an internal benchmark return of 3.6%. After the challenges for investors the previous year, our unitised retail funds saw widespread gains in 2023, and the majority of funds performed ahead of peer group averages over 1, 3 and 5-year periods.

Asset market background

Declining inflation, resilient economic growth and interest rate optimism boosted asset returns.

After some mixed progress for investment assets over the first nine months of 2023, the final quarter saw some excellent returns across most fixed income and equity markets. The main driver was better than expected reductions in inflation across key countries which encouraged investors to believe that central banks would be cutting interest rates sooner and by more than previously expected during 2024.

The geopolitical backdrop remained challenging at times, with the ongoing war in Ukraine, continued tensions between the US and China, and the Israel-Hamas conflict unsettling the Middle East, but overall their market impacts were relatively limited in 2023.

There were substantial declines in inflation across the UK, Europe and the US as the year progressed. In the UK, headline consumer price inflation fell from its October 2022 peak of 11.1% to 4.0% for December 2023. After a period of significant interest rate increases which saw the Bank of England raise the base rate to 5.25%, rates were held flat after August and markets became optimistic that cuts would be forthcoming in 2024. Alongside greatly improved returns from our equity and fixed income assets, elsewhere within our portfolios we saw relatively flat commercial property returns and our cash holdings benefitted from higher interest rates.

Equity returns

A much improved year for equity markets saw widespread gains.

Global economic and corporate growth proved more resilient than initially expected and equity markets were boosted by the improving inflation situation and growing expectations that interest rates had reached their peak. After outperforming other markets in a difficult 2022, the reverse was seen in 2023 as the weakness of commodity prices held the UK market back due to its above average exposure to the energy and mining sectors. However, 2023 still managed gains of 7.9% in the FTSE All-Share index and its 3-year annualised returns of 8.6% were similar to those of international equities.

Sterling strength softened returns for UK investors in international equities, but 2023 still achieved benchmark index gains of 16.0% (an impressive 22.6% in local currency terms). Over the year the US led the way with a gain of 19.9% thanks to a strong year for its large technology stocks amid excitement over the prospects for artificial intelligence. Europe and Japan also achieved double-digit returns, but concerns over China restricted Emerging Markets and Asia Pacific ex-Japan to more modest gains.

Fixed income returns

A welcome turnaround for fixed income assets after a challenging period.

Fixed income assets can be especially sensitive to inflation and interest rates, and this had resulted in a very difficult period for most bond markets as we entered 2023. However, the benefits from greatly improved yields, falling inflation and growing expectations for a series of interest rate cuts saw a strong final quarter take returns for all fixed income categories into positive territory for the year.

Having been in negative territory for most of the year, the late rally saw UK government bonds finish 2023 with the benchmark index seeing gains of 3.7% whilst index-linked gilts returned 0.9%. The rest of our fixed income assets saw stronger returns, with corporate bonds, high yield bonds and emerging market debt achieving index gains of 9.7%, 12.7% and 9.9% respectively.

Property

Another challenging year for UK commercial property but the outlook for 2024 looks more positive.

Most of the UK's commercial real estate sectors saw value downturns in 2023 as they felt the impact of rising interest rates and global volatility. Average prime yields weakened to 6.5% by the end of the year with regional offices seeing the greatest negative moves. The office market is being impacted by reduced levels of post pandemic occupier demand and by heightened levels of capital expenditure to deliver and maintain higher standards of Environmental Social and Governance (ESG) compliant building stock.

Overall, the occupational markets have proven to be surprisingly resilient and did see some limited elements of rental growth over the course of the year.

Average income levels of 4.7% continue to underpin property total returns and this will remain key for 2024.

Transactional levels have remained muted throughout the year with the rising cost of lender funding/debt being a significant barrier to acquisition activity by many purchasers.

NFU Mutual property portfolios had a mixed 2023. The Life Fund property portfolio delivered a small negative return of -3.6% whilst the General Fund has produced a positive return of +1.1% ahead of its external benchmark of -1.5%.

Key strategic change initiatives

Finance Modernisation

Dynamic technology for more efficient working, analysis and insight.

2023 saw the successful completion of the second phase of our Finance Modernisation Programme - the migration to and the deployment of Workday Financials (a modern cloud based, evergreen solution). Benefits such as transformed data integration solutions (via greater automation), an enhanced financial control environment and a reduction in our month end close period, manifested themselves during the year.

We also began the third and final phase of the programme - implementing Workday Adaptive Insights. This phase involves the build and deployment of planning models to support integrated forecasting and planning across the business. The introduction of Adaptive transforms our planning capability, bringing greater agility and insight to support decision making, allowing us to keep pace with the changing business environment.

Inflation Impact Review

Supporting customers through the challenges of inflation.

At the beginning of 2023, following an extended period of inflationary pressures, a Team was mobilised to lead NFU Mutual's response to managing price change and the impact this could have on customers.

Rising inflation has seen prices increase across the market, including the cost of building materials, labour and the prices charged by our supplier network. These price increases then affect the cost of any claims customers make, which has been challenging for NFU Mutual because we aim to cover those costs and continue to pay claims while also balancing the impact it has on our customers. As a mutual we can and do take a longer-term view to price change in order to protect our customers and the business.

During 2023, the Financial Conduct Authority (FCA) outlined their expectations around how the insurance industry should respond to the cost of living crisis, which included providing appropriate support to customers in vulnerable circumstances and offering fair value. We believe the guidance we have provided to our teams and the agency network is aligned to these expectations as well as the principles outlined in the FCA's Consumer Duty.

The Inflation Impact Review has successfully delivered a number of pricing changes, helped maintain persistency and provided guidance to our teams and the agency network to communicate with NFU Mutual customers. Whether that's explaining price changes or providing support to those who may be experiencing financial difficulty.

Enhanced Policy Management and Online Access

Making our products easier to buy, sell and manage, including digital self-service and paperless documents.

We are enhancing our products, processes and technology services to support evolving customer needs and to provide what our customers expect - the right products for them, delivered in a way that suits them with NFU Mutual's first-class service.

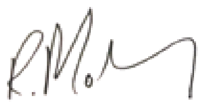
In 2023, we continued to build and test our new General Insurance policy administration system, Guidewire PolicyCenter. Alongside this, we also continued to develop a refreshed Home product to replace our existing Personal Home and Lifestyle offering. This will form the first phase of our product transformation to provide more attractive product offerings and simpler policy documentation.

Cyber Security

Enhancing our IT infrastructure security.

Throughout 2023, we progressively bolstered our cyber security measures to enhance our security posture and remain abreast of the latest cyber threats. This included a strategic transition to a cutting-edge security platform, ensuring that we leverage the most advanced technology to safeguard both our customers' data and NFU Mutual's systems.

In 2023, we accomplished the successful implementation of the latest enhancements to our access control and software update systems, thereby ensuring maximum protection and up-to-date status of our systems. Along with the adoption of new technology, we continually enhanced our teams and processes. We engaged closely with our partners to enhance our incident response capabilities and this strategic approach will not only strengthen our resilience, but will facilitate a swifter response to cyber incidents.



Richard Morley
Finance Director

RISK AND RISK MANAGEMENT

Risk is an essential part of the Group's business operations and successful risk taking is required to achieve the Group's business objectives.

To ensure that all risks are managed effectively the Group is committed to:

- Continuing to drive a common risk culture across the business;
- Ensuring the implementation of effective systems and processes of risk management;
- Supporting senior management to continually develop their control and co-ordination of risk taking across the business;
- Ongoing retention, development, and attraction of the appropriate resource in the risk function; and
- Continuing to ensure the Group meets its regulatory requirements.

At NFU Mutual, all Group-wide risk management activities are supported and coordinated by the Risk Division, led by the Risk Director.

This team has close relationships with the wider business, including governance committees and departmental managers.

The Risk Division is also responsible for managing Group risk governance and oversight.

In order for the Group to optimise its performance, risk and return are considered together. NFU Mutual believes this is best done by managers being accountable for managing risk within their teams alongside meeting their business objectives and goals.

The Risk Management Strategy and Risk Management Framework are aligned to the business strategy and allow us to balance risk and return in the delivery of the strategic objectives in the following ways:

Sustainable profitable growth

- Improving the robustness of risk and capital management;
- Reducing unwelcome surprises;
- Optimising potential for long-term growth; and
- Giving a better understanding of the strengths and weaknesses of the business at various levels of the company resulting in stronger risk-based decisions.

A great company to do business with

- Adding value for members through increased efficiencies, better returns, and informed pricing; and
- Supporting regulatory reporting requirements to the public and other stakeholders, to give greater understanding of how we manage our risks.

A great place to work

- Maintaining a highly visible, risk-aware culture led by senior management;
- Creating an open, honest, respectful, and transparent environment in which employees are encouraged to 'do the right things';
- Ensuring employees have clear accountabilities; and
- Linking reward and remuneration directly to risk management; rewarding the right behaviours, as part of a risk conscious and ethical culture .

A robust risk management strategy and framework, overseen by experienced risk teams and risk governance committees, underpins a strong risk culture with a focus on benefits for members and policyholders.

The Group's approach to risk management ensures there is effective, independent checking or 'oversight' of key decisions by operating a 'Three Lines of Defence' model, with clearly defined responsibilities:

- 1st Line of Defence: Implement the risk and control environment (see page 107) by adhering to Group policies and controls, and actively identifying, managing, and monitoring risks using the Risk Management Framework.
- 2nd Line of Defence: Act as the Centre of Excellence for Risk Management across the Group including setting policy, driving strategy, and acting as a close and continuous business collaborator. Line 2 define key components of the control environment and provide assurance that risks are being effectively identified, assessed, managed, and monitored across the organisation.
- 3rd Line of Defence: Provide the Board with an independent, objective, and impartial view that the Control Environment is appropriate and operating effectively.

The core principles that underpin our approach to risk management are:

- Risk Division has primary responsibility for designing, implementing, embedding, and maintaining an effective risk management framework;
- Managers are accountable for the management of risk in their business area. They are responsible for documenting and reporting their risks, controls, loss events and near misses using the tools provided by the Risk Division;
- Decisions taken by management are consistent with NFU Mutual's strategic objectives and risk appetites. Financial models are used to inform decision-making;

- The interests of members and other stakeholders are protected by ensuring that excessive powers are not delegated to individuals;
- A common Risk Management Framework is used throughout the organisation to manage risk, supported by appropriate policy and control standards;
- The Group uses clearly defined definitions of risk for both financial and operational risks;
- Key roles, responsibilities and authorities relating to risk are clearly identified and documented;
- Emerging risks are identified, assessed, and reported as part of the Risk Management Framework;
- Risk management arrangements and risk exposures are subject to independent oversight;
- All employees across each of the Three Lines of Defence have appropriate access to, and understanding of, the Group's Risk Management Framework and processes to enable them to operate effectively; and
- Employees are individually responsible for understanding and managing the risk they take on behalf of the Group and for ensuring that they act within delegated authorities and risk appetites.

A four-module risk management training programme exists across the Group to increase the risk management and governance knowledge and capability of employees and Non-Executive Directors. The programme is accredited by the Institute of Risk Management and certain modules are mandatory dependant upon role.

Risk management framework

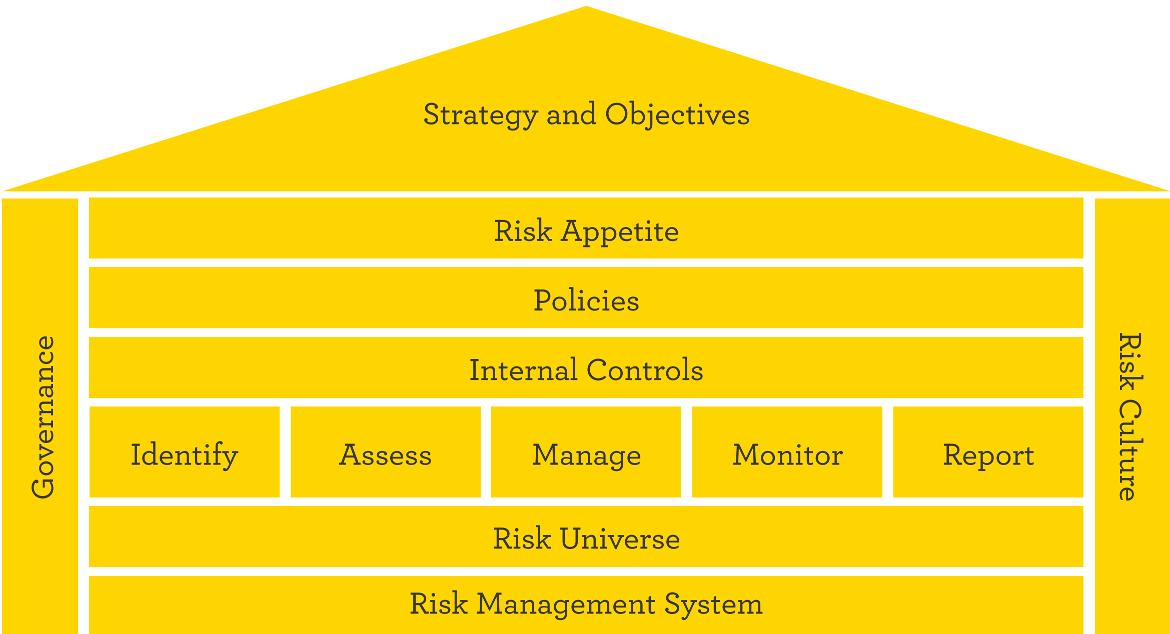
Each component within NFU Mutual's Risk Management Framework contributes to the identification, assessment, management, monitoring and reporting of risks. This is illustrated in the diagram below and includes:

- Risk policies that clearly define the nature of the risk, and the accountabilities and controls for each risk type;
- Risk appetites that articulate the amount of risk the business is prepared to accept in pursuit of the long-term strategic objectives;
- Risk identification, assessment management with controls built into everyday business processes and monitoring through agreed indicators; and
- A centralised risk reporting tool to record and monitor risk and issue information with regular reviews by senior management, risk governance committees and the Board.

The outputs of the Risk Management Framework underpin our assessment of the level of capital we need to hold to cover the risks to which we are exposed.

Pillar I of the Solvency II legislation requires that firms hold enough capital to survive 1-in-200-year risk events occurring over a 12-month period. This is called the Solvency Capital Requirement, or SCR. To calculate this figure, firms have the choice of using a prescribed Standard Formula, developing their own Internal Model (subject to supervisory approval), or using a combination of both (known as a Partial Internal Model).

NFU Mutual has regulatory approval to use a Partial Internal Model; where Insurance Risk, Market Risk, Counterparty Default Risk and Liquidity Risk are calculated using an Internal Model for the Group, excluding Avon Insurance PLC (which uses the Standard Formula to calculate the financial risk SCR, given the low materiality of its capital requirement in comparison to the Group as a whole). This forms a key component of our Own Risk and Solvency Assessment (ORSA) where we consider strategic business planning, risk, and capital management as an integrated process.



Operational risk capital for the Group is based on the Standard Formula as we believe this provides an appropriate quantification for NFU Mutual's operational risk exposures.

Further to our regulatory requirements, risk appetites are set by the Board to outline the amount of risk the Group is prepared to take to achieve its business strategy.

The operational risk appetite statements are considered in the assessment of the impact of an operational risk, loss event or near miss and reporting of breaches and potential breaches is now embedded in the quarterly governance committee reporting.

More details on risk can be found pages 178 to 188. Additional detail on NFU Mutual's regulatory capital requirements as at 31st December 2023 can be found in the Solvency and Financial Condition Report, available on NFU Mutual's website from the end of May 2024.

Risk governance and oversight

The NFU Mutual Board is ultimately accountable for all activities carried out by the Group. To ensure it retains an appropriate level of oversight, the Board has established a structure of risk governance committees to which they delegate authority for overseeing designated risks on their behalf.

The risk governance framework aligns to the operational needs of the business and ensures that risk oversight is in place at all levels throughout the Group and encompasses all risks faced by the Group. Each risk governance committee has clearly defined terms of reference detailing its accountabilities, and these are reviewed annually to ensure the committee is operating effectively and fulfilling its responsibilities. The terms of reference for the Board and its sub-committees can be found on the NFU Mutual website.

The Board approves an overall financial risk appetite and capital constraints for the General Insurance business and the Life business that are aligned to the objectives of each business. The risk management committees ensure that the Life and General Insurance businesses are managed in line with these and escalate any issues to the Board.

The flow of information is critical to the success of the risk governance framework and therefore a formal reporting framework is in place to ensure consistent, accurate and timely information is received by all committees and there are clearly defined roles for communication between committees.

Principal risks and uncertainties

The following tables summarise the principal risks and uncertainties currently faced by NFU Mutual due to the nature of our business and the market in which we operate.

The risks are categorised as:

Operational – The risk of reductions in earnings and /or value through financial or reputational loss, from inadequate or failed internal processes and systems or from people related or external events.

Financial – The risk of loss resulting from the exposure to our balance sheet.

The categorisation is aligned with our risk universe as shown below.

Climate change is considered a principal risk due to the significant impact it will have on our business and our customers. The section after emerging risks outlines how NFU Mutual manages risks from climate change, aligned to the Taskforce for Climate-related Financial Risks (TCFD) disclosure framework.

Level 1 Risks	**Financial Risks**				**Non-Financial Risks**
	Market	**Liquidity**	**Counterparty Default**	**Insurance**	**Operational**
Level 2 Risks	Credit Spread Currency Equity Returns Equity Volatility Inflation Rate Interest Rate Interest Rate Volatility Property Returns Property Volatility Swap Spread			Catastrophe Expense Lapse/ Persistency Longevity Morbidity Mortality Pension Optionality Premium Reserve (latent) Reserve (non latent) Retirement Ages	Business Continuity Customer & Conduct Financial Crime Information Management, Usage and Analysis Information Security Information Technology Legal & Regulatory People Supplier, Outsourcing & Third Party Transaction Processing and Execution
	Strategic Risk is defined as the risk to achieving our long-term objectives caused by poor decision making in the creation of the business strategy, unforeseen disruption to the strategy or the delivery of it. Strategic risks can be operational or financial.				
	Reputational Impact: A risk arising from any of the categories within the risk universe can have a reputational impact and this is considered through the risk assessment criteria and consideration of risk appetites. We do not define reputational risk within our risk universe but the risk of damage to our reputation arising from events within any of the categories is considered through the impact risk assessment.				

Principal risks and uncertainties

Principal Risk and Uncertainty	**Financial Risk: Investment market volatility** NFU Mutual invests in a range of assets including equity shares, property, and corporate bonds. Falls in the value of these assets can have a material impact on the company's balance sheet. Changes in long-term interest rates can affect the value of both assets and liabilities. The level exposure to investment market movements is shown via the sensitivities in the notes to the financial statements.
Change over reporting period	Market risk remains the largest risk exposure due to our financial strength and the ability to hold assets such as equities, property and corporate bonds in the Life and General Insurance Funds. In recent years new asset classes such as high yield bonds and emerging market debt have been introduced to give increased diversification in the investment portfolio.
Long-term strategic objective	Sustainable Profitable Growth Great Company to do Business With Great Place to Work
Mitigation	a) The company maintains a Financial Risk Response Plan, with actions approved by the Board to ensure Solvency is maintained within the company's Risk Appetite. b) Board Risk Committee have reviewed scenarios and stress analysis to ensure the level of exposure to investment stress events is understood and that there are appropriate actions agreed to protect the company's solvency position.

Principal Risk and Uncertainty	**Insurance Risk** In any year the level of profit or loss will be impacted by the level of insurance claims and changes in reserves for prior year losses.
Change over reporting period	A particular challenge in 2023 has been the level of inflation which drives up claims costs and sums insured on insurance policies. As a result, insurance risk exposure has increased over 2023.
Long-term strategic objective	Sustainable Profitable Growth
Mitigation	Board Risk Committee have reviewed scenarios and stress analysis to ensure the level of exposure to insurance stress events is understood and that there are appropriate actions agreed to protect the company's solvency position. Relevant mitigations include our reinsurance programme.

Principal Risk and Uncertainty	**Operational Risk: Information Security** There is a risk that our systems are cyber attacked leading to misuse of customer and company data or disruption to the performance of our critical IT systems. This could lead to loss of customer service, corrupted or lost data, business interruption, compliance breaches, regulatory fines, and reputational damage.
Change over reporting period	Significant progress has continued to be made in enhancing the control environment in order to keep pace with the evolving threat landscape. The risk exposure is reducing as progress is made in identifying security vulnerabilities, remediating them, and improving our response to containing and recovering from any cyber attacks in line with latest industry positions and / or within our Group risk appetite statements.
Long-term strategic objective	Sustainable Profitable Growth Great Company to do Business With
Mitigation	We continue to review the security threat landscape and development in security controls, to regularly discuss and enhance our security strategy and maturity with our risk committees. This includes reviewing our penetration test schedule, security metrics on access management, staff behaviours and vulnerability remediation. This ensures the IT systems and data is being managed in line with industry positions / or within our Group risk appetites.

Principal Risk and Uncertainty	**Strategic: NFU Mutual is unable to deliver the required change** The risk of insufficient, inefficient, or ineffective change delivery, adversely impacting operational capability and /or NFU Mutual's reputation.
Change over reporting period	A number of strategic programmes delivered in the year, including Finance Modernisation. The Enhanced Policy Management and Online Access programme continued with its Pilot and launched a detailed review of the Customer Data Mastering approach required to deliver our online capability. This is a complex area, and has resulted in some delays to the wider programme deliveries initially expected in 2023.
Long-term strategic objective	Sustainable Profitable Growth Great Company to do Business With Great Place to Work
Mitigation	Our strategic and operational plans are reviewed regularly by the Board. These take account of the level of resources we have available and the scale, diversity, and interdependencies of change currently underway and planned over the medium and longer terms. Specific change programme monitoring, and reporting takes place at project, programme, portfolio, and strategic level, to ensure appropriate risk-based decisions are made and that the allocation of resources is optimised to support delivery of our long-term objectives.

Principal Risk and Uncertainty	**Strategic: NFU Mutual's customer base changes substantially beyond expectations** There is a risk that unexpected changes to NFU Mutual's current or target customer base impact on insurable risks, including changes to the farming industry or other significant target trade sectors, customer demographic or behavioural changes. This could be caused by events including a reputation-damaging event impacting our standing in the farming community, degradation of our relationship with NFUs, longer term economic, social, and intergenerational changes, government policy changes impacting the sectors in which NFU Mutual operates, or an environmental event affecting the needs of our farming customers such as climate change.
Change over reporting period	Our customer base continues to remain loyal with high retention levels. Working closely with our Agency network, we continue to evolve our service offering to ensure that it remains aligned to and suitable for our customer base.
Long-term strategic objective	Sustainable Profitable Growth Great Company to do Business With
Mitigation	We continue to reinforce our relationship with the Farming Unions and hold ongoing discussions with key farming suppliers and academia to increase understanding and pre-empt customer changes. Propositions are regularly reviewed and updated to reflect customer developments. We also continue to grow wider market business to diversify our exposures and reduce the reliance on farming.

Principal Risk and Uncertainty	**Strategic: Reduction in demand for Financial Services propositions** There is a risk that the number of contracts sold or administered is lower than planned. This could occur as a result of propositions not meeting our customers' needs (which may be as a result of factors including poor investment performance, competitor actions, regulation, or taxation changes) or an adverse political/economic environment reducing retail investor confidence.
Change over reporting period	Financial Services business performance continues to demonstrate continued demand for its propositions.
Long-term strategic objective	Sustainable Profitable Growth Great Company to do Business With
Mitigation	We regularly review our strategy and continue to develop and improve our Financial Services proposition to reflect customer and market developments and ensure it represents value for money. This includes ongoing enhancements to the My Investments platform.

Principal Risk and Uncertainty	**Strategic: Reduction in demand for GI propositions** There is a risk that demand for our GI propositions is lower than planned. This could occur as a result of propositions not meeting our customers' needs or preferences, which may be as a result of factors including a challenging economic environment, increased competition, new types of competitors entering the market, regulation changes impacting the competitive landscape in which NFU Mutual operates, climate change, adverse media or reputational events impacting sales and retention.
Change over reporting period	GI business performance continues to demonstrate continued demand for its propositions.
Long-term strategic objective	Sustainable Profitable Growth Great Company to do Business With
Mitigation	We regularly review our strategy and continue to develop and improve our GI proposition to reflect customer and market developments and offer fair value. This includes diversifying in our chosen markets and continuing to focus on the agency network as the primary distribution channel whilst developing online capability.

Principal Risk and Uncertainty	**Strategic & Operational Risk: Infrastructure is unable to support the GI and / or Financial Services proposition** There is a risk that systems, processes, and people, including those services delivered by our outsourcing suppliers, are not sufficient to support our propositions because of internal issues or external drivers, including regulation. This could result in the needs of customers not being met or errors in work for customers leading to increased complaints, a reduction in new business sales or increased lapses and adverse media coverage of customer experiences.
Change over reporting period	The infrastructure has continued to support required services and meet customer needs.
Long-term strategic objective	Sustainable Profitable Growth Great Company to do Business With
Mitigation	We continue to deliver updated technology platforms as part of our strategic change programmes. A detailed review of our Customer Data Mastering capability was launched in the year and will lead to future enhanced technology solutions to support business needs in future years. Our Supplier Outsourcing and Third-Party Policy ensures that effective management and oversight of our external partners.

Principal Risk and Uncertainty	**Strategic: Agency Network becomes vulnerable because of adverse changes to the internal or external environment** There is a risk that individual agencies or wider parts of the network are not viable. This risk could materialise from ineffective agency leadership/management, regulation changes impacting agency operations, a deteriorating rural economy or an unexpected change to business mix away from the agency network to other distribution channels.
Change over reporting period	No change
Long-term strategic objective	Great Company to do Business With
Mitigation	We continue to develop the target operating model for the agency network and test its robustness. Individual agency management information continues to be developed to better understand their economics.

Principal Risk and Uncertainty	**Climate change** There is a risk that climate change has a material impact on NFU Mutual's business model as a result of physical risks that arise directly from rising global temperatures, and transition risks that arise through actions, initiatives and behaviours aimed at limiting the rise in global temperatures.
Change over reporting period	There has been a move from voluntary to mandatory disclosures during the year and the pace of change continues to increase in this area. NFU Mutual continues to monitor and adapt across all areas of the business, but there have been no seismic shifts since last year. The year has seen a number of impactful weather events and ongoing monitoring will assess whether this is indicative of a major change in our weather patterns that may impact our customers in the future.
Long-term strategic objective	Sustainable Profitable Growth Great Company to do Business With
Mitigation	NFU Mutual has implemented a climate change strategy, agreed by the Board, to ensure the Group is resilient to the impacts of climate change, takes advantage of opportunities that arise in core markets, and also defines and implements a roadmap to Net Zero

Emerging risks

Emerging risks which may have the potential to change the risk profile of the Group assessed with a proximity of within the next 18 months are detailed below. These have been identified by business areas in line with the Risk Management Framework and are being monitored in order to determine relevance and impact.

Risk	**Strategic & Operational Risk: Emerging technology** There is a risk that the development of new technology has a profound impact on the insurance industry resulting in a fundamental shift in the way that the insurance market operates and that NFU Mutual is unable to successfully compete in this new environment.
Description	There are a wide range of sources for this risk, including agricultural technology changing the way that farms operate and therefore the insurance needs of our core customers, developments in autonomous vehicles, and technology companies entering the insurance market with innovative new propositions that we would be unable to compete with. These emerging risks are regularly monitored and management are taking appropriate actions to mitigate the risks where possible.

Risk	**Operational Risk: Volume of Regulatory Change** There is a risk that NFU Mutual fails to keep pace with the volume of regulatory change resulting in customer, regulatory and reputational damage.
Description	After a decade of global regulatory reforms defined by the financial crisis and misconduct issues, the regulatory environment within the insurance industry continues to evolve and keeping up with the pace of change is one of the greatest challenges facing the organisation. There has been, and continues to be, increasing regulatory focus to align product, customer, and value with growing attention on use of artificial intelligence, operational resilience, cyber security, digital ethics. Work has been undertaken to implement and embed processes to ensure fair pricing and consumer duty requirements are met. The proposed changes to the Solvency II regime have been reviewed. The changes to the risk margin have been implemented and NFU Mutual is on track to implement the other changes. The Risk Division continues to work closely with the business to ensure that we stay ahead of these evolving requirements and trends.

The assessment and mitigating actions for these risks have been reviewed and discussed at Executive Committee and Board meetings during the year.

Climate change risk

Climate change is a global challenge and we are committed to actively reducing our own environmental impact as we aim to become a net zero business by 2050. We are also adapting to meet the insurance needs of our members as they transition to a low carbon economy.

We've made significant progress since we established our climate change strategy in 2020, with some highlights of our journey to date shown below:

2020	2021	2022	2023
• Climate change strategy agreed by the Board • Climate change disclosures included in Annual Report for the first time	• Initial short term targets set for scope 1 and scope 2 emissions • Identified and embedded material risks from climate change within our risk management framework • Carried out climate scenario analysis aligned to the Bank of England's Climate Biennial Exploratory Scenario • Initial purchase of bonds labelled as green • Introduced informal homeworking for employees • Installed electric vehicle charging points at Stratford sites	• Net Zero Roadmap launched including targets for own emissions and investments • Solar insurance product launched • Green parts pilot launched for motor vehicle claims • Became an initial signatory to the Build Back Better initiative • Became a signatory of the Principles for Responsible Investment • Achieved Carbon literacy bronze accreditation	• Net zero engagement strategy agreed by the Board • Dairy heat stress product launched • Climate change introduced as factor in executive remuneration • Became a signatory of the UK Stewardship Code • Joined ClimateWise • Solar installation approved for Head Office

We've been including Climate Change disclosures in our Annual Report since 2020 to publicly share how climate change could impact our business, both positively and negatively, and the steps we're taking to respond to these as and when they occur.

As a large composite insurer, we must also comply with mandatory legislative and regulatory disclosure requirements in relation to climate change. For our 2023 Annual Report, we are required to ensure the information we're sharing complies with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

In 2024, we also need to publish a standalone climate change report to meet regulatory expectations set out in the Financial Conduct Authority's Environmental, Social and Governance (ESG) Sourcebook. These were first published as Policy Statement PS21/24 – Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers.

Both of these mandatory requirements are based on the Taskforce for Climate-Related Financial Disclosures (TCFD) framework, and we have therefore voluntarily chosen to align the disclosures below with this best practice framework to support both sets of mandatory disclosure requirements.

We've used guidance from a number of different sources to develop our climate change disclosures, including:

- TCFD recommendations and recommended disclosures, including supplemental guidance for financial institutions
- Financial Reporting Council (FRC) thematic feedback.

We have not sought independent assurance for the 2023 climate change disclosures included in our Annual Report, however the following reviews have been undertaken:

- External review of our published emissions targets for own emissions and investments summarised in section 4. The review validated that targeted emissions reductions align with best practice target setting methodologies. This provides confidence in the credibility of the targets and that they will make a meaningful contribution to reducing global emissions.
- The outcome of the review resulted in an improved data collection and review process to support the emission disclosures in Section 4.

1. Governance

Oversight of climate-related risks and opportunities

As a successful insurer, NFU Mutual has robust governance and risk management frameworks in place to identify and adapt to all risks and opportunities that arise. Climate change is a challenge that will impact all areas of our business over the short, medium and long-term, and therefore climate related risks have been effectively embedded within our existing frameworks.

Explanations of our governance and risk management frameworks are included in separate Risk and Risk Management (pages 25 - 36) and Corporate Governance sections (pages 90 - 121). The diagram below illustrates how climate change responsibilities fit within these frameworks. It highlights the flow of climate-related information through the business, from identification of risks by accountable business managers, escalation through risk governance committees in line with existing risk appetites and ultimate accountability for oversight and setting the Group's strategy sitting with the Board.

Board
- Set Climate Change Strategy and Net Zero Roadmap
- Oversee NFU Mutual's climate response

Risk Governance Committees
- Approve risks outside of risk appetite
- Monitor risk exposure/position against risk appetite
- Review scope and outputs of climate scenario analysis

Business Units
- Identify and manage risks from climate change
- Escalate risks outside of risk appetite for approval
- Risk exposure monitoring
- Climate related stress scenario analysis

Risk Management Function
- Facilitate the implementation of climate change strategy
- Embed risks from climate change in risk management and risk governance frameworks
- Aggregate reporting of risks from climate change
- Group level climate scenario analysis

The effective operation of the framework is underpinned by accurate and timely risk reporting, including performance MI, specific risk updates, scenario analysis, horizon scanning and assurance reporting. Risks from climate change will be reported through these routes in line with the Group's risk appetites.

Recognising the significance of climate change, supplementary climate-specific reporting is also in place to ensure appropriate focus and oversight, including regular climate-specific updates to committees, at least annually. The management of climate change is embedded across the Group, therefore updates to committees will be presented by the accountable business area.

Progress against net zero targets is also reported to the Board on an annual basis by the Risk Director as part of their regulatory responsibility for climate change. Accountability for meeting individual emissions targets is allocated to relevant business managers as outlined in the Metrics and Targets section on pages 58 to 71.

The table below outlines the climate-related roles of relevant risk governance committees and the climate-specific items they have considered in 2023.

	Climate Change Responsibilities	Items Considered in 2023
Board	• Setting our Climate Change Strategy and overseeing its implementation • Setting our Net Zero Roadmap and overseeing its implementation, including progress against targets • Allocating regulatory responsibility for climate change to a senior manager	• Reviewed progress of climate related activity across all seven areas of the Group's Climate Change Strategy • Approved our net zero engagement approach that underpins the development of NFU Mutual's transition plan • Monitored progress on the development of NFU Mutual's transition plan
Audit Committee	• Overseeing the integrity of climate-related disclosures in NFU Mutual's financial statements • Overseeing our control environment is effective in relation to climate change	• Monitored progress of mandatory climate-related disclosures in the 2023 Annual Report • Reviewed and approved climate change section for inclusion in our 2023 Annual Report
Remuneration Committee	• Overseeing the design of, and targets for performance-related pay schemes for executive directors, the Company Secretary and senior to effectively incorporate climate change	• Introduced climate metrics into NFU Mutual's long-term remuneration scheme for the first time

Board Investment Committee	• Overseeing that investment risks are managed appropriately, including those arising from climate change	• Approved interim emissions reduction targets for investment portfolios • Reviewed and monitored plans to deliver emissions reduction targets • Reviewed and approved NFU Mutual's Stewardship Report • Reviewed asset allocation, including potential impacts from climate change
Board Risk Committee	• Overseeing that risks from climate change are effectively embedded within NFU Mutual's risk management framework	• Assessed potential medium and long term financial impacts from climate driven risks using climate scenario analysis
Group Financial Risk Committee	• Ensuring that financial risks and capital impacts arising from our General Insurance business and our Life business are effectively managed in line with the Group's Risk Management Framework, including those arising from climate change	• Assessed potential medium and long term financial impacts from climate driven risks using scenario analysis • Monitored underwriting risk exposures and aggregations incorporating climate related risks • Reviewed second line assurance reviews undertaken by the Chief Actuary that include consideration of climate change impacts
Group Operational Risk Committee	• Ensuring that operational risks arising from NFU Mutual Group's business are effectively identified, assessed, managed and monitored in line with the Group's Risk Management Framework, including those arising from climate change	• Assessed potential impacts to NFU Mutual from climate related regulatory and legal developments

Board consideration of climate change in decision making

A fundamental principle of NFU Mutual's climate change strategy is to embed climate change into existing frameworks and processes, so that it is considered in decision making where relevant, including decisions relating to capital expenditure. The biggest area of capital spend for NFU Mutual arises through change programmes. The following table highlights how climate change is embedded in Board, committee and management decision making:

How climate change is considered	
Strategy	Climate driven impacts that have potential to affect achievement of our long-term objectives are incorporated into strategic reviews, for example considering the impact of a transition to electric vehicles on our motor strategy The Group's medium to long-term capability roadmap also captures potential future impacts from climate change and how these could affect our business. Outcomes from strategic reviews are presented to the Board for review and challenge. The Board also attend a focussed strategy day on an annual basis.
Business Planning	Internal and external factors that could impact on the success of our business are considered in annual and medium term planning processes, to set assumptions and define forward looking targets. Potential climate change impacts are considered as part of this process and feed into planning assumptions where relevant, for example exposure to weather events. The Business plan is presented to the Board for approval in November.
Own Risk and Solvency Assessment (ORSA)	Through our ORSA we take an integrated approach to strategic planning, risk management and capital management and via this process deliver regular reports to risk committees and an annual report to the Board. Climate change is considered throughout our ORSA process and the annual ORSA Board report includes a specific section on the risks arising from climate change and our progress in mitigating those risks.
Change Programmes	Climate specific questions are incorporated into business case justification and impact assessments for new Group level change initiatives to ensure future business change factors in potential impacts of climate change where relevant. The Board approve material change programmes and oversee progress to delivery.
Remuneration	Climate change is considered within the Group's senior remuneration framework and, where appropriate, climate-relevant objectives are set as part of annual performance management processes.

NFU Mutual's Board membership includes non-executive directors with both financial services and farming expertise, plus four executive directors. Many of our non-executive directors are closely engaged with climate-related initiatives, for example, Ali Capper sits on the National Farming Unions (NFU) Net Zero Steering Committee. In addition, other non-executive directors maintain strong links within financial services to understand industry performance and challenges in relation to climate change. Jon Bailie has a long held interest in ESG issues and between 2009-2010 he was Chair of Osmosis Capital, a Cleantech private equity fund. More recently, Jon earned the Chartered Financial Analyst Institute's Certificate in ESG Investing. The NFU Mutual Board is therefore in a strong position to challenge and steer NFU Mutual's climate strategy.

Management's role in managing climate change

The NFU Mutual Board is responsible for allocating regulatory accountability for climate change to a senior manager. This requirement is set out in the PRA's supervisory statement SS3/19 – "Enhancing banks' and insurers' approaches to managing the financial risks from climate change". This accountability sits with the Risk Director (SMF 4 – Chief Risk Officer Function) as part of a broader responsibility for all aspects of NFU Mutual's climate change response, including the on-going effectiveness of the risk management framework in managing risks from climate change. The Risk Director maintains oversight of climate related risks and internal and external developments through membership and attendance of Board and risk governance committees and also through external engagement, such as with the Climate Financial Risk Forum and ABI. The Risk Director also chairs a Climate Change Steering Group, whose focus is to oversee development and delivery of NFU Mutual's climate change strategy and net zero roadmap.

Accountability for individual climate-related risks sits with relevant business managers. Using the Group's risk management framework, all business managers identify and manage risks within their scope of responsibility, including risks from climate change. Risks that exceed defined risk appetites are escalated to the appropriate operational and risk management committees. As part of NFU Mutual's net zero roadmap, managers are also encouraged to identify opportunities for emissions reduction within their business area to reduce the Group's exposure to potential risk and contribute to meeting emissions reduction targets.

Managers are informed about climate-related issues through a number of routes, including participating in relevant industry initiatives, monitoring external publications, receiving updates from centralised compliance teams and discussions in risk and management committees. We recognise the importance of ensuring our managers are climate aware and this was recently a focus area at the Group-wide leadership conference held in July. Climate change is also regularly highlighted through company-wide ESG communications and updates to governance committees.

NFU Mutual has an established climate change team who inform and support the Risk Director, senior managers and governance committees in understanding and responding to climate-related risks, legal and regulatory expectations, and wider industry developments.

Embedding climate change in remuneration

For the first time in 2023 we have included climate change factors into senior manager remuneration schemes as part of the Group's long term incentive plan. The metrics are aligned to achievement of our own emissions targets set as part of NFU Mutual's net zero roadmap. The metrics and targets will be reviewed on an annual basis.

2. Strategy

Recognising that climate change will impact all aspects of our business we have developed a clear strategy, which was approved by our Board in 2020 and continues to drive our climate change response:

Climate Change Impacts	Impacts on Insurers	Strategy Aims	Climage Change Strategy
Physical Changes to weather and climate Transition Legislative, regulatory, industry and behavioural change Liability Exposure to legal action	Customer Needs/ Expectations Liabilities Assets Operations Employees Reputation	Ensure NFU Mutual is resilient to the impacts of climate change and takes advantage of opportunities in core markets Define and implement NFU Mutual's roadmap to Net Zero	**Climate Change Mission Statement** Tackling climage change is a shared global responsibility and we all have a part to play. As a UK based insurer with rural communities at our heart, NFU Mutual is both responding to the insurance needs of our members and actively reducing our own environmental impact to help drive the transition to a low carbon economy. **Focused Activity** Climage change is broken down into seven impact categories, used to drive quantifiable activity and risk management. Customer | Employees | Insurance Investments | Premises Supply Chain | Solvency **Net Zero Roadmap** Group level targets and ambitions for reducing NFU Mutual's greenhouse gas emissions

Our strategy recognises the importance of adapting to the risks and opportunities that will arise from climate change and also the necessity of transitioning our business to net zero in line with global goals. The potential of climate change to impact our business strategy and achievement of our long-term objectives, both positively and negatively, is also recognised by its designation as a principal risk for NFU Mutual, as outlined in the Risk Management Section on pages 25 to 71.

Climate Change Timeframes and Materiality

The impacts of climate change are occurring now and will continue to materialise beyond the normal timeframes used for business planning, capital management and risk management.

As a composite insurer, the time horizons we consider for climate change are also driven by the type of insurance business or assets being considered. Within our business planning processes we consider a three-year period, however recognise that much of our business, especially in relation to Life insurance, extends for much longer timescales.

For the purposes of disclosing on risks from climate change, we have defined short term as 0 -3 years, medium term as 3 – 10 years and long term as 10 years plus, unless otherwise stated.

Material risks from climate change are identified using our Group risk management framework. Risks are assessed to establish the likelihood that they will occur and also the potential impacts they could have if they did occur. Impacts considered are:

- **Financial –** potential to impact financial performance or capital strength and solvency position
- **Non-financial –** potential to impact our members, operational capabilities, reputation or compliance with regulation and legislation.

As a composite insurer and asset owner, material risks from climate change will vary across different aspects of our business, therefore we consider impacts on the Group as a whole and on different parts of our business separately.

We evaluate risks using a range of both qualitative and quantitative risk assessment methods including scenario analysis, risk modelling, analysis of past performance and trends and expert judgement.

Material risks from climate change are identified as risks that have potential to affect achievement of our long-term objectives or risks that exceed our Group level risk appetites for financial or non-financial impacts.

Scenario analysis is a key tool used to assess the resilience of our business to impacts from climate change over the short, medium and long-term. We take a collaborative approach to climate scenario analysis, with specialists from across the business contributing to define the most appropriate scenarios for NFU Mutual, identify key exposure areas and assess potential impacts over time.

Climate change impacts will be wide ranging and extend beyond normal business planning timescales. The future trajectory of climate change is also uncertain, with dependencies on actions taken in the short term to define medium and long-term outcomes.

When identifying the material impacts from climate change, we allow for future uncertainty by evaluating different potential climate pathways. The three key pathways we consider are set out below:

Early Policy Action
Transition to a net-zero emissions economy progresses with climate policy action increasing gradually over the scenario horizon. Global temperature rise is limited to 2°C or lower and carbon dioxide emissions (and all greenhouse gas emissions in the UK) drop to net-zero around 2050.
Late Policy Action
Transition to a net-zero economy is delayed until 2030 or beyond. The climate policy action required to transition is therefore intensified over a short period and a disorderly transition takes place. Greenhouse gas emissions in the UK successfully reduce to net-zero around 2050.
No Additional Policy Action
No new climate policies are introduced beyond those already implemented. This leads to increasing global temperatures and chronic changes in the physical environment.

Modelling caveats

Predicting the future impacts of climate change on our business is challenging due to the dependencies on decisions made at global and government levels as well as there being limited data, modelling and scientific research available to base assumptions and projections upon. The following information is shared publicly for transparency, however the following caveats and limitations should be noted:

- Climate change models and research which underpin scenario analysis are in their infancy change within this sector and subject to change as more research and data is collected. Our understanding and interpretation of climate models and research is also in its early stages and requires significant judgement over the results.
- A third-party tool is used to carry out scenario analysis of the Group's investment funds. Government bonds are outside of the scope of this tool. Proxy data is also used to estimate carbon emissions as real emissions data is not currently available for property valuations.
- The physical risk impacts to investment assets do not consider the level of protection (such as insurance) companies have against extreme weather, the sectors which may benefit from extreme weather, as well as any supply chain risks.

The risks highlighted in this report should therefore be treated as a view of possible outcomes based on our assumptions at this point in time and are subject to change as our understanding in this area evolves.

We recognise that material risks from climate change can have both positive and negative impacts. A risk that poses a threat to the success of our business may also present opportunities to adapt and succeed. The material risks identified for NFU Mutual are outlined below and we consider both potential downside impacts and upside opportunities where relevant:

Climate Change Risk	Impacted business entity	Short Term	Medium Term	Long Term
Increased volatility and frequency of weather events and long-term changes to climate conditions in the UK impact our insurance business (physical)	General Insurer			
Changing customer demand for products and services as a result of climate change (transition and physical)	Group General Insurer			
Asset values impacted by climate driven environmental changes (physical) and / or investee's climate response (transition)	Group Life Insurer			

Material Impact   Non-material Impact   No impact

As a UK-based insurer our predominant focus is on physical and transitional impacts for our country of operation, however consideration is given to wider global impacts where relevant.

Material Risks

The risks highlighted as material in the table above are explained more fully in this section.

Increased volatility and frequency of weather events and long-term changes to climate conditions in the UK impact our insurance business.

Climate change will change weather patterns across the UK, impacting the frequency and severity of weather events, particularly increasing the risk of flooding. In addition to weather volatility, climate change could result in longer, warmer summers and wetter, milder winters in the UK, and sea level rises globally. These changes will impact the volume and costs of weather-related claims for our general insurance book.

Potential Impacts for NFU Mutual

Our scenario analysis focusses on how our current exposure to weather perils will change, and what new perils we may be exposed to under future climates. This is based on the science and modelling capability available at the time and is subject to change as confidence grows in the understanding of how the physical environment will be impacted due to climate change.

The science around future climate risk and its uncertainty is reviewed for each weather peril individually. Our scenario analysis has shown that change in UK flooding presents a material risk to our property underwriting portfolio, where we expect to see an increase in flood risk in every region of the UK by 2050, if no additional action is taken to defend properties against flood losses occurring. We see this risk having a material impact over the medium to long term in all three of the scenarios we consider. The worst of the impacts being felt in the scenario where no additional action is taken to transition to net-zero emissions and global temperature increase reaches +3°C or more.

For windstorm risk, there is a large range of uncertainty in how the UK will be affected in future climates as scientific research is ongoing. Our scenario analysis therefore considers a range of future possible outcomes and impacts on our property portfolio. Our analysis has shown factors that point towards a potential increase or potential decrease in UK windstorm risk, which highlights the uncertainty. Understanding the impact of climate change on windstorm risk is therefore still ongoing. We expect the worst of the outcomes would again be felt in the no additional action scenario.

As the climate warms, the expectation is that frost days are likely to decrease in the UK, which will have a positive impact on our insurance risk exposures. Based on our scenario analysis, our current expectation is that climate change impacts to freeze losses will be less material than other weather perils.

A change in climate also brings new physical risks to our underwriting portfolio. One of which we consider to be material over the medium to long term is extreme heat. Extreme temperatures in the UK are expected to occur more frequently, last over longer periods and occur over greater geographic regions in the future climate. This is likely to impact a number of our property and agricultural products in all future climate scenarios, however the most severe would be in the scenario where global temperatures increase by 3°C or more.

We have also considered the impact of climate change on our life business in terms of impacts of climate change on life expectancy. Our scenario analysis has shown factors that could cause higher mortality in the long-term (such as from the economic challenges of climate change) and factors that could cause lower mortality in the long-term (due to warmer UK winters or lifestyle changes) and so there is uncertainty on the direction and level of impact. However, we do not expect material impacts in the short-term as we expect any move towards these scenarios to be gradual.

How we're responding

We model future weather impacts to understand potential short, medium and long term impacts on our insurance portfolios. Outputs are factored into strategic planning, exposure management and reinsurance decision making.

Our pricing processes ensure past and future predicted claims experience is incorporated into premium calculations to reflect the risks associated with weather events.

We reinsure part of our weather exposure to limit the impact on our business.

We are members of Flood Re and are signatories of their 'Build Back Better' initiative to undertake flood resilient repairs to properties in high flood risk areas, following a claim for flooding.

We annually review the impact that climate change could have on our reserving practices to ensure long term financial resilience.

How we measure weather and climate impacts on our general insurance business

Over the last few years we have developed a more sophisticated governance and monitoring programme in relation to our exposure management and we have developed a set of Risk Acceptance Tolerances (RATs) and Early Warning Indicators (EWIs). These include climate relevant physical risks including windstorm, flood, freeze, subsidence and extreme heat. We set target limits for our exposure to each of these risks and performance is reported regularly to our Group Financial Risk Committee and Board Risk Committee.

Risk Acceptance Tolerance	Metrics Used
Windstorm	% of total sum insured in higher storm risk postcodes
Flood	% of total sum insured in higher flood risk postcodes
Freeze	% of total sum insured in higher freeze risk postcodes
Subsidence	% of total sum insured in higher risk subsidence postcodes
Extreme Heat	% estimated maximum losses caused by fire % of total sum insured in higher risk subsidence postcodes % poultry risks with heat stress extensions

Changing customer demand for products and services as a result of climate change.

Climate change will drive material legislative, political, societal and behavioural change that all businesses will need to adapt to. Impacts will be both direct, as firms will need to decarbonise their own operations, and indirect, through the value chain. Climate change will impact all third parties within an insurers' value chain, including customers, suppliers and investee firms. The ability of third parties to respond effectively to climate impacts will therefore have an impact on the insurer through the relationships that exist.

As a UK-based insurer with a focus on rural communities, the key driver of changing customer demand over the medium to long term will be UK Government policies relating to climate change, including transport, buildings and agriculture. These policies will drive adaptation and behaviour change that could impact our Group strategy and general insurance propositions over the medium and long term.

Potential Impacts for NFU Mutual

The scale of change required to deliver a low carbon economy for the UK could materially impact NFU Mutual's strategy and the success of our long-term business model. We recognise this as both a risk and an opportunity for our business. It could be detrimental if our response becomes misaligned with the needs of our members. Conversely climate change adaptation is an opportunity to develop new insurance solutions, that will enable our members to transition effectively to a low carbon economy and be protected against physical climate impacts.

The transition to a low carbon economy will require material changes to transport, buildings and farming, which are core segments of our general insurance book. Reducing transport emissions will require a move from fossil fuel powered vehicles to low carbon alternatives that will impact across our personal motor, commercial vehicle and agricultural vehicle portfolios. De-carbonising buildings will require the adoption of alternative heating sources, improvements in energy efficiency and innovation in construction, which will impact our personal and commercial property insurance portfolios. The farming industry will respond and adapt to the changing climate, government policy and societal demand, which will lead to evolution in farming practices, diversification and changes to the profile of the UK's agricultural sector.

Climate change is also driving innovation and the development of new low carbon solutions.

In the early policy action scenario, structured policy changes introduced by government should allow a smooth societal transition. NFU Mutual will monitor evolving customer needs and have the opportunity to develop insurance propositions that support our members in adapting to climate impacts. In the no additional policy action scenario, changing customer demand is expected to centre around protection from more severe weather events in the physical environment, and farming adaptation in response to the changing climate in the long term. Again, we expect the changes to develop at a pace where there's sufficient clarity and time to enable NFU Mutual to successfully adapt to support members where possible, whilst limiting excessive exposures. In the late policy action scenario, the pace and scale of policy change, alongside associated economic and societal disruption is likely to prove a more significant challenge to our business, towards the end of the medium and into long term.

Developing new insurance solutions to meet changing customer needs, requires data of appropriate quality to underpin effective pricing and underwriting strategies.

Products that protect against the physical risks of climate change also require an understanding of new perils that may emerge. The data availability and quality of data in these areas are limited, which creates inherent financial risk for an insurer.

How we're responding

In line with our strategic objective of being a Great Company to do Business With, our climate change approach is to prioritise engagement and influence over exclusion. This means we respond to the needs of our members, by developing insurance solutions that deliver climate resilience, protecting our members from climate impacts and enabling their effective climate adaptation.

We monitor external developments, including government policy, peer insurer activity and customer expectations. We maintain close relationships with our farming members and unions to ensure we understand their changing requirements and adapt our products and propositions to meet their insurance needs as they arise.

We undertake forward-looking strategic reviews for core business lines to ensure our strategy and propositions adapt to ensure the resilience of our business over the medium to long-term. These have led to the development of new insurance propositions, including parametric insurance for heat stress in dairy herds and a partnership with NFU Energy to support NFU members with their insurance needs for small-scale renewable energy projects. We closely monitor the design and performance of new products to ensure they meet the needs of our members and effectively manage our insurance exposures.

For each line of business, we have a rolling cycle of product reviews, that include specific consideration of risks from climate change, to ensure products adapt to meet the needs of our members. We have adapted our insurance cover to support lower carbon alternatives, including electric vehicles and renewable heating technologies such as solar panels and biomass boilers.

As we develop our offering and increase our marketing for Electric Vehicles, including various hybrid vehicle types, the number of quotes and conversions continues to increase.

We constantly review emerging renewable energy technology to identify associated risks. As many small-scale renewable energy plants are diversifications from farming business, we continue to evolve our products and the number of risks we write. Policy numbers have grown for these technologies by over 10% since 2021.

In response to the increasing frequency of heatwaves, we reviewed our heat stress cover in 2023, in order to ensure its long-term sustainability. We have improved the transparency of when cover applies and included a co-insurance clause, which adjusts the co-insurance based on risk mitigations in place in order to encourage best practice.

We have also developed a number of solutions to reduce the emissions associated with claims events, including the option to utilise green parts for motor repairs and to repair rather than replace items in the event of a claim. We work with a leading UK salvage company to maximise the amount of a vehicle that gets recycled following a claim.

Through our active engagement with industry initiatives, we are able to understand and actively contribute to climate-related developments. In 2023 we became members of ClimateWise, an industry collaboration with Cambridge University's Institute for Sustainability Leadership (CISL). We also actively engage through our membership of the Association of British Insurers (ABI), and contributions to the Climate Financial Risk Forum and Transition Plan Taskforce.

How we measure the impacts of climate change on our products and services

Core metrics used to monitor business performance are used to provide insight into whether climate change is impacting our success. Where variance against plan is identified, analysis is carried out to identify potential causes, including climate-related causes. Metrics include:

Potential Climate Change Impact	Metrics Used
Ability to meet performance targets	% achievement of planned new business
Number of customers renewing their insurance with NFU Mutual	% customers who renew their insurance annually with NFU Mutual
Ability to attract new business	% quotes converted into new business
Changing demand for products and covers	% electric vehicles insured as part of overall private car account £ gross written premium for renewable technologies
Customer's perception of NFU Mutual	Customer sentiment scores

Asset values impacted by climate driven environmental changes and / or investee's climate response.

A material reduction in asset values would undermine NFU Mutual's capital strength, which could in turn impact long term strategy, business model and objectives. Climate change has potential to reduce asset values due to both transitional and physical impact, for example, if a company we invest in fails to adapt effectively to climate impacts or a property we own becomes liable to flooding due to sea level rise.

Conversely, investing in the right climate positive assets has the potential to strengthen the capital strength of the Group, for example investment growth opportunities in climate positive technologies and increased ability to attract and retain tenants for energy efficient property assets.

Potential Impacts for NFU Mutual

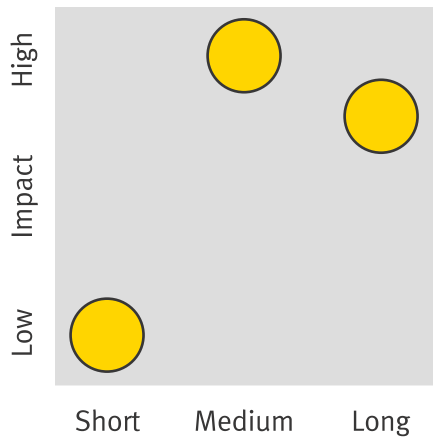
Scenario analysis helps us to understand the extent to which our assets under management could be exposed to climate-related risks and opportunities in each of the three scenarios we consider and over what timeframe.

For Group assets, the risks and opportunities of transitioning to a low-carbon economy are expected to be low over the short-term but become material over the medium to long-term depending on the scale and pace of activity to deliver on net-zero by 2050. For the current portfolio, the downside risks are expected to be greater than the opportunities presented, however, the portfolio would be actively managed to minimise negative impacts and take advantage of arising opportunities.

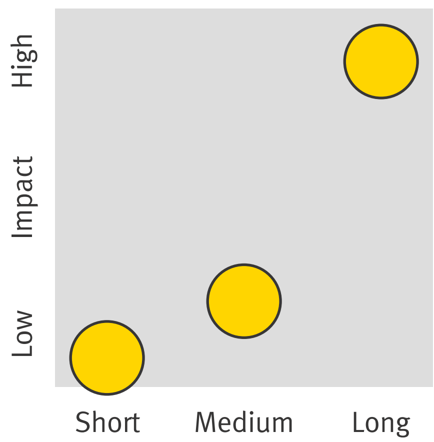
Similarly, scenario analysis shows that physical risks are also expected to materialise over the long-term, with no material risks to our asset portfolios over the short-term but increasing in materiality over the medium to long-term.

The diagram below shows the extent to which the Group's asset values (excluding government bonds) could reduce in a worst-case scenario. For transition risk, this scenario is expected to be when a quick and disorderly transition takes place, whereas for physical risk, this scenario is expected to be when no additional action is taken to reduce greenhouse gas emissions, leading to the physical impacts from climate change becoming severe and irreversible.

Transition



Physical



For our Life insurance business, NFU Mutual acts as an asset manager for funds invested by our members in investment and pension products. As well as the falls in fund values presented above, the Life fund is exposed to climate driven falls in asset values through reduced future charge income.

How we're responding

We have robust ESG policies in place to ensure climate change impacts are considered in investment processes, including strategic asset allocation decisions as well as decisions around choice of sector and securities. We also undertake regular climate scenario analysis to understand potential impacts over the medium and long term and this is factored into strategic asset allocation.

We track the emissions performance of our investment portfolios using third-party software that enables us to measure, set targets and manage our emissions footprint using a number of different metrics. Targets and emissions performance for our investment portfolios are explained in the Metrics and Targets section below. We also use this information to identify our highest emitting investment assets to focus our engagement activity on.

We actively engage with investee firms through our responsible stewardship activity to gain deeper insight into potential climate impacts and a firm's approach to managing these. We are signatories to the Principles for Responsible Investment and the UK Stewardship Code, to ensure our approach to managing climate-related risks in our investment portfolios is credible and robust.

Whilst the downside risks of climate change to investment performance are more commonly reported and commented on, we continue to add investment to bonds that are labelled green or sustainable to our portfolios where appropriate. In 2023 we made a net investment of over £23m into these bonds, with £5m of this in gilts. At the 2023 year-end our aggregate holdings were £320m, of which £60m were gilts. We also have investments in renewable energy companies,

where the energy transition presents a significant opportunity. We continue to invest in traditional energy companies, where we see significant opportunities to contribute to the energy transition, for example, investments in new technologies such as carbon capture and storage.

We actively manage our property portfolio to improve the energy efficiency of the assets we own and enable our tenants to benefit from low carbon technologies such as energy efficient heating and lighting. We measure this through Energy Performance Certification (EPC) ratings, with A being the most efficient and G being the least efficient. In 2023, we continued to improve the percentage of our property investment portfolio that is rated C or better for energy efficiency, increasing this from 80% in 2022 to 97% in 2023. We also closely monitor government legislation relating to minimum energy efficiency standards.

We have developed detailed ESG plans for each property within the portfolio to ensure resilience over the short, medium and long term. We also actively engage with tenants and include lease clauses on new leases that focus on promoting environmentally sustainable practices, such as consideration of EPC impacts and purchase of renewable electricity.

How we measure the impacts of climate change on our asset portfolios

Potential Climate Change Impact	Metrics Used
Damage to property portfolio from weather and climate change	% property portfolio in high risk flood areas
Investee firms not responding to climate impacts effectively	Number of high emitting investee firms engaged with
Increasing regulatory expectations for energy efficiency of commercial property	% EPC ratings C and above

3. Risk management

At NFU Mutual, climate change is recognised as an external factor that has the potential to impact all risk categories and is therefore not a standalone risk category within the Group's risk universe. We do however recognise that climate change could have a material impact on NFU Mutual's business model and therefore categorise it as a principal risk as outlined in the risk management section on page 35.

Risks from climate change are identified and managed within the Group's Risk Management Framework, as outlined in Risk Management Framework section on page 25 to 71. The framework applies across all areas of the Group and encompasses all risks identified within our risk universe to ensure a consistent and robust approach to risk management.

Risks from climate change are identified through a number of routes including scenario analysis, risk events, emerging risk assessments and horizon scanning. Once identified, risks are assessed against the Group's risk appetites to determine materiality and are captured on risk recording tools for on-going monitoring. Accountable managers are responsible for identifying any action required to manage the risk and for escalating to the appropriate governance committee if the risk exceeds risk appetite thresholds.

The Strategy section above, on pages 46 to 57, explains how we have utilised our Risk Management Framework to identify material risks from climate change, across different parts of the Group, including our GI and Life insurance business and also from asset owner and asset manager perspectives.

4. Metrics and targets

Effective management of risks from climate change requires the ability to understand where material impacts could arise and how exposures change over time. Metrics (also known as Key Performance Indicators) ensure we can measure and monitor our risk exposures and emissions performance. Metrics in place for our material climate-related risks are summarised in section two above. Metrics have also been developed as part of NFU Mutual's net zero roadmap to measure emissions performance and establish targets for reductions.

Our ability to measure and report climate-related metrics is still evolving, and we will continue to develop our capabilities in future years. For the first time this year, we are sharing the emissions performance of our investment portfolios, as summarised below.

NFU Mutual publicly launched its net zero roadmap in 2022 with the following aims and targets:

NFU Mutual aims to become a Net Zero company by 2050

Own Emissions

NFU Mutual has set targets to:

- Deliver 25% reduction in own emissions by 2025 and 50% reduction by 2030, compared to 2019 base year.
- Maintain 100% renewable electricity purchase for occupied premises.

Investments

NFU Mutual aims to deliver 50% emissions reduction in NFU Mutual's equity and corporate bond portfolio by 2030, compared to 2019 base year.

The physical impacts of climate change are drivers of all of the material risks outlined in the Strategy section above. Our overarching ambition to become a net zero company by 2050 recognises the causal relationship between greenhouse gas emissions and physical climate impacts. Our ambition is in line with UK government legislation to achieve net zero as a country and will contribute to global efforts to limit the physical impacts of climate change.

As an asset owner, we have also set targets to reduce the emissions footprint of our investment portfolios. This will enable us to take advantage of investment opportunities that support the net zero transition and also protect us from the potential negative impacts outlined in the Asset risk described in the Strategy section above.

NFU Mutual is using the following definition of net zero:

1. Achieving a scale of value-chain emission reductions consistent with the depth of abatement achieved in pathways that limit warming to 1.5°C with no or limited overshoot and;
2. Neutralising the impact of any source of residual emissions that remains unfeasible to be eliminated by permanently removing an equivalent amount of atmospheric carbon dioxide.

We are in the process of collating the current and planned activity underway across the Group into a transition plan aligned to the Transition Plan Taskforce (TPT) framework published in October 2023. This will set out the steps we are taking over the short, medium and long term to transition our business to a low carbon economy. Some of these steps are outlined in section 2 above, in the actions we're taking to manage our material risks. The steps we're taking to deliver our published targets for own emissions and investment portfolios are set out below alongside a summary of current progress.

We are focussing our efforts in the short to medium term on maximising emissions reduction and delivering solutions that will facilitate the transition to a low carbon economy, therefore purchasing emissions offsets is not currently the focus of our climate change strategy.

Emissions metrics and targets have been developed using guidance published by the Greenhouse Gas Protocol Accounting Standards and the Science Based Targets Initiative (SBTi) and align to a 1.5°c pathway. The process and methodology we went through to develop our targets has been independently validated by an external 3rd party to confirm alignment to these methodologies. This validation also provides confidence in the credibility of the targets, that they will make a meaningful contribution to reducing global emissions.

Performance against targets – Own Emissions

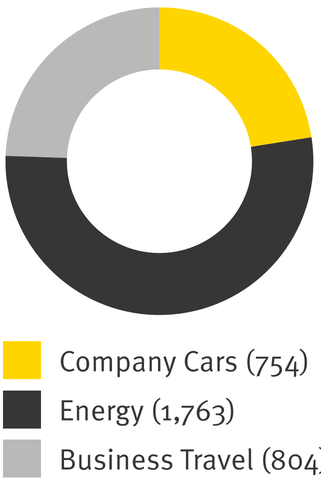
Ownership of our overarching own emissions targets ultimately sits with the NFU Mutual Board. Each emissions source within the target is owned by an accountable business area, who are responsible for measuring and reporting emissions and defining and implementing actions to improve emissions performance. The Risk Division collates the overarching own emissions reporting, which is shared with the NFU Mutual Board on an annual basis.

In our 2022 Annual Report we reported emissions performance in relation to our own targets and separately reported emissions performance for Streamlined Energy and Carbon Reporting (SECR) legislation. This year we have merged these to disclose a single set of metrics for both purposes in this section.

The following table summarises emissions performance against our Own Emissions targets for 2022 and 2023, which represent emissions within our direct control:

Emissions source	2019 Base Year (Tonnes CO2)	2022 (Tonnes CO2)	% Variance to base year	2023 (Tonnes CO2)	% Variance to base year
Company cars	1,383	653	-53%	754	-45%
Energy	2,641	1,902	-28%	1,763	-33%
Business Travel	1,339	505	-62%	804	-40%
Total	**5,363**	**3,060**	**-43%**	**3,321**	**-38%**

Figure x – Own emissions by source (tCO2e)



Compared to the 2019 base year, we have achieved a 38% reduction in our own emissions in 2023, which remains comfortably ahead of our 2025 target reduction of 25%.

Comparing the 2023 figures to 2022, there has been an increase of 261 tonnes of carbon, equating to 9%. This is largely due to the economy fully opening up in 2023 from the Covid-19 pandemic. The first half of 2022 saw NFU Mutual's business travel largely suppressed due to continued concerns, however in 2023 we have experienced a full year of a normalised way of working. We continue to make good progress at reducing emissions associated with our occupied premises, realising a 139-tonne reduction between 2022 and 2023, which is a 7% year on year improvement.

In relation to our occupied premises emissions, it is important to note that NFU Mutual has invested in the procurement of zero-carbon electricity at the majority of our sites since 2019. We could account for this as zero emissions, however we have chosen to use standard government conversion factors to reflect our electricity usage, so that we are transparently disclosing an annual progress to improve our energy efficiency.

We have been progressing initiatives to reduce our emissions and improve energy efficiency over several years, activities undertaken in 2023 include:

- Optimising our occupied space requirements to reflect changing working patterns following the pandemic, to maximise the efficiency of the Group's occupied estate.
- Approving the installation of solar panels at our Head Office site, with fitting planned for early 2024, to self-generate low carbon electricity.
- Procuring 100% low-carbon electricity tariff at occupied premises where it is within our ability to do this.
- Rolling out energy management systems across occupied premises to provide greater control and monitoring of energy intensive equipment.
- Upgrading occupied premises to improve energy efficiency, including installations of LED lighting and low carbon heating systems.
- Following the success of the installation of electric vehicle charging points at our Stratford upon Avon sites in 2021, we have extended the roll out of on-site chargers from 21 to 36. In 2023 electric vehicle chargers consumed 42,363 kWh electricity and 8.8 tonnes CO_2e of our location-based carbon emissions. This is estimated to have saved 23.7 tonnes of CO_2 of associated travel emissions.
- Approving the roll out of a revised company car scheme, which will be launched in February 2024. This will encourage eligible employees to select low emissions vehicles, via the new company car scheme, and should contribute to reductions in both company and personal emissions.

These activities have enabled us to exceed our 2025 target, of 25% reduction compared to a 2019 base year, and will continue to drive emissions reductions in the short and medium term, to deliver our target of 50% reduction by 2030.

Greenhouse gas emissions

The Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard (GHG Protocol) categorises emissions into three different scopes. NFU Mutual's own emissions target includes emissions from across all three scopes within our direct control. To allow for transparent comparison of our emissions performance and to meet SECR reporting requirements, the following tables and diagrams summarise our emissions performance by scope.

Within the GHG Protocol, there are two methods for allocating generator emissions to end users:

Location based – reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).

Market based – reflects emissions from electricity that companies have purposefully chosen.

We have used the location-based approach for these calculations in line with mandatory SECR reporting requirements.

Table 1 – Location-based greenhouse gas emissions by year (tonnes CO2e)

Scope	Emissions Source	2019 Base year (TCO2e)	2022 (TCO2e)	2023 (TCO2e)	Share of total emissions (%)	2023 % Variance to 2019	2023 % Variance to 2022
1	Fuel combustion: Transport - Company cars	1,383	653	754	23%	-45%	15%
	Fuel combustion: Natural Gas	800	680	632	19%	-21%	-7%
	Total	2,183	1,333	1,386	42%	-37%	4%
2	Purchased electricity*	1,685	1,119	1,041	31%	-38%	-7%
	Total	**1,685**	**1,119**	1,041	31%	-38%	-7%
3	Fuel combustion: Transport - Personal/ Hire Cars on Business use	255	137	145	4%	-43%	6%
	Electricity transmission & distribution losses	156	103	90	3%	-42%	-13%
	Other Business Travel	1,084	368	658	20%	-39%	79%
	Total	**1,495**	**608**	894	27%	-40%	47%
Total		**5,363**	**3,060**	**3,321**	**100%**	**-38%**	**9%**
Floor area (m2)		**50,917**	**49,102**	**43,056**		**-15%**	**-12%**
Intensity (kgCO2e per m2)		**105.3**	**62.3**	**77.1**		**-27%**	**24%**

* In relation to our occupied premises emissions, NFU Mutual have invested in the procurement of zero-carbon electricity at the majority of our sites since 2019.

Figure 1 – 2023 Location-based greenhouse emissions by scope (Share %)

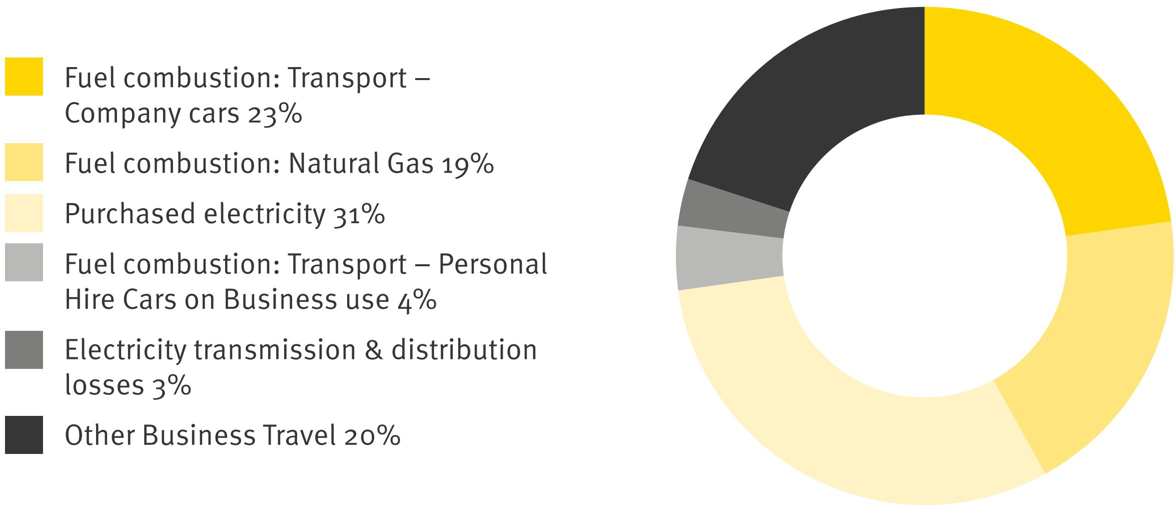
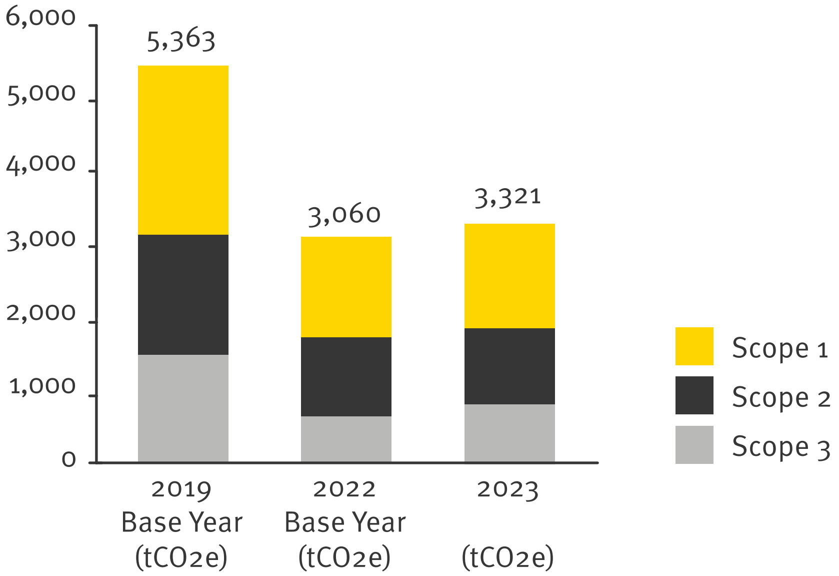


Figure 2 – Emissions Performance (TCO2e)



Energy consumption

The following table outlines an annual comparison of energy consumed from activities for which NFU Mutual is responsible. This therefore excludes fuel associated with rail and air transport and energy consumption associated to business stays in hotels as NFU Mutual does not operate those services.

Table 2 – Energy consumption by year (kWh)

Emissions Source	2022	2023	Share (%)	YoY Variance (%)
Natural Gas	4,068,040	3,455,964	26%	-15%
Electricity	5,976,840	5,029,049	38%	-16%
Transport Fuel	5,084,295	4,912,468	37%	-3%
Total Consumption (kWh)	**15,129,175**	**13,397,481**	**100%**	**-11%**

Figure 3 – 2023 Energy consumption by source (kWh)

Whilst business travel mileage has increased in 2023, the associated energy usage has decreased due to an increase in mileage allocated to electric and hybrid vehicles, which are more energy efficient.

Approach to calculating our Own Emissions

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary; this includes all sites where NFU Mutual has authority to introduce and implement operating policies, and therefore excludes our agency network and investment properties, including joint ventures.

This approach captures emissions associated with the operation of buildings, plus company-owned and grey fleet transport. All NFU Mutual operations are UK based, therefore reporting also aligns with SECR requirements for Non-Quoted Large Companies.

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019.

Emissions have been calculated using the following conversion factors:

- Energy used in occupied premises – conversion factors published by the UK Government
- Company cars – vehicle manufacturer stated emissions for make / model of vehicle
- Business travel – conversion factors published by the UK Government.

There are no material omissions from the mandatory reporting scope.

For transparency, data limitations have resulted in the exclusion of a small number of non-material emissions sources, including fugitive emissions from air conditioning units in occupied premises and oil used to power on-site generators. In addition, due to timing of reporting, where not all energy data is available, 6.4% of 2023 electricity and gas data has been proxy estimated, based on 2022 consumption.

Performance against targets – Investment Portfolios

We have published investment targets for our corporate bond and equity portfolios to reach a reduction in absolute emissions of 50% by 2030 as part of our net zero roadmap. This applies to the scope 1 and scope 2 emissions for our investee firms only, as reliable scope 3 data is not yet available. The tables below show some key metrics and progress from 2019 for our General Insurance fund. Our Group Investment Department is responsible for achieving the target and reports on plans and progress to the Board Investment Committee on an annual basis.

We are making positive progress towards these targets as shown in the following table:

Emissions Source	Tonnes (TCO2e) 2019	Tonnes (TCO2e) 2023	% Change 2019 - 2023
General Fund	**663,638**	**470,870**	**-29%**
UK Equity	173,970	89,927	-48%
Developed Europe (ex UK) Equity	8,286	7,033	-15%
North American Equity	32,709	21,428	-34%
UK Corporate Bonds	139,347	94,159	-32%
EUR Corporate Bonds	22,101	10,658	-52%
USD Corporate Bonds	27,684	17,609	-36%
Mercer Alpha	52,517	32,106	-39%
Mercer Core	69,453	25,454	-63%
Mercer Strategic	24,203	10,855	-55%
EM Debt*	51,308	75,353	47%
High Yield*	62,060	86,287	39%

*% Change shows from 2022 due to lack of 2019 data

We also measure the emissions intensity of our investment portfolios which also shows positive movement:

Emissions Source	Financed Carbon Emissions (S1&2 Tonnes CO2e/£m Invested) 2019	Financed Carbon Emissions (S1&2 Tonnes CO2e/£m Invested) 2023	% Change 2019 - 2023
UK Equity	104	79	-24%
Developed Europe (ex UK) Equity	101	65	-35%
North American Equity	47	34	-28%
UK Corporate Bonds	72	53	-26%
EUR Corporate Bonds	130	51	-61%
USD Corporate Bonds	82	53	-36%
Mercer Alpha	118	98	-17%
Mercer Core	190	161	-15%
Mercer Strategic	135	80	-41%
EM Debt*	824	978	19%
High Yield*	324	275	-15%

* % Change shows from 2022 due to lack of 2019 data

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Our investment approach of long-term investment in companies with strong ESG credentials and engagement with these companies is key to our approach to improve the emissions performance of our portfolio over the short, medium and long term. Over the short term, we will continue to monitor the performance of our portfolios against a range of metrics, to ensure we remain on track to achieve our targets, identifying material emitters and prioritising engagement with those. Over the medium term we will continue to monitor our performance and engage with companies whilst carefully considering the performance of those holdings in hard to abate sectors which may present challenges to our decarbonisation targets. Through the actions outlined for the short and medium term and by making suitable adjustments to our portfolios as the transition develops, we will decarbonise our portfolio over the longer term.

Property Investment Portfolio – emissions performance

NFU Mutual owns property assets with a value of £1.5bn. Emissions associated with energy usage in these buildings contributes to our scope 3 emissions footprint and we therefore measure our progress in reducing these emissions and improving their energy efficiency through metrics, including the Energy Performance Certificate (EPC) rating and exposure to high carbon tenants. A long-term strategy of embedding ESG factors into decision making and planned improvements to property assets is delivering positive emissions performance improvements.

The property investment framework that supports NFU Mutual's ESG Strategy is broadly made up of 5 key points:

1. Acquisition / Disposal Environmental Due Diligence

When we acquire or dispose of an investment, we consider its ESG credentials as well as more traditional screening like physical and regulatory risk.

2. Energy Procurement

We only procure green electricity across our portfolio and encourage our occupiers to do the same.

3. Building Operations, Improvement and Technology

We engage with our building managers to deliver sustainable building operations. These focus on energy consumption; water and waste management; as well as protecting, and where possible, enhancing nature and biodiversity. We also identify opportunities to improve our real estate through refurbishments and technological solutions, such as introducing smart technologies, EV charging stations and renewable energy ventures.

4. Collaboration and Engagement

Collaborating and engaging with our tenants and other third parties is critical to deliver on our ESG Strategy.

5. Data and Benchmarking

We require significant data to help demonstrate our progress towards our ESG strategy. To support with this, we're working with an external, independent data analysis provider, to assist with the collation, reporting and benchmarking of data. At this point we use best in class proxy data and have plans to work with our tenants and property agents to obtain, collate, monitor and report actual data from across the portfolio.

A strong strategy that supports the Group's climate change ambitions is important to ensure we can meet targets to be a net zero organisation by 2050.

Across the portfolio there has been significant change over a relatively short period of time. Some of the milestones and key achievements include:

- 97% of all property investments now have an energy performance rating of C or better.
- Reviewing opportunities for installing renewable energy projects and upgrading real estate to improve energy efficiency, including installation of LED lighting and low carbon heating systems.
- Implementing of a new lease framework to enhance collaboration between landlord and tenant to deliver the ESG agenda.
- Enhancing our tenant and supplier due diligence, as well as our contractual framework to account for climate, carbon and sustainability requirements.
- Through our partnership with an external, independent data analysis provider, the property investment portfolio is benchmarked in respect of climate risks.

The above actions have helped deliver an estimated 52% saving of carbon across our directly owned portfolio since 2019, which is the equivalent of 15,000 tonnes of CO_2. Carbon will vary annually dependent on transactional activity, therefore intensity metrics are also being monitored which also show net year on year improvement in line with our targets.

Approach to calculating our Investment Emissions

We have used financed carbon emissions to reflect the allocated footprint of our investment portfolios and presented these in absolute terms in tonnes of CO2 equivalent (CO2e). Financed emissions have been calculated by using an enterprise value including cash, which estimates the value of a company by adding back in cash and cash equivalents to the enterprise value of a company. This method has been preferred to using market cap to attribute ownership of carbon as it allows for the fact that our portfolios contain both equities and corporate bonds. We have also provided the weighted average carbon intensity (WACI) of our investment portfolios. The relative strengths and weaknesses of these different emissions metrics can be found on page 70:

Metric	Carbon Emissions (Tonnes CO2e / £M invested)	Total carbon emissions (Tonnes CO2e)	Carbon Intensity (Tonnes CO2e / £M sales)	WACI (Tonnes CO2e / £M sales)
Question	What is the portfolio's normalised carbon footprint per million invested?	What is the portfolio's total carbon footprint?	How efficient is the portfolio in terms of emissions per unit of output?	What is the portfolio's exposure to carbon intensive companies?
Key Strengths	Allows for comparison regardless of portfolio size Enables portfolio decomposition and attribution analysis	Most literal carbon footprint from GHG accounting perspective Absolute number can be used for carbon offsetting	Provides overall intensity of portfolio by adjusting for company size. Allows for comparison regardless of portfolio size.	Applicable across asset classes including FI Simple and intuitive calculation Does not require corresponding market cap or sales data Enables simple attribution analysis and portfolio decomposition
Key Weakness	Requires underlying issuer market cap data Ownership perspective means it in only applicable to equity portfolios Sensitive to changes in market value of portfolio	Limited usefulness for benchmarking and comparison to other portfolio due to link to portfolio size Requires underlying market cap data Ownership perspective means it is only applicable to equity portfolios	Complex calculation, challenging to communicate and understand Requires underlying issuer market cap data Ownership perspective means it is only applicable to equity portfolios	Does not capture any measure on investor responsibility Sensitive to outliers

All metrics for our investment portfolio emissions have been provided in scope 1 and 2. Data coverage can and does vary significantly across asset classes and tends to be better in more developed markets.

Where coverage gaps exist, we have assumed these gaps have the same profile as the rest of the portfolio. For calculation purposes, we have capped the Emerging Market Debt fund with 35% of its valuation contributing to emissions and the High Yield Bond fund at 85%. This reflects the maximum amounts these can invest in corporates and the fact that assessing emissions relating to holdings of government bonds are currently outside the scope of our 2030 and 2050 ambitions.

For 2019 figures we have used the emissions metrics of our own US corporate Bond fund as a proxy for an external fund we held at the time by adding the value of investment we held in that fund at the end of 2019 to the value of our US corporate bond fund when calculating the emissions in tonnes for the portfolio.

All portfolio positions have been taken as at 31/12/2023, and emissions data has been provided for equities and corporate bonds. Our disclosures do not currently extend to our cash or sovereign bond portfolios. When considered with our Property Investment Portfolio, this reflects disclosures for 76% of the assets under management for our General Fund.

LONG-TERM VIABILITY DISCLOSURE

NFU Mutual's strategic long-term objectives of sustainable profitable growth, great company to do business with and being a great place to work are integral to the Group's prospects for the long term which are reflected in our business model and strategy (pages 8 to 11).

Given the strong financial position of the Group, the Directors have determined that a period of three years is an appropriate period over which to provide its viability statement.

This timescale is consistent with the period over which the Group's regulatory ORSA requirement has been considered, as well as the time horizon over which its medium-term business plan has been constructed.

The long-term nature of the life business is reflected in technical provisions which allow for expected cash flows over the lifetime of these policies and their ongoing capital requirements.

The Directors have assessed the prospects and viability of the Group over the next three years, taking into account:

- the continued strength of the balance sheet and the Group's overall solvency and liquidity position;
- the operation of the Group's governance and internal control framework as set out in the Governance Report (pages 90 to 121);
- the robust and embedded Risk Management Framework (page 28), which identifies and reports to the Board (via the Risk Director), key operational risks that could threaten the Group's business model along with mitigating management actions;
- the review of principal financial risks (market, credit, liquidity and insurance as shown on pages 178 to 188) undertaken within the ORSA process where we consider strategic business planning, risk and capital management as an integrated process;
- ongoing extensive stress testing undertaken on the Group's solvency, liquidity and financial performance resulting from events such as a significant General Insurance claims surge or extreme financial market volatility. This analysis is reported and reviewed by Risk Committees and sub-committees. In 2023 this included two specific but topical scenarios, firstly a significant reduction in the Groups personal lines motor business and secondly the impact of China deciding to assist Russia with its war in Ukraine. This analysis showed the group to be in a robust position, with management actions in place to ensure solvency levels could be retained at acceptable levels;
- the impact of climate change (see full report pages 38 to 71) and the ongoing challenges of the geo-political landscape on both the financial and operational position of the company (see further detail in Going Concern Statement on pages 82 to 83).

Based upon this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due as shown on page 169. In doing so the Board recognise that such future assessments are subject to a level of uncertainty that increases with time, and therefore future outcomes cannot be guaranteed or predicted with absolute certainty.

NFU MUTUAL GROUP TAX STRATEGY

NFU Mutual recognises its duty of care and responsibilities to its policyholders and society to pay the right amount of tax. Our tax strategy reflects our strong risk management culture and core values as a mutual organisation. The publication of the Group's tax strategy complies with the requirements of Finance Act 2016(Sch.19).

Approach to tax risk management and governance arrangements

The NFU Mutual Board has established a structure of risk governance committees to which they delegate authority for overseeing all risks faced by the Group.

The Group's Senior Accounting Officer appointed in accordance with Finance Act 2009(Sch.46), and supported by the Head of Taxation Strategy, is responsible for the tax strategy and managing tax risk within the Group. Ultimate responsibility is placed with the Finance Director. The Group's tax risk position is regularly reported to the Audit Committee. The Group operates three lines of defence with the active third line supported by Group Internal Audit.

The tax strategy is aligned with the Group's ESG philosophy and risk and governance framework, which includes a formal assessment of tax related risks and a reporting process to ensure the business is managed in line with risk appetite. The risk rating of an issue will determine how far it is escalated through the risk governance committees, including ultimately to the Board.

The main tax risks linked to our business include operational risks through changes in legislation, meeting our compliance obligations across all taxes and managing tax risk during business change programmes. The risks are managed using the Group's risk framework and the tax risk management activities of the Group tax function.

Attitude to tax planning

We are committed to paying the right amount of tax across the entire Group. This means complying with tax legislation and meeting our responsibility to provide value for our policyholders while seeking to safeguard NFU Mutual's reputation with the public, HMRC, our employees and our policyholders.

NFU Mutual is a UK-based insurer with operations extending to the Channel Islands and Isle of Man. NFU Mutual has a policy to not engage in arrangements for tax avoidance purposes, including tax havens, that are unacceptable to HMRC. The main taxes managed by the Group are Corporation Tax, Value Added Tax, PAYE, National Insurance, Stamp Duty taxes, Insurance Premium Tax and other policyholder taxes. International taxes borne by the Group include global minimum taxes where relevant; and withholding taxes on overseas investment income received by the Group's investment funds. Taxes and levies are paid to other tax jurisdictions for certain insurance risks located outside the UK.

NFU Mutual continues to evolve as an organisation in an ever-changing economic and regulatory environment and we seek to maintain awareness of and compliance with ongoing tax consultations and legislative change. Tax in the financial services sector is complex and external tax advice is sometimes necessary in order to safeguard the interests of our policyholders and ensure our tax position is managed efficiently within the law.

The level of tax risk the Group is prepared to accept

NFU Mutual's risk management framework includes risk appetites that articulate the amount of risk the business is prepared to accept. We do not accept any risk of public sanction due to failure to respond appropriately to tax legislation that is applicable to the Group. The risk appetite for any regulatory or legislative fine is zero. This reflects our responsibility to all our stakeholders.

Approach to working with HMRC

We meet our statutory obligations by adopting an open and transparent approach in our dealings with HMRC. This includes annual review meetings with the Customer Compliance Manager and discussions during the year on developments within the business and how the Group is responding to changes in tax legislation which may impact us.

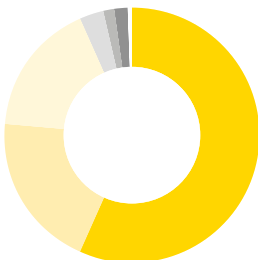
We are committed to engaging professionally with HMRC in matters concerning any current, future or past tax risks. If clarification is required in the application of tax legislation, we will seek to raise this with HMRC and work with them to reach agreement before tax returns are submitted.

We seek to maintain our "low risk" rating within HMRC's new business risk rating program, and to deliver accurate and timely tax returns, including relevant additional information to aid HMRC's understanding of our business transactions.

Total Tax Contribution

The Group's 2023 total tax contribution was £406m (2022: £348m) summarised in the chart below. The tax contribution consists of taxes borne of £93m (2022: £86m) and taxes collected of £313m (2022: £262m). Taxes borne by the Group such as corporation tax directly impact the Group's business results. Taxes collected by the Group are received from employees and policyholders for onward payment to HMRC and other tax authorities. Insurance premium tax collected of £231m (2022 £204m) was paid by our policyholders. The £2m corporation tax payable for 2023 was effected by prior year conditions in the investment markets.

Total tax contribution 2023



Premium taxes	£231m
People (employment) taxes	£80m
VAT	£69m
Tax deducted at source	£12m
Property taxes	£6m
Withholding taxes	£6m
Corporation tax	£2m

Strategic report

The information that fulfils the Companies Act requirements for the Strategic Report can be found as follows:

Business Model and Strategy	Business Model and Strategy pages 8 to 11
Principal risks and uncertainties	Risk Management pages 25 to 37
Performance and development during the year	Group Chief Executive's Statement pages 5 to 7, Business Review pages 14 to 24 and Directors' Report pages 77 to 85
Information about future developments	Business Review: Key Strategic Change Initiatives pages 23 to 24
Employee information and Corporate Social Responsibility (CSR)	Directors' Report pages 77 to 85 and Responsible Business pages 125 to 140
Financial and non-financial KPIs	Key Performance Indicators and Business Review pages 10 to 24 Responsible Business pages 125 to 140
Corporate Governance Statements (Section 172)	S.172 Statement pages 99 to 100

Approved by the Board for signature and issue.

Jim McLaren
Chairman

Nick Turner
Group Chief Executive

21st March 2024

DIRECTORS' REPORT

The Directors present their report and the audited, consolidated financial statements of the parent company and its subsidiaries for the year ended 31st December 2023.

Results and Mutual Bonus

Consolidated profit after tax including realised and unrealised gains/losses for the year was £164m (2022: consolidated loss of £1,049m). Mutual Bonus to policyholders for 2023 was £244m (2022: £247m).

The financial results and balance sheet position have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 & 103.

Status of the company

The National Farmers Union Mutual Insurance Society Limited is a company limited by guarantee, registered under the Companies Act 2006.

Directors

Brief biographies of the Directors are set out on pages 86 to 89. Steve Bower and Christine Kennedy both retired from the Board on 31st March 2023. Rachel Kelsall was appointed to the Board on 1st April 2023 and Elizabeth Buchanan was appointed to the Board on 1st April 2023 and resigned on 27th October 2023.

During 2023 and up to the date of the signing of the financial statements, the Group maintained an insurance policy indemnifying the Directors and Officers against loss or attaching legal liabilities arising in the course of their duties. In addition, the Group has put in place deeds of indemnity for the benefit of the Directors and Company Secretary of the Group and its associated companies. The deeds of indemnity are qualifying third party indemnity provisions in accordance with the Companies Act 2006.

Our employees

Central to our Great Place to Work long-term objective, is NFU Mutual's commitment to provide an environment of inclusivity and diversity where our people can thrive. Our People Strategy is designed to support the delivery of this as well as our two other long-term objectives (be a Great Company to do Business With and Deliver Sustainable Profitable Growth).

Our People Strategy is regularly reviewed and adapted to respond to evolving market and business needs. It is underpinned by effective employment policies, reward practices, and extensive personal and leadership development approaches.

Our People Strategy is delivered through four key streams of activity:

1) Attracting, developing and inspiring talented people, enabling them to achieve their full potential.
2) Empowering all our people to deliver an outstanding service for each other and our customers.
3) Sustaining a culture of world class employee engagement and achievement.
4) And finally, developing great people leadership.

You will find more information on the range of people activities completed in 2023 over the next few pages.

Key metrics

As of 31st December 2023, there were 4,485 employees within the Group compared to 4,309 at the end of 2022. Of our employees, 50% are female and 50% are male; 86% of our workforce is full-time and 14% is part-time. The average age of our employees is 41 years and average length of service is 8 years. Our annual rate of voluntary employee turnover for 2023 was 8.4% (2022: 10.3%) against an industry benchmark of 12.7%. The higher rates of voluntary turnover that we saw post-Covid have now stabilised.

Engagement

NFU Mutual uses Gallup's Q12 survey to measure employee engagement. Having started with a score at the 19th percentile back in 2011, we have steadily increased our levels of engagement and, since 2018, have attained annual engagement scores at the 99th percentile on Gallup's Company Level database. In 2023, we achieved our highest ever engagement score of 4.68, remaining at the 99th percentile, as well as achieving our highest ever survey participation rate of 93%.

In March 2023, we were awarded the Gallup Exceptional Workplace award for the eighth consecutive year, and are one of only two UK-headquartered companies to have been given this accolade. Maintaining high levels of employee engagement remains a priority for us, and we will continue to focus on sustaining high levels of performance, achievement and engagement, and on creating an inclusive environment where people feel supported and developed.

Our dedication to create a better world of work through excellent HR policies and people practices culminated in NFU Mutual being certified as one of the 111 UK Top Employers, by the Global Top Employers Institute. We are incredibly proud to achieve this accreditation.

Employee Voice

We recognise Unite, the union, which represents its members within the NFU Mutual workforce. By formally recognising Unite for collective negotiation and consultation on a range of matters, we are promoting cooperation and understanding between management and employees. We formally consult with Unite on the annual pay award, and hold regular Joint Negotiating Committee (JNC) meetings enabling us to communicate, consult and negotiate on proposed business changes, as well as HR policies and procedures.

We also enable consultation through our Mutual Forum consultative body, which consists of elected employee delegates representing all areas of the business. It meets three times a year and provides a framework by which management can bring matters affecting the business and its stakeholders to employees, so they can voice their ideas and give feedback and vice versa.

Performance management

We establish clear performance standards, which are embedded through setting, agreeing and regularly reviewing individual objectives that link to our company strategy. This ensures all employees understand their individual contribution to organisational performance. All our employees complete mid and end of year performance reviews and are encouraged to maintain an active Personal Development Plan to support them in achieving success. Employees can provide feedback on the leadership, guidance and support they receive from their manager through our ‘Supporting Me’ feedback process.

Our core leadership development programmes provide support and guidance to people managers, enabling them to hold effective performance management and career conversations, with further best-practice advice, toolkits and guidance available.

Reward

Reward at NFU Mutual is a combination of market competitive base pay, employee benefits and variable pay, including bonus schemes, and our approach rewards all employees for the success of the business. Our Remuneration Committee oversees our overall approach to reward across the Group, and regularly reviews our Reward Framework to ensure our structures and employee benefits are consistently aligned to our business objectives, support our focus on performance management and are market competitive.

In light of the continued cost of living crisis, we agreed an additional £1.28m support package in April, providing a broad cross section of employees with a gross payment of up to £500. This was in addition to the £1,000 cost of living payment we made in November 2022. Our aim was to help ease the financial pressure on those who may be finding the economic climate challenging.

People Development

We continue to provide a broad range of training and development opportunities for our leaders, employees, Agents and their staff, to optimise both individual and business performance. In 2023, we continued to invest in the leadership and technical capabilities of our employees, including the Agents Leadership Framework which is now well established. In 2023, we started a review of the programme to ensure that it continues to develop future agent capabilities.

We have launched an 'Inclusive Leadership Programme' and concluded our Leading Hybrid Teams events. More than 92% of our people managers have now explored best practice to help their people thrive in an inclusive, hybrid work environment. In 2023, a number of our senior leaders joined our new Senior Leadership development pathway which complements the Team Leadership and Operational Leadership routes already available.

Early Careers

Our Early Career provision aims to build an internal pipeline of future talent to strengthen technical and leadership succession. We launched our Graduate and Professional Trainee Programme in 2010, our Apprenticeship Programmes in 2017 and this year introduced a new Internship Programme. To date, we have 167 graduates either on the programme or who have moved into a permanent position following the end of their programme, and 293 employees who have undertaken an apprenticeship programme. We also had a number of interns join us in the summer of 2023, and ran two successful Work Experience weeks for students aged between 15 and 18 years old.

In 2023, we achieved first place for our Apprenticeship and Graduate Programmes for the second year in a row in the prestigious Job Crowd 'Top Company to work for' award in the Accountancy and Insurance sector. We were also awarded two special category awards for Manager Support and Pay & Reward as nominated by our Early Career participants.

Our Leadership Development Team were also nominated by one of their external partners for the Business Culture Awards, where we were finalists for our approach to Coaching Skills development.

Diversity & Inclusion

NFU Mutual is committed to providing an inclusive environment at all levels of the organisation. We recognise the value diversity and inclusion brings in increasing the breadth and quality of debate, improving the overall effectiveness of decision making and encouraging more creative solutions.

Our culture acknowledges and supports individual differences, and we encourage all employees to develop to achieve their full potential.

We have been awarded Disability Confident Employer status, in recognition of our approach to the way we support people with disabilities. We have partnered with EvenBreak, a disability job board run by disabled individuals, and with RestLess, the UK's largest over 50's job site, to further diversify our candidate pools. We also offer occupational health support and make reasonable adjustments for our employees who become disabled during employment with us. We offer a range of initiatives to support employee wellbeing and have trained 115 internal mental health first aiders.

In June 2023, we were announced as The Carer Friendly Employer of The Year by the Heart of England Carers Trust. The award recognises local businesses and organisations who have gone the extra mile to support their employees or customers. We were recognised for the support and flexibility offered to an employee with caring responsibilities.

As part of our commitment to the Women in Finance (WIF) Charter, NFU Mutual publishes its target for female representation in senior management. In 2021 and 2022, we exceeded our target of 38%, achieving 40% female representation, and in 2022 published a new target of maintaining a minimum of 40% female representation until September 2024. In 2023, we reported to HM Treasury that 40.6% of our senior management population are women. The gender split across all appointments is 49% female and 51% male, and 40% of our new agents appointed in 2023 have been female.

As part of our ongoing commitment to diversity and inclusion, during 2023 we collected anonymous employee data to understand the diverse nature of our workforce, provided inclusive leadership and unconscious bias training. We also broadened the focus of our activity, creating Employee Networking Groups that raise awareness and understanding and champion diversity and inclusion across the business. We are also signatories to the Race at Work Charter, having made our commitment in 2022.

We have reviewed our D&I strategy and developed a 3-year programme of initiatives and development activities for all of our employees, to support them and ultimately provide an environment of inclusivity and diversity where our people can thrive.

Compliance

NFU Mutual aims to comply with all laws and regulations wherever we operate and has a comprehensive anti-bribery and anti-corruption policy that applies to all colleagues, including Directors, contractors and others acting on our behalf.

Charitable donations

Charitable donations during 2023 amounted to £3.3 million (2022: £3.3 million), which included donations to the NFU Mutual Charitable Trust of £1 million (which distributes awards at its discretion), £300,000 to the Farm Safety Foundation, £1.92 million through the Agency Giving Fund and £30,000 to the Community Giving Fund.

See the Responsible Business section on pages 125 to 140 for full details of our community, charity and environment activity.

Statement of engagement with suppliers, customers and others

Information on how NFU Mutual applies the UK Corporate Governance Code can be found in the Governance Report on pages 90 to 121.

Principal risks

The Directors have carried out a robust assessment of the principal risks facing the Group as shown on pages 29 to 37, including those that would threaten its business model, future performance, solvency or liquidity which supports the Long-Term Viability Statement made on pages 72 to 73.

Going concern basis of accounting

The accounts have been prepared on a going concern basis.

The Directors have reviewed the Group's business activities, financial position, principal risks and uncertainties and financial commentary as set out in the Long-Term Viability Statement and Strategic Report on pages 72 to 73. As part of NFU Mutual's Risk Management Framework, the group produces its Own Risk & Solvency Assessment (ORSA) to demonstrate an integrated approach to strategic planning, risk management and capital management. This is presented to the Board annually.

In 2023 consideration was given to two specific but topical scenarios, firstly a significant reduction in the Groups personal lines motor business and secondly the impact of China deciding to assist Russia with its war in Ukraine. In addition to the above, catastrophe and market risk, underwriting and climate change scenarios were modelled to support wider risk management and internal decision making.

Under all scenarios the analysis showed the group to be in a robust position, with management actions in place to ensure solvency levels could be retained at acceptable levels.

The ORSA is key in providing the Board with assurance that the Going Concern Basis of Accounting remains appropriate. The following points are highlighted as key considerations for the directors when approving the going concern basis of accounting.

Solvency: Despite significant financial market falls, NFU Mutual has remained robustly solvent throughout 2023 and its Solvency Coverage Ratio (SCR) was maintained within the Risk Appetite set by the Board. The Group's SCR Coverage Ratio sits at 218% at 31st December 2023 (218%: 2022).

Liquidity: The company holds over £9.0bn at 31st December 2023 (£9.0bn: 2022) of broadly liquid assets (i.e. available within 1 month). This puts the company in a robust position to manage its liquidity risk and meet its obligations to pay claims and suppliers over the next 12 months.

Resilience: The Executive Committee has continued to lead the company through the year to ensure service is maintained to customers. Operational issues and working practices are kept under constant review. The financial performance of key strategic suppliers are monitored monthly, to identify any early warning indicators of impending financial difficulty.

NFU Mutual continued to provide support to customers and the community in 2023, with £1.92m allocated to the Agency Giving Fund and £1m to our Charitable Trust, as well as continuing to support The Farm Safety Foundation in its efforts to make farming safer.

Given all the above, the Directors consider that NFU Mutual and the Group have adequate resources to continue in operation for a period of at least 12 months and are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and parent company financial statements in accordance with United Kingdom Accounting Standards, including FRS102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business
- consider the annual Report and Accounts taken as a whole to ensure that it is fair, balanced and understandable and provides the information necessary for members to assess the company's performance, business model and strategy.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors confirm that their responsibilities have been fulfilled and that they consider the annual Report and Accounts taken as a whole to be fair, balanced and understandable, and provide the information necessary for members to assess the company's performance, business model and strategy.

There have been no post-balance sheet events that require disclosure in the financial statements, we have considered the likely future events in the Chairman's statement on pages 1 to 2.

Disclosure of information to auditors

The Directors confirm that, so far as each Director is aware, there is no relevant audit information of which the Society's auditors are unaware and that each Director has taken all the steps that he/she ought to have taken as a Director, in order to make himself/herself aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

Independent auditors

A resolution will be proposed at the 2024 Annual General Meeting to reappoint Deloitte LLP as auditors.

Approved by the Board for signature and issue.

Jim McLaren
Chairman

Nick Turner
Group Chief Executive

21st March 2024

OUR BOARD OF DIRECTORS

Jim Mclaren MBE, Chairman

Jim was appointed to the Board in 2012 and appointed Chairman in 2019. He is also Chair of the Nomination Committee. Jim served as President of NFU Scotland from 2007 to 2011, having served as Vice President in 2006. He was Chairman of Quality Meat Scotland Limited from 2012 to 2019 and is a former Director of Scotland's Rural College. Jim is a mixed beef and arable farmer from Perthshire in Central Scotland and a Fellow of the Royal Agricultural Societies.

Jon Bailie, Non-Executive Director

Jon was appointed to the Board in 2018. He is Senior Independent Director and is Chair of the Board Investment Committee and of the Board of NFU Mutual Unit Managers Limited. He has extensive investment management experience, having held senior positions at Pioneer Investments, AXA Investment Managers, Pantheon Ventures and Russell Investments. He is a Non-Executive Chair of CCLA Fund Managers and was previously a Non-Executive Director of the Pensions Infrastructure Platform.

Ali Capper, Non-Executive Director

Ali was appointed to the Board in 2018 and is Chair of the Remuneration Committee. She is a member of NFU National Horticulture and Potatoes Board, a Director of the Oxford Farming Conference, the British Hop Association, Wye Hops Limited, Executive Chair of British Apples and Pears and is a Nuffield Scholar. She is a previous Board member of Cargill Growers Association. Before becoming a partner with her husband Richard in their family farm, Ali worked in advertising for 16 years where she progressed to Client Services Director.

John Deane, Non-Executive Director

John was appointed to the Board in 2022. He is Chair of the With-Profits Committee and Chair of the Trustee of the Group's Staff Retirement Benefit Scheme. A Fellow of the Institute of Actuaries, John has 40 years' experience working in listed, mutual, and private companies. John was previously Group Chief Executive Officer - Executive Director at Chesnara for seven years, alongside being a member of the UK Board and of its subsidiaries in the UK, Sweden, and the Netherlands. Prior to this, John held senior positions at Royal London Group, Old Mutual, and Century Life. He has also held Non-Executive Directorships with Atom Bank and Theatre-Rites.

Alan Fairhead, Non-Executive Director

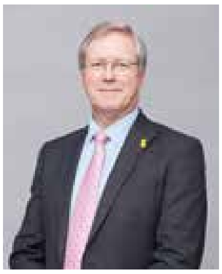
Alan was appointed to the Board in 2020, is Chair of the Board Risk Committee and a member of the Nominations Committee. A Chartered Insurer and Fellow of the Chartered Insurance Institute, he has over 40 years' domestic and international General Insurance experience in underwriting and operational management. After a career spanning 21 years at Guardian Royal Exchange, he progressed through Zurich Insurance Group to become CEO of Zurich Specialties London Ltd before becoming Global Chief Underwriting Officer based in Zurich. Alan was formerly an Independent Non-Executive Director of Everest Insurance (Ireland) DAC where he was also Chair of their Board Risk Committee.

Rachel Kelsall, Customer Services Director

Rachel was appointed to the Board in 2023. With a focus on driving outstanding levels of customer service and satisfaction, Rachel's responsibilities include General Insurance Customer Service operations, Underwriting, Claims, Complaints, and Pricing at our Head Office and seven regional centres. Previously Head of Underwriting and Claims, Rachel has also held roles at NFU Mutual leading Pricing, Underwriting, Claims, Operations, Compliance and Finance departments.

Richard Morley, Financial Director

Richard joined NFU Mutual in 2011 and was appointed to the Board in 2018. His responsibilities include Financial & Regulatory Reporting, Financial Planning & Analysis, Investments, Property and Commercial Services. He has held a variety of Finance leadership roles for Thames Water, BNP-Paribas and Lloyds Banking Group. Richard is a qualified accountant (FCMA) and is a Non-Executive Director of The Institute of Agriculture & Horticulture.



David Roper, Non-Executive Director

David was appointed to the Board in 2019 and is Chair of the Audit Committee. He graduated from Cambridge University with a degree in Music and subsequently trained as an accountant before joining PwC in 1990. He rose through that organisation to become a Director and then a Partner specialising in the financial services sector, working in London, Manchester, and Birmingham. He is the Senior Independent Director of Atom Bank and is also Chair of the National Youth Choirs of Great Britain and a trustee of E-ACT multi-academy trust and LAMDA.

Dave Smith, Non-Executive Director

Dave was appointed to the Board in 2023 and is a member of the Audit, Risk, and Remuneration Committees. In his executive career, Dave served as Managing Director of personal and commercial lines business for Zurich Insurance Group, and also as CEO of Zurich's UK General Insurance business. His early career was spent in sales, distribution, and marketing. He is currently Chair of Altitude Plc, Senior Independent Director and Chair of Audit Committee for AIG UK Ltd, and Chair and Independent Non-Executive Director of Lockton Companies LLP. He has also previously held Non-Executive Directorships for Bupa Insurance Services Ltd and Bupa Insurance Ltd, the Chartered Insurance Institute, AA Insurance Services Ltd, and Polaris UK Ltd. Dave is also a Chartered Engineer.

Nick Turner, Group Chief Executive

Nick was appointed NFU Mutual Group Chief Executive in April 2021. He was appointed to the Board in 2013 and was previously Sales and Agency Director where he led the growth of the General Insurance and Life businesses. Nick joined NFU Mutual from AXA where he was Managing Director, Intermediary & Partnerships - Personal Lines. His career spans more than 38 years, largely in the fields of General Insurance, Life Assurance and Wealth Management. Nick is a former President of the Chartered Insurance Institute and was previously President of the Personal Finance Society.

Nick Watson, Sales and Agency Director

Nick was appointed to the Board in 2021 as Sales and Agency Director. He has 30 years of financial services experience; 24 of which have been in insurance - spanning both life and General Insurance. Nick joined NFU Mutual from AXA, where he was Commercial Distribution and Trading Director, leading their broker distribution and trading strategy in the UK Commercial market - responsible for intermediary marketing, broker development, and the branch network trading performance. Prior to AXA, Nick spent 13 years with Aviva in both the UK and Europe, leading distribution and operations functions within GI and Life divisions. Nick also has experience of the UK broking market having previously led part of the Towergate MGA business and an online wholesale broking business.

GOVERNANCE REPORT

One of the key aspects of mutuality is trust. We have built up trust with our members over generations by having a deep understanding of their requirements and, most importantly, by doing the right thing. Good governance underpins our values and culture, how we do business and how we serve our members. It ensures that we deliver on our core purpose to provide our members with the insurance cover and financial planning they need, through quality products at a fair price and with a first-class personal service.

NFU Mutual is committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment, the Board supports the highest standards in corporate governance. The Board is responsible for leading and overseeing the governance of the Group, and for setting the tone for the Group's culture, values and behaviours. As Chairman, it is my role to ensure that the Board promotes the highest standards of governance for the Group. Our governance framework ensures we are making decisions in the right way for our members and to promote the long-term success of the Group. In an ever-changing environment, good corporate governance helps ensure that there is effective debate, challenge and support in decision making and a continued focus on the strategic objectives.

During 2023 Christine Kennedy retired and Elizabeth Buchanan resigned as Non-Executive Directors. I would like to thank both of them for their contributions to the Board. Dave Smith joined the Board at the start of 2023. He has over 30 years' experience within insurance and reinsurance and held a number of senior positions at Zurich Insurance. More recently he has held non-executive roles at Locktons, Bupa and AIG.

In addition, Steve Bower retired as Customer Services Director at the end of March 2023, having been with the Group for over 30 years and a director for nearly 13 years. I would also like to thank Steve for his contribution to the Board and wider Group. Rachel Kelsall joined the Board on 1st April 2023 as Customer Services Director. Rachel has been with NFU Mutual since 1989 and has held roles leading Underwriting, Pricing, Claims, Operations, Compliance and Finance. It has been especially pleasing this year to see the results of our succession planning both at a Board and senior management level.

Stakeholder engagement continues to be very important to us as a mutual. Our AGM in June is a key opportunity for the Board to engage with our members and I look forward to being able to welcome members to the meeting. National and local shows and events, NFU conferences and Regional Advisory Board meetings provide us with the opportunity to talk to members, staff, Agents and the wider community about the Group and its plans, progress and development. These events are also an opportunity for members to discuss areas of interest or raise any concerns with the Board.

I continue, together with the rest of the Board, to regularly meet with the Farming Unions to understand the issues facing the agricultural industry and rural communities and with the Prudential Regulatory Authority.

These latter meetings ensure that the Regulator is aware of the good work that NFU Mutual is doing to ensure it delivers on its purpose and strategy for customers. They also allow the Regulator to understand our governance and gain confidence that we are acting in the right manner to deliver sustainable long-term products and service for our customers.

As a Board, we are conscious of the impact the business and our decisions have on members, customers, employees, and suppliers, as well as on the community and our environment. The Board has spent time during the year considering the Group’s ESG strategy and will continue to work on developing, and delivering against that strategy, including a focus on how the Group responds to issues surrounding climate change, diversity and inclusion, responsible investments and community support.

Jim McLaren
Chairman

Corporate Governance Code

NFU Mutual has chosen to follow the UK Corporate Governance Code (The Code) for several years and has applied the 2018 version of the Code. The Code emphasises the value of good governance to long-term sustainable success. The information in this report demonstrates how NFU Mutual is applying the principles of the Code.

During the year NFU Mutual did not comply with the provision in the Code which indicates that the tenure of the Chairman should not exceed nine years from the time they were appointed to the Board. Jim McLaren was appointed as a Non-Executive Director in January 2012 and appointed Chairman in October 2019. Therefore, he has served over nine years on the Board.

The Board has considered this position carefully and believes it is appropriate for NFU Mutual. As a composite insurer which also offers investment products NFU Mutual is a complicated business. In addition, many of its core customers continue to be from the agricultural sector and rural community. The agricultural sector has specific needs and characteristics. The Board believes it is vital to the long-term success of the Group that the Chair has in-depth knowledge of the technical aspects of the business along with a good understanding of the agricultural sector. The Board believes it can take several years' service on the Board for an individual to gain the depth of knowledge required of a Chair. Therefore, its preference would normally be to appoint the Chair from its pool of Non-Executive Directors.

For the stability of the Group, and the Board, and for effective succession planning it is believed that it is appropriate for a Chair, subject to continued satisfactory performance and annual re-election by the members, to serve for around six to seven years from their appointment as Chair. This means that by the end of their period of appointment as Chair it is highly likely that they will have served more than nine years on the Board.

Leadership and company purpose

Purpose

As set out in in more detail in the Business Model and Strategy section on pages 8 to 11, NFU Mutual has a strong purpose, strategy and values which underpin everything that it does. Its purpose is to protect and enhance the lives of its customers and rural communities, by delivering a local, personal and attentive service that is second to none.

As part of the fabric of rural life, NFU Mutual is committed to making positive impacts for its customers, people, for farming and rural business and communities, and for the environment by doing business the right way. NFU Mutual works together to provide exceptional service and aims to be there for its customers when they need it most. NFU Mutual helps its customers prepare for the unexpected and make financial choices that are right for them, enabling them to protect the things that really matter. Its nationwide network of agency offices allows NFU Mutual to offer an attentive, local, personal service and to really get to know its customers, be part of their communities and genuinely care for them.

Governance framework

The Board sets the tone from the top on the Group's governance, culture and values. Its role is to promote the long-term success of NFU Mutual through the setting of a clear purpose and sustainable strategy which creates value for both members and wider society. The successful execution of this strategy and oversight of its delivery are supported by sound systems of governance, at the centre of which is our governance framework that defines relevant decision making authorities and responsibilities.

The Board provides entrepreneurial leadership of the Group within a framework of prudent and effective controls, which enable risk to be assessed and managed. It is responsible for stewardship of the Group, overseeing its conduct and affairs to create sustainable value for the benefit of the members. It sets the Group's strategic aims, monitors management's performance against those strategic aims, sets the Group's risk appetite and ensures the Group is adequately resourced and that effective financial controls and risk management systems are in place. The Board also sets the values and supports the culture of the Group.

Board activity

The Board has a clear view of the leadership and activities of the Group, including business results, key risks and developments. Directors are required to consider the long-term consequences of any decision on the Group's employees, relationships with suppliers and members, the environment and the community, the Group's high standards of business conduct and the need to act fairly towards members. Such considerations are taken into account in all Board decisions whilst ensuring the Board operates in the long-term interests of the company. The Board and its Committees work together to review strategy, business performance and to manage the business risks.

The Board met 10 times during the year; details of Director attendance at each meeting can be found below. In line with the Board's responsibility for the overall strategic direction of NFU Mutual, strategy related issues are discussed at each meeting. The Board holds two dedicated strategy sessions each year: these consider progress towards the Group's strategic aims as well as the annual and medium term plans. An overview of the Board's key activities is set out below.

Name of Director	A	B
Chairman		
Jim McLaren	10	10
Senior Independent Director		
Jon Bailie	10	10
Chief Executive		
Nick Turner	10	10
Executive Directors		
Steve Bower [1]	2	2
Rachel Kelsall [2]	8	8
Richard Morley	10	10
Nick Watson	10	10
Non-Executive Directors		
Elizabeth Buchanan [2,3]	5	6
Ali Capper	10	10
John Deane	10	10
Alan Fairhead	10	10
Christine Kennedy [1]	2	2
David Roper	10	10
Dave Smith	10	10

1. Resigned from Board 31st March 2023
2. Appointed to the Board 1st April 2023
3. Resigned from Board 27th October 2023

A = Number of meetings the Director attended in 2023
B = Maximum number of meetings the Director could have attended in 2023

Strategy and business results

- The Board reviewed and approved the 2024-2026 Medium Term Plan and 2024 Business Plan.
- The Board received and considered the monthly business results which reported performance against plan.
- The Board received updates on the agency network's target operating model.
- The Board considered development in farming and the commercial, home and personal motor markets and NFU Mutual's strategy in each of these areas to ensure that it can respond to future challenges and the needs of members to ensure sustainable profitable growth.
- Throughout the year, the Board received regular reports on the Key Strategic Change Initiatives which are reported in the Business Review on pages 14 to 24.
- The Board approved the Mutual Bonus rates.
- The Board reviewed the work being undertaken to deliver outstanding customer experience to customers, including the results of benchmarking.
- The Board received regular reports on the implementation of Consumer Duty and the Customer Outcomes Framework.
- The Board received updates on the performance against NFU Mutual's Net Zero targets for own emissions and the investment portfolios and considered the progress against the development of the Net Zero transition plan.
- The Board approved the key performance indicators and targets to support NFU Mutual's ESG strategy ambitions.

Financial reporting, risk and controls

- The Board approved the Annual Report and Accounts and the Solvency and Financial Condition Report.
- The Board monitored the Group's financial performance and its solvency coverage.
- The Board considered the Risk Director's Report and regular reviews of risks during the year such as those related to interest rates, inflation and geopolitical risks.
- The Board received updates from the Audit Committee and Board Risk Committee Chairs on key areas discussed, including risks and controls.
- The Board considered the approach to the PRA's operational resilience requirements and approved changes to reflect emerging best practice.

Governance

- The Board discussed the outcome of the Board's performance review and the Chairman's appraisal.
- The Board considered Board and senior management succession planning.
- The Board approved the arrangements for NFU Mutual's AGM.
- The Board considered its compliance with the UK Corporate Governance Code.
- The Board approved Non-Executive and Executive Director appointments.
- The Board considered and approved charitable donations to the NFU Mutual Charitable Trust and Farm Safety Foundation and through the Agency Giving Fund and Community Giving Fund.

Stakeholder engagement

The Board understands that the long-term sustainable success of NFU Mutual is dependent on effective engagement with our key stakeholders to ensure it meets their needs now and in the future. The Directors recognise the role that each stakeholder group plays in our success and our responsibilities towards them. By understanding our stakeholders, we can factor into Board discussions the potential impact of our decisions on each stakeholder group and consider their needs and concerns.

Our stakeholders	Why they are important	How we are engaging
Members and Customers	Our customers are at the heart of everything we do. They are the users of our products and services. Our members own the company and are also our customers.	Our primary route of engagement with customers and members is through the Group's network of Regional Advisory Boards made up entirely of members. The Regional Advisory Boards maintain close links with the Board and senior management through a series of meetings and with members via a network of Member Forums. The Regional Advisory Boards are briefed regularly on the Group's performance and key initiatives and provide valuable feedback to management and the Board. There are currently seven Regional Advisory Boards, four in England and one each in Scotland, Wales and Northern Ireland. Each Regional Advisory Board meets twice a year with the Chairs attending a further two meetings a year. Directors and members of senior management attend each of these meetings. In addition, 17 Member Forum meetings were held during the year. NFU Mutual's AGM is an important opportunity for the Group to communicate with members. All directors attended the 2023 AGM and members were invited to ask questions of the Board during the meeting. In addition, all questions submitted in advance of the meeting were responded to by the business or by directors directly as appropriate. NFU Mutual also undertakes a wide range of surveys and research to ensure that it has an in-depth understanding of customers' views, needs and expectations. It is developing its Voice of the Customer work to ensure that it is able to capture customer sentiment at all touchpoints in order to understand customers' experience of NFU Mutual's products and service. Where any issues are identified, work is undertaken to improve customer experience. NFU Mutual also has an online customer panel, Mutual Voice, which it uses to gather customer views on a range of topics including products, services and ESG matters.

Our stakeholders	Why they are important	How we are engaging
Our people	Our people are essential to meeting our purpose and delivering the required products and service to our members.	The Board and management team is committed to communicating with, listening to, and engaging employees in consultation and considers the position of our people in all relevant Board decisions. NFU Mutual has a national employee consultation group, Mutual Forum, which provides representation on strategic business issues. Mutual Forum consists of elected delegates representing all aspects of the business. It allows two way communication on matters affecting the business and its stakeholders. NFU Mutual also recognises Unite, the Union, which represents its members within the workforce. The Board receives regular updates on the engagement of employees through the annual engagement survey. The Board is delighted that NFU Mutual has again achieved above the 90th percentile on Gallup's large company database for engagement. NFU Mutual believes that open and transparent communication with its workforce is vital and uses a number of communication channels to achieve this including weekly staff and leaders newsletters, to the intranet, regular campaigns throughout the year and specific strategy update webinars. Areas of discussion across the various engagement channels have included hybrid working, office space, ESG matters, diversity and inclusion and well being.
Our Agents	Our Agents are also essential to meeting our purpose and delivering the required products and attentive, local, personal service to our members.	NFU Mutual engages with its Agents through the Agency Liaison Group and National Association of Group Secretaries which are both representative bodies of the Agents. Directors also regularly meet with individual Agents through a regular series of Agency visits. An annual internal customer survey is undertaken to ensure that NFU Mutual understands the service that Agents are receiving and expect to receive from the central service teams. In addition, a number of strategic change programmes which are expected to impact on Agents and their offices have set up focus groups to ensure that they are engaging with Agents and their views are taken into account, especially around the implementation of those change programmes.

Our stakeholders	Why they are important	How we are engaging
Business Suppliers and Partners and Companies we invest in	Our business suppliers and partners help run and improve the business and help us deliver a quality services to our customers.	NFU Mutual engages with its suppliers throughout the supplier life cycle including selection, on boarding, and performance. It engages with suppliers on key topics including operational performance, contract management, risk, ESG and to identify opportunities for enhanced value and innovation. Our Business Relationship Managers hold regular meetings with our key suppliers to ensure there is regular engagement in line with our procurement policies and practices. Engagement around ESG is increasing with NFU Mutual, as well as looking at wider ESG related matters, starting to work with key suppliers to understand their carbon footprint and Net Zero transition plans. Maturity assessment criteria have been developed for climate change which will inform how the business engages and influences suppliers. NFU Mutual is a signatory to the United Nations Principles for Responsible Business and a signatory to the UK Stewardship Code in respect of its role as an institutional investor. It regularly engages with the companies it has invested in on matters such as directors' remuneration, director over boarding, governance concerns, and ESG matters including Net Zero transition plans. It is focused on engaging with the highest carbon emissions emitters within its equity and bond portfolios to understand their emissions reduction activity and to influence further activity where appropriate. It engages both directly and through collective engagement platforms. NFU Mutual also engages with the landlords and tenants throughout its property portfolio on ESG matters including ways to reduce the carbon footprint of the property portfolio.
Regulators	NFU Mutual is subject to financial services regulations and requires regulatory approval to operate.	NFU Mutual aims for the highest standards of regulatory compliance to protect fair outcomes for customers. There is a programme of regular meetings between Board members, senior management and the Regulators. NFU Mutual responds to all information requests from the Regulators and regularly responds to relevant regulatory consultations either directly or via input to the Association of British Insurers. The Board and its committees review relevant correspondence from the Regulators and respond where appropriate. It also receives regular updates on the implementation of key regulatory developments such as Fair Pricing and Consumer Duty.

Our stakeholders	Why they are important	How we are engaging
Communities	NFU Mutual seeks to tackle a wide range of issues that are essential to building a more sustainable future for the communities we support.	The Board receives regular reports on the Responsible Business activities, including on the activity of the NFU Mutual Charitable Trust, the Farm Safety Foundation and the Agency Giving Fund. The Board also receives regular updates on NFU Mutual's progress towards it Net Zero target.

S.172 statement

S.172 of the Companies Act 2006 requires Directors to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, Directors should take into account factors which will affect the success of the company such as the long-term consequences of any decision, the interests of employees, the needs of its customers, relationships with suppliers, regulators and other stakeholders and the wider community and the company's reputation.

The section above sets out details of NFU Mutual's key stakeholders and the principal ways it engages with them. The relevance of each stakeholder group will be different for each issue considered by the Board. It has to be recognised that from time to time the Board will take decisions which may not have a positive outcome for all stakeholders. The Board carefully considers the interests of all relevant stakeholder groups as part of its decision making. Together with the consideration of long-term consequences, and the maintenance of our reputation for high standards of business conduct, this is integral to the way the Board operates.

The views of stakeholders are heard by the Board through information provided by management and by Directors' direct engagement with stakeholders. Consideration of stakeholders is at the heart of what we do as a business. Our members and customers are at the heart of our strategy and our strategic objectives directly link into the requirements under s.172:

- **To deliver Sustainable Profitable Growth –** requires the Board to consider the long-term consequences of decisions and the needs of our customers.
- **To be a Great Company to do Business With –** requires the Board to put our customers and members at the heart of what we do; it also ensures that suppliers and business partners, including the Agents, are fully considered.
- **Be a Great Place to Work –** requires the Board to consider the needs and expectations of employees, including their engagement.

Examples of some of the key Board decisions are provided below.

In considering the 2024 Business Plan and 2024 – 2026 Medium Term Plan the Board took into account a wide range of factors. As in the previous year, there was a particular focus on the potential impacts of high inflation on claims costs, suppliers and customers. The Plans include the continued implementation of the strategic roadmap and the Key Strategic Change Initiatives as described on pages 38 to 71. In developing the various plans consideration was given to, amongst other things, customer needs and expectations, the impact on employees, the continued financial strength of the Group, regulatory requirements and the need for sustainable profitable growth. A number of areas of research are undertaken to inform the business on customer needs and expectations. Research is also undertaken with external consultants and suppliers to ensure that the business is aware of emerging trends. The Board also took into account the impact of its plans on Agencies; the views of Agents are regularly reported to the Board.

The Board also considered the rates for Mutual Bonus. A key consideration is the affordability of Mutual Bonus and to ensure that it is sustainable over the longer term. Consequently, the Board carefully considered the financial strength of the Group. The Board also took into account the impact on customers of changes in the Mutual Bonus rates and the consequent changes to premiums. The Board is aware of the impact on customers of inflation which has also impacted the level of Mutual Bonus payable. In addition, the Board considered the impact of Mutual Bonus rates on Agents.

Division of responsibilities

Board roles

There is clear division between executive and non-executive responsibilities which ensures accountability and oversight. The roles of Chairman and Chief Executive are held separately, and their responsibilities are well defined and set out in writing.

Chairman

- Responsible for the effective running of the Board and ensuring it is appropriately balanced to deliver the Group's strategic objectives.
- Promotes a culture that is rooted in the principles of good governance and enables transparency, debate and challenge.
- Ensures that the Board, as a whole, plays a full and constructive part in the development of strategy and that there is sufficient time for Board discussion.
- Ensures effective engagement between the Board and its members.
- Ensures the views of all stakeholders are understood and considered appropriately in Board discussions.

Senior Independent Director

- Provides a sounding board for the Chairman in matters of governance or the performance of the Board.
- Available to members if they have concerns which have not been resolved through the normal channels of communication with the company.
- At least annually leads a meeting of the Non-Executive Directors without the Chairman present to appraise the Chairman's performance.
- Acts as an intermediary for Non-Executive Directors when necessary.

Non-Executive Directors

- Provide constructive challenge to the executives and help to develop proposals on strategy.
- Scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
- Review Group financial information, ensuring the systems of internal control and risk management are robust and defensible.
- Determine an appropriate policy, and levels of remuneration, for the senior executives.
- Appoint and, where necessary, remove senior management and review the succession plans for the Board and key members of senior management.
- Provide independent insight and support based on relevant experience.
- Promote the highest standards of integrity and corporate governance throughout the Group and particularly at Board level.

Chief Executive

- Executes the Group's strategy and long-term objectives together with implementing the decisions of the Board and its committees.
- Keeps the Chairman and Board appraised of important and strategic issues facing the Group.
- Ensures that the Group's business is conducted with the highest standard of integrity, in keeping with the culture and values.
- Manages the Group's risk profile.

Other Executive Directors

- Support the Chief Executive in developing and implementing strategy.
- Oversee the day to day activities of the Group.
- Manage, motivate and develop staff.
- Develop business plans in collaboration with the Board.
- Ensure that the policies and practices set by the Board are adopted at all levels of the Group.

Company Secretary

- Complies with Board procedures and supports the Chairman.
- Ensures the Board has high quality information, adequate time and appropriate resources in order to function effectively and efficiently.
- Advises and keeps the Board updated on corporate governance developments.
- Is responsible for the organisation of the Annual General Meeting.
- Provides advice, services and support to all Directors as and when required.

Board independence

In order for the Board to operate effectively, it is important that a majority of the Board is independent. This allows the Non-Executive Directors to fulfil their responsibilities around providing constructive challenge and helps ensure integrity. Each year the Board considers whether each Non-Executive Director, excluding the Chairman, is independent of the Group. In undertaking this review, the Board considers whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. The results of the Board's performance evaluation are also taken into account.

In 2023, the Board considered all of the Non Executive Directors, other than the Chairman, to be independent in accordance with the Code. Our Non-Executive Directors meet without the Executive Directors at least once a year and informally on a regular basis. These meetings are useful to safeguard the independence of our Non-Executive Directors by providing them with time to discuss their views in a more private environment.

Any Director who has concerns about the running of the Group or a proposed course of action is encouraged to express those concerns which are then minuted.

Each Director has confirmed that they have been able to allocate sufficient time to discharge their responsibilities effectively.

The Non-Executive Directors have direct access to the senior management team. Contact with the business and employees is encouraged and provides the opportunity to develop a deeper understanding of the Group's operations or to request information about specific areas. The development of these relationships with management strengthen both the role of the Non-Executive Directors and their ability to constructively challenge and offer guidance in respect of strategic decision making.

Directors are required to notify the Chairman as soon as they become aware of a situation that could give rise to a conflict or potential conflict of interest. The register of potential conflicts of interest is regularly reviewed by the Board to ensure it remains up to date. The Board is satisfied that any potential conflicts have been effectively managed throughout the year. Non-Executive Directors are required to seek approval from the Board before taking on any additional commitments to allow the Board to consider whether such commitment would impact on their ability to fulfil their responsibilities to the Group.

Composition, succession and evaluation

The Board

The Board is structured with four Executive Directors and eight Non-Executive Directors who bring to the Board a mixture of farming and wider commercial experience, with a focus on financial services. This structure is believed to provide the Board with the appropriate balance, not only to manage the business, but also to understand the needs of our core customer base. All appointments to the Board are subject to a rigorous appointment process; further information can be found in the Nomination Committee report below. This ensures that NFU Mutual recruits the best Directors to manage the business given the size and complexity of the Group. The Board and its Committees have the appropriate range and balance of skills, experience, knowledge and independence to enable them to carry out their duties and responsibilities.

All Directors are subject to election by the members at the AGM following their appointment and to re-election on an annual basis. Non-Executive Directors are appointed for three-year terms subject to that annual re-election. The Nomination Committee specifically considers whether any Director coming to the end of their three-year term should be recommended for re-election at the subsequent AGM.

Board performance review

The Board is committed to continually improving its effectiveness and the Group's overall performance. To facilitate this, the Board has implemented a three-year review cycle consisting of an external performance review one year and individual appraisals with Directors conducted by the Chairman in the other two years. During 2023 an external performance review was undertaken. The Board selected Board Alchemy to undertake the review. Board Alchemy does not have any other link to the Group. The review involved each Director completing questionnaires on Board and individual Director performance followed by interviews conducted by Board Alchemy with each Director as well as the Company Secretary and members of the Executive team. Board Alchemy's report was discussed by the Board and individual feedback was provided to each of the Directors.

The outcome of the review was that the Board is effective with many strengths. No high priority recommendations were raised but there were three themes highlighted for consideration in the longer term. These included succession for the Chair, the approach to Board diversity and inclusion, where the Board recognises that there is always more work to be done, and consideration of the potential impacts of digital and technological change, including AI, on the business model over the longer term. The Board will take these forward into its planning for the next few years.

The annual appraisal of the Chairman was coordinated by the Senior Independent Director following the Board Alchemy performance review and all Directors provided input. The appraisal concluded that Jim McLaren continues to provide effective leadership of the Group.

Board induction and development

New Non-Executive Directors participate in a comprehensive formal induction programme tailored to the needs of the individual. This provides information about the Group's structure, strategy and operations, Non-Executive Directors' duties, corporate governance and Board Committees. Directors meet key managers and have the opportunity to visit various parts of the business to gain a thorough understanding of the business and its operations. Each new Non-Executive Director is provided with a mentor to assist them in their first few months on the Board. The purpose of the induction programme is to ensure that any new Director is adequately informed and equipped to participate in Board discussions, with a sound understanding of the long-term strategy, business operations, market and industry knowledge and Group culture.

The Board believes strongly in the development of Directors and employees. Each Director is required to commit to continuing their professional development. Any knowledge or skills gaps identified during the appraisal process are addressed in a timely manner. During 2023, Continuing Professional Development (CPD) sessions were provided on a number of subjects including reinsurance, Consumer Duty, the UK General Insurance market, the Data Centre Exit programme and the role of ethics in investments. In addition, the Board receives regular market and company updates as part of the Board agenda.

Nomination Committee report

Committee composition

The Committee is comprised of the Chairman and Non-Executive Directors. A majority of the Committee members should be independent. The Committee is chaired by the Chairman unless it is considering the succession to the chairmanship when it will be chaired by the Senior Independent Director or another independent Non-Executive Director if the Senior Independent Director is one of the candidates for the role of Chairman.

Name of Director	A	B
Jim McLaren (Committee Chair)	4	4
Jon Bailie	4	4
Ali Capper [1]	3	3
Alan Fairhead [1]	3	3
Christine Kennedy [2]	1	1

1. Appointed to the Committee 1st April 2023
2. Resigned from Board 31st March 2023

A = Meetings attended

B = Maximum meetings

Role of the committee

The Committee has overall responsibility for leading the process for new appointments to the Board and ensuring that these appointments bring the required skills and experience to the Board to support the Board's role in development and oversight of the Group's strategy. As part of this, the Committee reviews the structure, size and composition of the Board to ensure the Board is made up of the right people with the necessary skills and experience whilst striving to achieve a Board composition that promotes diversity of thought and approach.

The Committee's key responsibilities are:

- Regularly reassessing the structure, size and composition of the Board and recommending any suggested changes to the Board.
- Reviewing the criteria for identifying and nominating candidates based on the specification for a prospective appointment including the required skills and capabilities.
- Considering succession planning for Directors and other senior executives, taking into account the promotion of diversity and inclusion, the challenges and opportunities facing the company, and what skills and expertise will be needed by the Board in future, ensuring the continued ability of the Group to compete effectively in the market place.
- Reviewing the time commitment required from Non-Executive Directors and assessing the Non-Executive Directors' other significant commitments to ensure that they continue to be able to fulfil their duties effectively.

The Committee's focus in 2023

During 2023 the Committee focused on changes to the composition of the Board Committees to reflect the changes to the Board composition during the year. The Committee continues to focus on Board and senior management succession planning with a particular focus on ensuring a diverse pipeline through initiatives such as the Women in Finance Charter referred to below. At least annually the Committee reviews the existing pipeline of candidates for immediate and medium to longer term movement into Board and senior management roles. When considering succession the Committee considers the need to foster existing talent and for external recruitment to inject new talent and ideas. For Board recruitment, the Committee looks to recruit directors with particular skill sets in advance of Director retirements to ensure there is no gap in the combined skills, knowledge and experience of the Board and regularly reviews the skills matrix to highlight any potential gaps.

Diversity and inclusion

The Nomination Committee and Board are committed to ensuring that together the Directors possess the correct diversity of skills, experience, knowledge and perspectives to support the long-term success of the Group. The Board Diversity Policy recognises that diversity increases the breadth and quality of debate improving the overall effectiveness of decision making and providing better protection for members. Diversity is a wider principle than measurable factors such as age, gender, race or tenure. Other aspects such as skills, experience or diversity of approach are equally valuable in enhancing the quality of collective decision making. The Committee will undertake a review of the cognitive diversity of the Board in 2024.

The Board has not set specific targets for Board diversity. The Committee considers diversity, in its widest sense, during its Board composition reviews, succession planning and consideration of criteria for Board and senior management appointments. The Committee has previously undertaken unconscious bias training to further support its drive to ensure that appointment processes are fully inclusive. The Committee expects executive search firms to consider diversity and inclusion in all searches which they undertake on the Group's behalf.

The Group is a signatory to the Women in Finance Charter. The Charter reflects the Government's aspiration to see gender balance at all levels across financial services firms. Kenny Graves, the HR Director, is responsible and accountable for gender diversity and inclusion. NFU Mutual's target was updated in 2022 and is to maintain a minimum of 40% female representation in the senior management population. The target recognises the progress made to date and the aim to maintain a balance at middle and senior management. This target reflects the importance of keeping a focus on gender diversity and the opportunities that may present themselves. At 31st December 2023, the gender balance ratio of the members of the Executive Committee plus the Company Secretary and their direct reports was 34:41 (female:male)

Audit, risk, and internal control

Accountability

The Board of Directors has ultimate accountability for ensuring that all risks to which the Group is exposed are managed effectively. The Board also oversees the effectiveness of risk management via its risk governance framework, which consists of committees from Board level to divisional level and ensures effective Group-wide risk oversight.

The committees oversee the effectiveness of risk management for the areas within their scope in line with delegated accountabilities and act as an escalation point for issues. This framework of business focused oversight and flow of information throughout the risk governance framework ensures the Board is appropriately informed and can be assured that all risks are being managed effectively or are escalated appropriately.

Control environment

The NFU Mutual Control Environment is a continuous set of processes and frameworks that ensure we manage risks effectively, meet our regulatory and customer obligations and achieve our business objectives by:

- Acting with integrity and with due skill, care, and diligence.
- Acting in a prudent manner and ensuring we maintain adequate financial resources at all times.
- Having effective risk strategies and risk management systems.
- Organising and controlling our business responsibly and effectively, including having effective resolution strategies defined.
- Observing standards of market conduct.
- Ensuring good outcomes for customers through the provision of suitable advice, meeting information needs, protecting client assets and managing conflicts of interest.
- Maintaining an open and cooperative relationship with our regulators.

Whilst managers are accountable for ensuring the effective operation of the Control Environment within their business units, the Board and its committees continuously monitor adherence to these processes and frameworks through:

- Discussing and challenging reports from business units
- Monitoring management information, and
- Considering the findings of assurance reviews and audit reports.

In addition, in accordance with the Audit Charter, the Group Head of Internal Audit provides an annual report on the governance, risk and control framework of NFU Mutual witnessed during its audit activity.

The ORSA (Own Risk and Solvency Assessment) is part of Solvency II legislation. It is a continuous process that requires insurers to consider a forward-looking view of their solvency position that takes into account the:

- Strategic and business planning process
- Risk management framework and process
- Capital management plans and capital requirements
- Decision making in terms of monitoring risk profile, solvency monitoring, risk appetite, support for strategic decisions and evidence of risk governance and Internal Model use.

The ORSA process gives assurance that NFU Mutual has sufficient capital to meet strategic objectives and achieve business plans and provides transparency of both risk and capital in strategic and business decision making.

The Board continually monitors the company's risk management framework and internal control system. It has reviewed the effectiveness of those systems and is satisfied that the Group's risk management framework and system of internal controls are robust and effective.

Audit Committee report

Committee composition

The Committee is comprised entirely of independent Non-Executive Directors. The Committee's members as a whole bring a wide range and depth of financial and commercial experience across various industries. David Roper meets the specific requirement for at least one member of the Committee to have recent and relevant financial experience. The Committee as a whole has competence relevant to the sector in which the company operates.

Name of Director	A	B
David Roper (Committee Chair)	6	6
Jon Bailie	6	6
Elizabeth Buchanan [1,2]	2	2
Christine Kennedy [3]	3	3
Dave Smith	6	6

1. Appointed to Committee 1st April 2023
2. Resigned from Board 27 October 2023
3. Resigned from Board 31st March 2023

A = Meetings attended
B = Maximum meetings

Role of the Committee

The Audit Committee's principal role is to assist the Board in monitoring the integrity of the Group's financial statements, monitoring the effectiveness of the internal control framework and the independence and objectivity of the internal and external auditors. Its key responsibilities are to:

Financial reporting

- Review the integrity of the annual financial statements and Solvency II disclosures.
- Review the appropriateness of accounting policies and practices.
- Review the significant issues and judgements considered in relation to the financial statements, including how each was addressed.
- Review the content of the Annual Report and Accounts and advise the Board on whether taken as a whole, they are fair, balanced and understandable.

External audit

- Review and monitor the objectivity and independence of the external auditor, including the policy to govern the provision of non-audit services.
- Review and monitor the effectiveness of the external audit process and the ongoing relationship with the external auditor.
- Review and make recommendations to the Board on the tendering of the external audit contract, and the appointment, remuneration and terms of engagement of the external auditor.

Risk Management and internal control

- Review and monitor the effectiveness of the internal control and risk management systems, with a particular focus on those areas that are relevant to the accounting systems and financial statements.
- Review the framework and analysis to support both the going concern and the long-term viability statement.
- Oversee appropriate whistleblowing arrangements.

Internal audit

- Review and approve the Internal Audit Plan and monitor its implementation.
- Review and monitor the effectiveness of the Internal Audit function.

The Committee's focus in 2023

Financial reporting

The Group has an internal control and risk management framework in place under which it operates, and which supports the preparation of the consolidated financial statements. This includes policies to ensure that adequate accounting records are maintained, and transactions accurately recorded so that the Annual Report and Accounts give a fair, balanced and understandable assessment of the Group.

The Committee has reviewed the going concern assumptions and principles underpinning the viability statement and considers that these remain appropriate.

During the year the Committee reviewed the external auditor's proposed audit plan. The debate around the plan included consideration of Deloitte's risk assessment of the Group, the significant audit risks it would focus on and the impact of these risks on the proposed audit work.

NFU Mutual has worked to ensure that the business is transparent and provides the required level of disclosure regarding significant issues considered by the Committee in relation to the financial statements, as well as how these issues were addressed. As part of its review of the Annual Report and Accounts, the Committee places particular emphasis on their fair presentation, the reasonableness of the significant judgement factors and the appropriateness of the significant accounting policies used in the preparation. The review considered whether the Annual Report and Accounts provided the information necessary for members to assess the Group's position, performance, business model and strategy.

The Committee also considered the non-financial reporting within the Report and Accounts with a particular focus on the climate change disclosures. This is the first year that NFU Mutual has been required to make disclosures aligned to the Task Force on Climate-Related Financial Disclosures (TCFD) and under the Climate-related Financial Disclosures (CFD) regulations. The Committee considered the disclosures against the CFD regulations and the TCFD recommended disclosures taking into account the expectations of the FCA and Financial Reporting Council.

Significant issues

The significant issues that the Committee considered during the year are set out below.

General insurance reserves

The valuation of the General Insurance reserves involves a significant degree of caution and expert judgement. The assumptions and methodology behind the valuation of the reserves have been significant areas of focus for the Committee. The Committee receives regular reports from management to explain the reserving philosophy, the key reserve assumptions, claims trends and the impact on reserves of industry factors and emerging issues such as such as personal injury and other claims inflation, weather events , the Ogden discount rate, and emerging regulatory risks and changes, and also reports from third party experts.

The Committee received a report from management setting out the year end position of the claims reserves and highlighting the reasons for movements in the reserves during the year; this included consideration of inflation, and in particular wage inflation forecasts, which has led to material increases in prior year reserving and the high levels of uncertainty. The paper also set out the key assumptions behind the reserves and the governance process around setting the reserves for claims arising from historic periods of exposure that the Group may be responsible for.

The Committee also gave full consideration to Deloitte's report on its audit in this area which considered, amongst other things, whether the overall level of General Insurance reserves is reasonable. Having given full attention to all of the reports provided and challenged management as appropriate, the Committee is satisfied with management's analysis of the reserves and believes that the methodology and assumptions applied in calculating the General Insurance reserves are appropriate.

Life insurance reserves

The valuation of the Life Insurance reserves also involves a significant degree of judgement. The valuation of the liabilities of certain lines of business is particularly sensitive to the assumptions in relation to policyholder mortality and longevity. These assumptions are based on industry guidance and NFU Mutual's past experience and expectation of future changes. Persistency assumptions are also used in determining the level of reserves to be held. Past experience is used to set these assumptions taking into account regulatory and market changes, as well as product changes, which could affect the likelihood of policyholders cancelling their policies. Expense assumptions are also kept under close review to ensure that these can be relied upon.

The Committee received a comprehensive report from management setting out the year end position of the reserves and highlighting the reasons for movements in those reserves during the year. The impact of the continuing high inflationary environment and cost of living crisis were considered and the potential short and long term impacts of the Coronavirus pandemic on all assumptions underlying these reserves were reviewed and adjustments made where deemed appropriate. Experience to date and the reinsurance position were assessed along with specific reference to our Critical Illness, Annuities and Protection policies where mortality trends are most relevant.

Having fully considered and, where appropriate, challenged the reports provided by management and Deloitte, the Committee is satisfied that the assumptions used for setting the Life reserves remain appropriate.

In addition, during the year, the second line actuarial function has undertaken assurance review activity over a wide range of General Insurance and Life reserving processes and assumptions. This provides an additional layer of assurance for the Committee.

Levels of materiality

The external auditors set a level of materiality to assist them with planning their audit work; further details of which can be found in Deloitte's Audit Report on pages 158 to 164. The Committee has requested that Deloitte bring to the Committee's attention any findings as a result of their audit work with a monetary value for the Group of over £2m. In addition, there are certain areas, such as fraud, where the Committee's tolerance is such that any findings from either internal or external audit are brought to the Committee's attention.

The basis on which the external auditors have determined the level of auditing materiality in respect of the Annual Report and Accounts has been considered by the Committee and it is satisfied that an appropriate level of materiality has been selected. The management team continues to monitor its activities at levels which the Committee considers support the key performance indicators. These levels of materiality have been deemed appropriate by the Committee in reflecting the members' interests.

External audit

The Committee oversees the Group's relationship with, and monitors the performance of, the external auditors. The Board has committed to formally tender for the position of external auditors at least every ten years. A formal tender was undertaken by the Committee during 2017 following which Deloitte was appointed external auditor from the 2018 financial year. The practice is to rotate the audit engagement partner every five years to maintain independence. The 2023 financial year was the first year of the current audit engagement partner's appointment.

Each year, the Committee undertakes a full review of the effectiveness, performance, independence and objectivity of the external auditor. Following this review, the Committee makes recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor. These recommendations are then put to the members for approval at the AGM. The Committee's conclusion was that it was satisfied that Deloitte continues to perform a high quality and effective audit and that it provides objective and independent challenge to management. Therefore, it recommended that Deloitte should continue

to act as the Group's external auditor.

The Committee recognises that the independence of the external auditor is a fundamental safeguard for the interests of NFU Mutual's members. The Group has policies in place to safeguard and support the independence and objectivity of the external auditor. One such policy relates to the use of the external auditor for non-audit work. The policy states that the external auditor can only be used to provide services which do not conflict with the auditors' independence. The policy requires the prior approval of the Committee for the engagement of the auditors for non-audit work where the level of fees payable for non-audit services would exceed a set threshold. In addition, the external auditor is only allowed to undertake certain services for the Group as set out in the FRC's Ethical Standard.

The Committee continually reviews the nature and extent of non-audit services provided to the Group by the external auditor and receives confirmation from them, at least annually, that in their professional judgement, they are independent with respect to the audit.

Deloitte undertook a small number of non-audit assignments during 2023; these were mostly assurance activities related to the audit work. All non-audit work was approved by the Committee in accordance with the policy and is considered to be consistent with the professional and ethical standards expected of the external auditor in this regard. In addition, key external audit staff, including the audit partner, are changed on a regular basis in accordance with best practice to ensure continued objectivity. All audit and non-audit fees are disclosed in Note 14.

Internal controls

The Board has ultimate responsibility for the Group's system of internal control and risk management and reviewing its effectiveness. The Committee works alongside the Board Risk Committee to ensure that the Group operates within a framework of prudent and effective controls that allow risk to be identified, assessed and managed. The Audit Committee has not identified any weaknesses which were determined to be significant to the preparation of the financial statements. The Audit Committee also noted that there were no significant changes to the control environment identified in the current year, which would be significant to the preparation of the financial statements. Where areas for improvement were identified, processes are in place to ensure that the necessary actions are taken, and progress is monitored by the Audit Committee.

Internal audit

The primary role of Internal Audit is to assist the Board and management team to protect the assets, reputation and sustainability of the Group. This is achieved by providing an independent, objective and impartial view to the Committee and the management team that effective controls, governance and risk management exist within the Group in accordance with its risk appetite. Internal Audit's charter, which is available on NFU Mutual's website, nfumutual.co.uk, sets out the purpose, scope and responsibilities of the function and how it maintains independence from the first and second line management of the Group. To further reinforce the independence of Internal Audit, the reporting line of the Head of Internal Audit is to the Audit Committee Chair. The Committee Chair meets with the Head of Internal Audit on a monthly basis. The whole Committee meets with the Head of Internal Audit, without management, on a quarterly basis.

The Committee reviewed and approved the activity of Internal Audit during 2023 and the Committee was satisfied that Internal Audit has the appropriate resources to undertake its work in 2024. The audit plan is set by reference to the audit universe, the principal risks facing the business, any emerging risks and hot topics for auditing reported at an industry level. The audits carried out covered an extensive sample of controls across a range of risk types and business units covering business as usual activity together with assessments of the major change programmes. The Committee received quarterly reports on all audits undertaken, management's response to audit findings and progress in addressing identified issues. The reports highlight any themes emerging across the audit findings and allow the Committee to challenge the management team's response to those themes. If an audit of an area of the business raises particular concerns, the Committee requests that the Director responsible for that area of the business attends the Committee meeting to explain what action will be taken to improve the control culture.

The Committee remains satisfied with the effectiveness of the Internal Audit department.

Whistleblowing

The Committee is responsible for the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee Chair, David Roper, is NFU Mutual's Whistleblower's Champion. This role is responsible for the oversight of the independence, autonomy and effectiveness of the policies and procedures on whistleblowing. The Committee receives an annual whistleblowing report and regular updates on any matters raised through the various reporting mechanisms.

Board Risk Committee report

Committee composition

The Committee is comprised entirely of independent Non-Executive Directors. The Committee's members as a whole bring a wide range and depth of financial and commercial experience across various industries. Alan Fairhead is considered to meet the specific requirement for at least one member of the Committee to have recent and relevant risk management experience.

Name of Director	A	B
Alan Fairhead (Committee Chair)	4	4
Ali Capper	4	4
John Deane	4	4
David Roper	4	4
Dave Smith	4	4

A = Meetings attended
B = Maximum meetings

The role of the committee

The Board Risk Committee's principal purpose is to assist the Board in its oversight of risk within the Group with a particular focus on the Group's risk appetite, risk profile and effectiveness of the Group's risk management framework.

The Committee considers and recommends to the Board the Group's risk appetite, limits and constraints. In advising the Board on the risk appetite strategy, it considers the current and prospective macroeconomic and financial environment. The Committee keeps the risk assessment processes under review to ensure that qualitative and quantitative measures are used to inform the Board's decision making. It ensures that material risks faced by the Group have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively. The Committee also provides oversight and challenge of the design and execution of stress and scenario testing. It keeps emerging risks under review and considers how these might impact on the Group.

The Committee also approves and monitors compliance with the ORSA policy which gives assurance that NFU Mutual has sufficient capital to meet its strategic objectives and to deliver its business plans. It ensures that risk and capital are considered when strategic and business decisions are being taken.

The Committee's focus in 2023

Cyber risk and security vulnerability management continued to be a focus for the Committee during the year. The Committee considered the results of NFU Mutual's cyber maturity assessment as a result of which it considered that good progress had been made with positive actions taken but there was more to be done. It was recognised that the cyber and information security risk was constantly evolving and there was a need for NFU Mutual to continue to develop its risk mitigations in this area. This would continue to be an area for focus for the Committee.

Stress and scenario planning continue to be a key tool for understanding and managing risk within NFU Mutual. As well as undertaking any stress and scenario tests required by the PRA, NFU Mutual uses these tools to better understand risks and to inform its decision-making process. During the year the Committee considered the results of the stress tests undertaken which included the impact of significant negative developments in the personal motor insurance industry and the potential for further financial market instability and material supply chain disruption caused by geopolitical issues.

The Committee continues to consider the financial risk appetite and capital optimisation work to ensure the continued resilience of the Group's solvency position. As part of this the Committee reviewed NFU Mutual's interest rate hedging strategy and considered how resilient the Life fund was to extreme market falls. The Committee believes that the current interest rate hedging strategy remains appropriate for the Group's needs.

Following the collapse of Silicon Valley Bank in March 2023 and the subsequent banking industry disturbance, the Committee, together with the Board Investment Committee, undertook a thorough review of NFU Mutual's exposure to those banks affected. The conclusion was that NFU Mutual had no material exposure and had not faced any challenges as a result of the disruption.

An area of focus for the Committee throughout the year was climate-related risks. One of the areas considered was potential longer-term impacts on both the General Insurance and Life underwriting portfolios. For the General Insurance portfolio flood and windstorm are the most material exposures from a financial point of view. The Committee also considered the risks around extreme heat and freeze. For the Life portfolio, the key impact was longevity risks where there are potential extreme one off risks such as from storm, flood and wildfires and ongoing risks from rising average temperatures. Rising average temperatures are considered by the industry to the most material physical risk and the Committee considered various temperature pathways. There are also potential indirect impact risks such as changes to individuals' behaviours, changes in living conditions and increased prevalence of disease.

The Committee will continue to carefully consider the risks in this area.

The Committee also approved changes to the structure of the risk appetite for catastrophe risk having considered the options and timelines for NFU Mutual to recover from a one in 200 year risk and the impact on liquidity and customers. It also approved changes to simplify the operational risk categorisation and risk appetite. At each of its meetings the Committee considered the various risk dashboards, MI and key risk activity. It also reviewed the work to prepare for the implementation of the Consumer Duty rules, where the Committee was comfortable that there was appropriate management focus and continued to consider the work around operational resilience.

The Committee continues to receive regular reports from the Chief Actuaries for Life and General Insurance covering, amongst other things, their Underwriting and Reinsurance Opinions and progress on actions resulting from their second line reviews. The Committee also receives regular reports on any changes impacting the Internal Model and on the independent validation of that model. In addition, the Committee reviews the highest materiality expert judgements relating to the Internal Model on an annual basis.

With-Profits Committee report

Committee composition

The Committee is required to have a majority of independent members. It is currently comprised of two independent Non-Executive Directors and one member of management with appropriate expertise to the duties of the Committee.

Name of Director	A	B
John Deane (Committee Chair)	4	4
Elizabeth Buchanan [1,2]	2	2
Ali Capper	4	4

1. Appointed to Committee 1st April 2023
2. Resigned from Board 27th October 2023

A = Meetings attended
B = Maximum meetings

The role of the committee

The With Profits Committee advises the Board on the management of the Group's With Profits business and monitors compliance with its Principles and Practices of Financial Management for With Profits business. The Committee plays an important role in setting bonus rates for With Profits products and makes recommendations to the Board. To ensure that the With Profits policyholders are protected, the Committee receives regular updates on projects and initiatives that could affect these individuals.

The committee's focus in 2023

During the year the Committee considered the strategic plan for the With Profits business. The plan sets out the areas that the Committee wants to review and develop from a strategic point of view over the next few years. The plan will continue to evolve. The Committee considered the plan in the context of the wider Life business strategy and the Group strategy. The Committee also considered potential constraints to the strategic plan including resource constraints within the With Profits and IT teams.

The Committee also reviewed the methodology and assumptions for the reversionary and terminal bonus rates and approved the bonus rates (for recommendation to the Board). The Committee also reviewed the Report to With Profits Policyholders and Policyholders' Reasonable Expectations to ensure compliance with the PPFM. This review considered key decisions made during the previous year and payouts against target ranges.

The Committee considered the level of Mutual Investment Bonus taking account of the financial strength of the fund and recommended that the Board increased the level of enhancements to asset shares of eligible with-profits policies to 1.85% per year. It also reviewed the approach to smoothing and agreed minor changes. The Committee considered that the approach was technically correct, robust and leads to stable payouts even in volatile times. It also reviewed the assumptions and judgements used for the calculation of the asset share including investment returns, mortality costs and expenses and was comfortable with these. The Committee also considered strategic investments in the Life fund.


NFU Mutual

Board Investment Committee report

Committee composition

The Committee is comprised of two Non-Executive and two Executive Directors and one member of senior management with expertise appropriate to the duties of the Committee.

Name of Director	A	B
Jon Bailie (Committee Chair)	4	4
John Deane	4	4
Richard Morley	4	4
Nick Turner	4	4

A = Meetings attended
B = Maximum meetings

The role of the committee

The Board Investment Committee provides assurance to the Board over the Group's investment activity and that an appropriate investment strategy is in place. It provides assurance that the investment strategy is performing effectively, and that investment activity adheres to the strategy. The Committee reviews, challenges and approves the asset allocations for each fund. It has oversight of the investment mandates, investment operating model and service providers, the framework of constraints and limits of authority, and any material outsourcing of investment management.

It has oversight of all risks associated with investment functions, including those related to climate change.

The Committee's focus in 2023

The Committee reviewed the strategies, performance and risks of the Group's investment portfolios throughout the year. The Committee also considered the approach to developing the strategic asset allocation for the year and agreed appropriate benchmarks for the various funds. The Committee also approved the report on NFU Mutual's adherence to the Stewardship Code.

The Committee considered the progress to meeting the carbon reduction target for the investment portfolio. The target is for a 50% reduction in the equity and corporate bond portfolio (from the 2019 baseline) by 2030. Pleasing progress has been made to date. The Committee recognises that the carbon footprint of the portfolio will change as the assets invested in change. The implications of any changes in asset mix within the strategic asset allocation on the carbon emissions of the portfolio were highlighted to the Committee. The Committee believes that NFU Mutual is well placed to achieve the targeted reduction by 2030. NFU Mutual will continue to engage with the companies it invests in initially to understand, especially for those with large carbon footprints, their transition plans and targets to reduce carbon emissions. NFU Mutual will also encourage greater disclosures in this area and target setting.

The Committee also reviewed NFU Mutual's international equity strategy and agreed changes to the selection of external managers. The Committee oversaw the work to implement investment into the new asset class of global property and the proposed investment into infrastructure equity. The Committee received satisfactory reports from Internal Audit and the Risk teams in relation to the operations of various teams within the investments area.

Remuneration Committee

Committee composition

The Committee is comprised entirely of independent Non-Executive Directors. Ali Capper had more than 12 months' experience on a Remuneration Committee prior to appointment as Chair as required by the Code.

Name of Director	A	B
Ali Capper (Committee Chair)	5	5
Elizabeth Buchanan [1,2]	2	2
Christine Kennedy [3]	2	2
David Roper	5	5
Dave Smith	5	5

1. Appointed to Committee 1st April 2023
2. Resigned from Board 27th October 2023
3. Resigned from Board 31st March 2023

A = Meetings attended
B = Maximum meetings

Details of the work of the Remuneration Committee can be found in the Directors' Remuneration Report on page 141.

Jim McLaren
Chairman

Nick Turner
Group Chief Executive

21st March 2024

CORPORATE GOVERNANCE

1. NFU Mutual Board of Directors (Jim McLaren*)

Determines the strategy and policies of NFU Mutual and sets the guidelines within which the business is managed. The Board works closely with management to assess whether the necessary level of financial and management resource is in place to enable the company to meet its objectives. The Non-Executive Directors provide a level of challenge and external perspective and expertise to the Group.

2. Nomination Committee (Jim McLaren*)

Reviews the structure, size and composition of the Board, taking into account the skills, knowledge and experience of Directors, and makes recommendations to the Board on potential candidates for Board and Committee appointments.

3. Audit Committee (David Roper*)

Reviews and challenges management on the effectiveness of systems for risk management, internal controls and audit. The Audit Committee provides direction and guidance to Group Internal Audit, and reviews and challenges the actions and judgement of management in relation to the annual financial statements before they are presented to the Board.

4. Remuneration Committee (Ali Capper*)

Determines and agrees with the Board the framework for the remuneration of executive management, sets the level of remuneration for the Group Chief Executive, members of the Executive Committee and the General Counsel & Company Secretary. The Committee also sets the proposed level of fees for the Chairman, having taken advice from external Remuneration Consultants and Executive Directors.

5. Board Risk Committee (Alan Fairhead*)

Oversees the development, implementation and maintenance of the Group's Risk Management Framework, as well as its risk appetite, strategy, principles and policies to ensure they are in line with emerging regulatory, corporate governance and industry best practice. The Committee also oversees the Group's risk exposures and facilitates the involvement of Non-Executive Directors in risk issues. It oversees adherence to Group risk policies and standards, as well as reviewing the work of the Group Risk function.

6. Executive Committee (Nick Turner*)

Consolidates all aspects of risks within the Group, monitors the risk profile in respect to the risk appetite set by the Board, and provides challenge to the current risk profile and strategy. The Committee considers the development and implementation of strategy, operational plans, policies and budgets, the assessment and control of risk and the prioritisation and allocation of resources in each area of operation.

7. Group Operational Risk Committee (Iain Baker, Risk Director*)

Reviews and recommends the Group's standards for operational risk appetite, operational risk framework and high level operational risk policies.

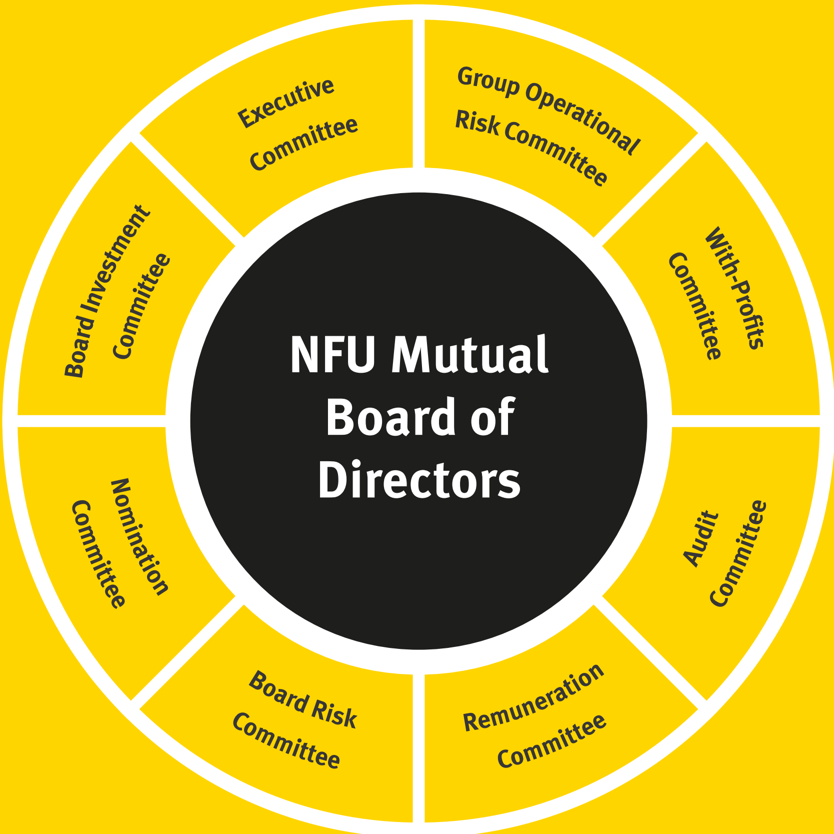
8. With-Profits Committee (John Deane*)

Considers the interests of the With-Profits policyholders and is accountable for managing the capital and risks associated with the With-Profits funds in line with regulatory requirements.

9. Board Inevestment Committee (Jon Bailie*)

Provides assurance over the Group's investment activity.

* The Chair of each Committee is shown in brackets.



RESPONSIBLE BUSINESS

Environmental, Social and Governance at NFU Mutual

At NFU Mutual, being a Responsible Business is an integral part of our overarching company strategy. It's what has defined us over our one hundred and ten years of history and remains a key part of how we do business today. We are committed to making a positive difference for our members, our people, for farming and rural communities, and for the environment, by doing business the right way.

Over recent years, we have evolved our Responsible Business Strategy to consider factors across an Environmental, Social and Governance (ESG) framework. This process has allowed us to revise our Responsible Business ambitions and focus areas, refine how we measure and report on our progress, and renew our commitment to continually challenge ourselves on the pace and scale of our targets.

While forming this refreshed strategy, we conducted extensive research to understand the values of stakeholders both inside and outside our organisation, from employees and Agents, to suppliers and customers. The outputs were used to identify and prioritise our key areas of focus, ensuring our Responsible Business approach reflects what matters most to our members, people and partners.

We were proud to launch this evolved Responsible Business Strategy in our 2022 Responsible Business Report, and have since been working to establish measurable and meaningful targets to track our progress.

During 2023, NFU Mutual's Board approved a set of flagship targets to assess delivery against each of our Responsible Business ambitions:

Protecting Rural Lives and Livelihoods	**Building a Healthy Community**	**Caring for the Environment**	**Doing Business the Right Way**
To make positive impacts on the welfare of those living and working in rural communities in the UK, and being there for our members in times of need. To help protect the livelihoods of the UK farming community, both now and for future generations.	To support wellbeing across NFU Mutual's community of employees and its agency network. To continually strive for equality and to create workplace environments and relationships that foster respect and belonging.	To contribute to reducing climate change and its impact. To help conserve and enhance nature and biodiversity through our own activities and influence.	To continue to incorporate Environmental, Social and Governance factors in our decision-making, how we operate our business and our supply chain, where we place our investments and the products and services we provide.
NFU Mutual is aiming to champion this area.			

As we continue to integrate our evolved Responsible Business Strategy into the way we do business, the next stage will be to ensure these targets are embedded across the organisation, and that we have accurate measurement processes in place to support clear and transparent disclosure of our performance.

For more information about our Responsible Business Strategy, our performance, and our ambitions for the years to come, please visit **nfumutual.co.uk/responsible-business**

Our 2023 responsible business activity

As a mutual, we have no shareholders, so we're free to be the kind of business our members would like us to be. We believe that means taking responsibility for our actions and doing business in a way that can help create a better future for our members, our communities and our environment. In the following sections, we're proud to share some of our key achievements in 2023 against each of our four responsible business ambitions.

Protecting rural lives and livelihoods

NFU Mutual agency offices are part of the fabric of rural life, covering more than 280 locations across the UK. As members of the communities they serve, NFU Mutual local Agents give us a unique insight into the issues challenging the health, wellbeing and livelihoods of people in their areas. We aim to use that understanding to create a positive and sustainable difference for those living and working in rural communities, being there for our members in times of need and protecting their livelihoods, both now and for future generations.

Rural crime

NFU Mutual invested more than £440,000 during 2023 to support local, regional and national initiatives that help farmers and rural communities tackle the menace of rural crime. Since 2010, we have been investing in a police unit at the National Vehicle Crime Intelligence Service (NaVCIS) and enhance their effectiveness by sharing claims intelligence from a dedicated team at NFU Mutual. In January 2023, the service became a focused National Construction and Agri Theft Team under the new National Rural Crime Unit.

NFU Mutual has also provided support and funding to help establish a Livestock Officer role within the new unit. The officer will be looking to gather intelligence on livestock theft across the UK, with a remit of identifying and sharing trends and working with local police forces to build cases against perpetrators.

Emergency claims response

Following a settled start to 2023, the weather turned as autumn approached, leading to seven named storms hitting the UK within the year. These storms impacted over 2,700 of our customers, whose properties suffered flood and storm damage.

It's times like these when we can really make a difference for our members. As a mutual insurer with an agency office base in many local communities, we can be there alongside our customers as we help them recover from severe weather events.

Along with our supply chain, our agency offices and Regional Claims Teams responded quickly to support the communities affected. This support included providing same-day payments for emergency purchases, alternative accommodation arrangements and promptly getting started on repairs. With the frequency of extreme weather events increasing, we're working hard to ensure we're equipped to be there for our members when they need us most.

Flood resilient repairs

Storm Babet in October 2023 led to the largest flooding event in the UK for several years, with more than 800 Mutual customers impacted. We advise our members on how to rebuild in a way that helps protect them against future flooding, as well as contributing to the cost of flood-resilient repairs under our Personal policies.

We continue to support Flood Re's 'Build Back Better' initiative, and remain committed to working with the Government, other insurers, and industry experts to raise awareness of flood resilience, helping those at risk of future flooding to take steps to limit the impact. In 2023, we paid over £140,000 (2022: over £76,000) towards flood resilient repairs, which allowed our members to build back better.

Rural road safety

Through its awareness campaigns, NFU Mutual is aiming to make rural roads a safer place for anyone who lives in, works in, or visits the countryside - from motorists, motorcyclists and agricultural vehicle drivers to horse riders, pedestrians and cyclists. Sadly, NFU Mutual's analysis of the latest government statistics show that over 1,000 people lost their lives on rural roads last year, 72% more than those who died on urban roads. To help advise rural road users, we recently announced our intention to create a 'Code for Countryside Roads'. Through consultation activity in 2024, we will canvas views and work with partners to release a guidance document on the safe use of rural roads.

Supporting Farming Unions

We continue to provide funding for the UK's main farming unions as they work with the Government to keep agriculture running, supporting rural businesses and families around the UK. In 2023, NFU Mutual donated £8.4m to farming unions to carry out their vital role.

The NFU Mutual Charitable Trust – supporting agricultural and rural charities

Established in 1998, the NFU Mutual Charitable Trust is our principal way of supporting national charities. Since it was founded, the Trust has distributed donations totalling more than £8.6m and made a positive difference to education, research, social welfare and poverty relief. Last year, the Trust donated over £1m to organisations including RABI, RSABI, Rural Support, Farming Community Network, The Royal Countryside Fund and Samaritans. The donations were made possible by a pledge of £1m from NFU Mutual to the NFU Mutual Charitable Trust in 2023.

CENTENARY AWARD RECIPIENTS 2023

Megan Phillips

Peter Reis

Ludo de Falbe

Further to its financial donations, NFU Mutual works with some of the Charitable Trust recipients on partner projects and campaigns to raise awareness of their valuable work, services, and advice. For example, 2023 saw NFU Mutual support FareShare's 'Surplus with Purpose' campaign to fight against food poverty, an important issue many people are facing, especially in recent times.

The scheme covers the extra costs involved for food businesses to divert their surplus to FareShare, which helps UK farms and primary producers to redistribute their unwanted or unsold food to people who need it most.

Supporting the next generation in agriculture

We first launched the annual Centenary Award in 2010 to celebrate our 100th year. It aims to support innovation and research in UK agriculture, whilst also championing passionate individuals who demonstrate the potential to make an impact in the industry. The award is funded by the NFU Mutual Charitable Trust and provides bursaries of up to 75% of course fees for selected postgraduate students in agriculture.

Fifty-two young people have since received help through the award to further their education.

Three postgraduate students were selected for the award in 2023. To select the students, the award's judging panel looks for applicants who are not only excellent academic performers, but have also shown real potential to become a future leader within UK agriculture. Eligible themes for their supported courses were: applying science and innovative technologies to enhance the productivity of UK farming; building resilience and safeguarding the physical and mental wellbeing of those living and working in UK agriculture; tackling climate change risks to improve the sustainability of UK farming; identifying opportunities for supporting nature and biodiversity in the development of farming practices in the UK.

Farm Safety Foundation

As a mutual insurer that has cared about the countryside, farmers and their families for over a century, NFU Mutual took the decision in 2014 to establish the Farm Safety Foundation, an independent registered charity to help farmers work safely (Registered Charity No. 1159000).

The Farm Safety Foundation - or Yellow Wellies as many know them - work to challenge and change the attitudes to risk-taking and poor mental health that continue to give farming the poorest safety record of any occupation in the UK. Agriculture accounts for 1% of the UK's working population, but 16% of all workplace deaths. Twenty-one farm workers and six members of the public (including a child) lost their lives on farms in Great Britain in the 2022/23 HSE Fatal Injuries in Agriculture, Forestry & Fishing GB reporting period.

NFU Mutual's funding has allowed the Foundation to develop and deliver high quality training to agricultural students and farming businesses throughout the UK. Nearly 25,000 young farmers have received this training over the past ten years.

During these ten years, the charity has seen

a real improvement in the attitudes of the next generation to working safely and this needs to continue. Sector-leading research into attitudes and behaviours has allowed the charity to understand the risk factors around farm safety and poor mental health, and they use this evidence to drive change and influence policy and practice.

As the charity celebrates its tenth anniversary and prepares for its next chapter, they will continue to conduct charitable activities while exploring ways to improve and expand the training, resources and communications they deliver. Together, we aim to reduce the number of people having life-changing and life-ending accidents on farms and to bring a brighter, better and safer future for farming.

Helping Local Communities – The NFU Mutual Agency Giving Fund

We're proud to have distributed £1.92m to local charities across the UK in 2023, by continuing our 'Agency Giving Fund' initiative. The Agency Giving Fund is a national fund that was first set up in 2020, in response to the pandemic, to provide emergency support for local charities and assist communities

with recovery. We've since maintained this heightened level of support as communities battle the cost-of-living crisis.

To ensure funding is distributed across the UK, and to where it matters most, NFU Mutual invites all local agency and branch offices to nominate local charities. Their local knowledge directs the funding to key areas of support.

From providing food parcels, to supporting local hospices and mental health support groups, our 2023 Agency Giving Fund championed front-line charities across a broad range of sectors, helping to keep vital services going for our customers and our communities.

Half of the fund, £960,000, was donated to charities providing emotional and social support. More than £710,000 has been directed to charities providing healthcare, including 39 nominations for local community hospices and 24 nominations for air ambulance charities. The remaining funds, just over £250,000, were given to charities providing emergency food supplies and shelter, such as foodbanks.

Community Champions Scheme

NFU Mutual's Community Champions Scheme supports causes championed by its people, with a total of £30,000 distributed through the fund in 2023.

One aim of the fund is to support initiatives near to key office sites, including Stratford-upon-Avon and our regional service centres. Examples include our partnership with national environmental charity, The Tree Council, to support their nature and conservation work in UK neighbourhoods. We're proud to be in the second year of our sponsorship of the charity's Queen's Green Canopy project, as one of 70 corporate partners supporting the planting of 35,000 trees and seven kilometers of hedgerow in community spaces across the UK.

The Community Champions Scheme also supports staff fundraising events. From bake sales and sponsored runs to quiz nights and cycle rides, we want to support our employees as they look to make a difference in their communities.

Building a healthy community at NFU Mutual

NFU Mutual aims to be a great place to work. We strive to reward successes, encourage personal development, create an environment where our people feel comfortable being themselves, and empower them to make meaningful differences wherever they can. In 2023, we again achieved a score in the top 1% of all companies completing the Gallup Employee Engagement Survey, maintaining our world-class performance. As testament to our outstanding engagement in 2023, we also won the Gallup Exceptional Workplace Award for the 8th year running.

Supporting the health and wellbeing of our employees

Our commitment to the health and wellbeing of our employees is an essential element of our ambition to be a great place to work. In 2023, 916 hours of training and education were delivered for our employees on health and wellbeing topics, such as sleep, nutrition and stress management. In 2023, we also increased the number of trained Mental Health First Aiders available to signpost mental health resources and support employees across the business. In November 2023, the ESG Steering Group approved a refreshed Health and Wellbeing Strategy with a programme of initiatives planned to support our employees over the next three years.

We have also taken steps to support the financial wellbeing of our employees. Aware that some may have been finding the added financial pressures of the cost-of-living crisis particularly tough, we have delivered support payments worth over £1.28 million to eligible employees. The first cost-of-living payment was made in November 2022, with £1,000 paid to individuals earning at or less than £41,140 per annum. A second payment of £500 was made to employees meeting the same criteria in April 2023, to help support them through continued high inflation.

Developing our people

We take pride in supporting all our employees to develop, perform and succeed. NFU Mutual works hard to create the right environment for our employees so that they can be and do their best. Through a combination of development conversations, formal development programmes, online learning and face-to-face courses, we help our people to not only develop the skills they need today, but to build towards their ambitions for tomorrow. The investment we make in every employee and their development throughout their career with us is so important, both to the employees themselves and to ensure they can deliver on our commitments to our members.

In 2023, we maintained our affiliation with the European Mentoring and Coaching Council (EMCC) and delivered 1,732 hours of coaching through our internal network of coaches. Over 190 colleagues access a mentor since the start of 2023. To help even more employees take advantage of this offering, last year also saw NFU Mutual launch a new suite of internal Mentoring Apps, through which 76 new mentoring partnerships have already been formed.

We continue to deliver a successful Professional Trainee scheme, having onboarded 38 talented graduates in September 2023 and aiming for similar numbers in 2024. Achieving first place in the 2023 Job Crowd awards for graduate schemes in the Accountancy and Insurance Sector, as well as being shortlisted for the 2023 Target Jobs award for the best graduate onboarding experience, is fantastic recognition of our efforts to sustain and grow the level of support and development we provide to our graduate community.

In 2023, we successfully launched our first summer internship programme, with eight interns onboarded across the business. It proved highly successful, with 70% of interns who completed the programme expressing a strong interest in returning to NFU Mutual after university. Two have already accepted graduate roles, and one has secured a second internship with us in 2024. Our plan is to further enhance and expand this programme as an integral part of our early-careers strategy. We're also exploring new opportunity pathways for the future, researching placement years during 2024 with a view to launching a pilot scheme in 2025.

Keeping our employees connected to our purpose

To help employees get off to a strong start in their careers at NFU Mutual, we launched a refreshed Corporate Induction Programme in 2023. First, we revised, redesigned, and restructured our Learning Induction Hub, a self-serve platform that offers employees a wealth of information across a wide range of business topics. Next, we enhanced our virtual induction day, delivering an interactive deep dive into key elements of NFU Mutual's strategy.

The final piece of the new Induction Programme was to develop a face-to-face immersive event. New NFU Mutual employees from across the UK were invited to come together to meet colleagues and discover more about our heritage, culture and operations. The day included motivational and informative talks from Divisional Directors covering key topics: our People; our Customers; and our Strategy and Future. Our 'market stalls' room provided new starters with the opportunity to move between stands, building their networks and getting a taste for how different departments operate and contribute to our strategic ambitions. Finally, visual installations were set up for employees to interact with, one bringing to life the impact that NFU Mutual has on the lives of our customers, and one illustrating the importance of Diversity and Inclusion in our organisation.

Diversity and Inclusion

At NFU Mutual, we are committed to delivering our Diversity and Inclusion strategy to create a culture that encourages and celebrates diversity, promotes inclusivity, and supports our employees to thrive.

To support that commitment, 2023 saw us maintain our affiliation with the Race at Work Charter, introduce Employee Networking Groups, and develop and pilot specific support for our business mentors on Diversity and Inclusion. This has allowed us to create diverse mentoring relationships, an approach that we're looking to adopt more broadly in 2024.

We also launched unconscious bias training at the end of 2022 and last year saw us educate many of our people on this topic. By the end of 2023, 92% of NFU Mutual employees had completed this training. Crucially, 2023 also saw us undertake a successful data collection exercise to understand the diverse nature of our workforce and we will use the outputs to inform our future Diversity and Inclusion activity.

Since 2018, NFU Mutual has been a signatory to the Women in Finance Charter. In 2023, we reported to HM Treasury that 40.6% of our senior management population were women, compared with 36% when we signed the Charter in 2018, delivering against our 2024 published target of 40%.

Employee volunteering

To encourage and support the community involvement of our people, NFU Mutual has an employee volunteering programme, which gives our people time off work to support a good cause in their community. In 2023, NFU Mutual staff volunteered a total of 4,125 hours to help a wide range of causes, such as local foodbanks, hospices, schools and community forests. We've been heartened to hear about how our employees' volunteering has helped organisations to deliver their vital services, particularly during these challenging times.

In addition to the community benefit, we know that our employees take value from the experience of helping a good cause. Our volunteering programme supports our wellbeing programme, and also enables employees to develop skills such as collaboration, communication and problem solving, outside of a traditional working environment. The aim is to have an enjoyable and rewarding teambuilding day to learn something new, meet different people, and make a difference for the community.

Caring for the environment

Climate change is a global challenge, and we are committed to actively reducing our own environmental impact as we aim to become a net zero business by 2050. We are also adapting to meet the insurance needs of our members as they transition to a low carbon economy. Further details on this area of activity can be found in the Climate Change section of this report (from page 38), which is a legislative requirement explaining how we are identifying and responding effectively to material risks of climate change. It also details actions we are taking to deliver our climate change strategy.

In 2023, NFU Mutual became a proud member of ClimateWise, a global leadership group supporting the insurance industry to better communicate and respond to the risks and opportunities associated with climate change.

We are also aiming to protect and enhance nature and biodiversity, initially focusing on eco-systems across NFU Mutual owned premises and our property investment portfolio.

Working with our motor repairers to offer environmentally friendly claims options

At NFU Mutual, we are actively working with our supply partners to reduce our impact on the environment, helping to drive the UK's transition to a low carbon economy. We are currently developing our approved motor repairer offering to make sure that we can meet the needs of our customers, both now and in the future.

As part of these plans, we are not only ensuring that our repairers are ready and able to handle repairs on electric and hybrid vehicles, but also that they use methods that minimise the impact on the environment.

Repairing rather than replacing more parts is one of the ways we can do that. This can reduce waste and also support our repairers to invest in the tools and training they'll need to work more sustainably in the long term.

We work with our repairers to offer customers the opportunity to choose recycled parts when their vehicle is in need of repair. By opting for recycled parts, together we can reduce carbon emissions, waste and reliance on global supply chains. In a market-leading scheme, we also provide a CO_2 savings certificate to customers choosing to use any green parts during a vehicle repair, to help them understand the positive impact they can have.

NFU Mutual approved repairers also offer a tree planting scheme, as an alternative to a courtesy car. So, if a customer doesn't need a vehicle while theirs is being repaired, we can instead have a tree planted in the UK on their behalf. This gives our customers the opportunity to both reduce and offset their carbon emissions.

Reducing our impact across our office sites

Following the introduction of our Hybrid Working Policy in 2022, we have been undertaking a review of our business spaces to ensure our group occupied property portfolio meets the future needs of NFU Mutual. As well as reducing our operational costs, this will help to deliver a reduction in our scope 1 and 2 emissions in line with our set targets.

Last year, we made a significant investment in our York Regional Service Centre to improve the way the building is heated, cooled and lit, replacing existing systems with energy efficient alternatives. These works have allowed us to remove gas boilers from site, instead heating and cooling the building with energy efficient heat pumps. All existing lighting has also been replaced with LED lighting, which is more energy efficient, and is part of our national LED lighting roll-out. The works have improved the energy performance rating of the building from a D to B.

Meanwhile, at our Head Office in Stratford-upon-Avon, we are proud to announce that we will be installing rooftop solar panels. The scheme aims to deliver around 20% of our Head Office electricity needs and (subject to planning) will be installed in 2024.

We're also pleased to have extended the rollout of electric vehicle chargers on site. We have increased the number of chargers available from the 21 we installed 2021 to 36. This has included not just our Head Office site, but our regional office in York. In 2023, our chargers were used 3,309 times and saved an estimated 23.7 TCO2 of travel emissions. We have also replaced our onsite support vehicles to full electric to help work towards our environmental goals. This change is estimated to save 12.5 TCO2 of future travel emissions per year. For our full emissions report, turn to the Risk and Risk Management section of this document on pages 38 to 71.

Recycling to improve lives

We've been donating furniture we no longer need for over a decade, giving items a second life with local organisations that have a use for them. In 2023, we gave 574 pieces of furniture to local groups like community centres, schools and hospices, allowing them to update key spaces and redirect funding to where it matters most – delivering the valuable services and support they offer our communities. One of the causes to benefit from our surplus office furniture last year was VASA, a charity based in south Warwickshire that connects people through community activities. We were delighted to provide VASA with tables, chairs, seating and artwork to help furnish their new office building.

Protecting and enhancing Nature and Biodiversity

As a commercial landowner, NFU Mutual believes there is an innate responsibility to protect, and where possible enhance, the nature and biodiversity of its owned sites.

Across our Stratford-upon-Avon sites, we have 14 hectares of open green space with over 1,000 trees of 79 different species. We also operate a number of different initiatives to encourage nature and biodiversity and prevent nature loss. These include: wildflower gardens to encourage flying insects and, in turn, bats; log piles to provide habitats for insects, fungi, mosses and lichens; bird feeding stations; bee hotels; and bird, owl and bat boxes across our sites. We have installed signage explaining the benefits of each of the initiatives to help raise awareness and educate employees on what they could do at home. In 2023, we introduced a new outdoor seating area at our Head Office in Stratford-upon-Avon, installing recycled seating and re-planting trees that needed to be rehomed from elsewhere on site.

Our community support activity provides another opportunity for us to play our part in protecting and enhancing our environment. This is possible through the causes we support, as well as through our employee volunteering scheme. In 2023, 58% of our overall employee volunteering hours were spent completing tasks to support local nature and biodiversity initiatives. For example, the ESG Team enjoyed a day working at Oakbrook Community Farm during National Tree Week, supporting The Tree Council as part of a group that planted over 500 trees on the site across the day.

Doing business the right way

At NFU Mutual, we strive to do the right things in the right way. To help us act responsibly and inclusively in every way we can, we have internal systems and practices, controls and procedures to govern our conduct across all areas of our business operations. We will continue to incorporate Environmental, Social and Governance factors in our decision-making, how we operate our business, where we place our investments and the products and services we provide.

Responsible investment

Strong stewardship of our investment assets and a long-term responsible investment policy continue to be vitally important elements of our overall investments approach.

We are proud signatories of the Principles for Responsible Investment (PRI), supported by the United Nations, and a member of the Investor Forum, as we believe both enhance our stewardship capabilities and help to raise standards across the investment industry.

We are also very pleased to be signatories of the UK Stewardship Code, with its admirable aim of setting high stewardship standards for those investing on behalf of savers and pensioners.

Our responsibilities when investing extend into our shareholder engagement and voting decisions. We believe that strong stewardship and engagement can lead to improved corporate behaviours and help accelerate change. Throughout 2023, our Fund Managers voted at 6,595 meetings on 65,825 resolutions, of which there were 10,837 votes against management. We believe that voting against management allows us to communicate to our investee companies where we don't believe they have acted in the best interest of shareholders.

Responsible property investment

Our property investments strategy works to support NFU Mutual's Responsible Business ambitions. Across the property investments portfolio, there has been significant change over a relatively short period of time. For example, we have moved quickly to ensure 97% of all property investments now have an energy performance rating of C or better, and 54% of B or better, ahead of an expected legislative deadline of 2027 for C ratings and 2030 for B ratings.

We are also investing in renewable energy ventures at some of our key investment sites. This includes a £500,000 project to install solar panels at The Brewery Quarter in Cheltenham, which will make the landlord-managed areas carbon neutral. Across our retail parks, we're partnering with Gridserve to install 68 electric car charging points.

Our responsible property investment approach extends to the ways we interact with and manage our tenants, conducting operations with society and the environment in mind. We are implementing a new green lease framework to enhance collaboration between ourselves and our tenants to help both parties deliver on their responsible business ambitions. Since January 2022, 100% of all new leases have included some green lease commitments and obligations. This has created a framework for collaboration between landlord and tenant to deliver more sustainable buildings and operations. This can include procurement of green electricity, not undertaking work that worsens energy performance, sharing emissions data and implementing sustainable building operations. Screening is also now taking place to understand if tenants have Science Based Targets in place to tackle climate change, and we are benchmarking this annually.

A sustainable approach to procurement

Incorporating Environmental, Social and Governance factors into how we select and manage our suppliers forms part of NFU Mutual's ESG Strategy. As contributors to NFU Mutual's scope 3 emissions, our suppliers have a vital part to play in the success of our Net Zero Roadmap. To help us partner with businesses that share our values, we are working with a third-party due diligence provider, Hellios, which enables us to assess potential suppliers during our procurement processes. This includes whether potential suppliers have a sustainability policy, the processes they have in place to reduce emissions, and the targets and measures they are using.

We continue to work with strategic and key suppliers after they have been onboarded to understand their ESG maturity progression in terms of policies, processes and performance measurement and their greenhouse gas emissions.

We understand that collaboration and engagement with our suppliers is critical to achieve our sustainability ambitions, so we are working to identify good practice, share knowledge and learn from each other wherever possible. This is not only to support our own progress, but to share knowledge and identify how we can work together and learn from each other.

Keeping good company

We continue to support social enterprises and direct our spend on products and services to businesses that create change by investing at least 50% of their profits into environmental and/or social goods. We're proud to be part of Social Enterprise UK's Buy Social Corporate Challenge, which helps businesses to source social enterprise suppliers. In 2023, NFU Mutual worked with 39 social enterprising and not for profit organisations, supporting causes such as developing entrepreneurial skills in young people, providing women's centres with feminine hygiene products, offering training and employment opportunities to empower refugees and by investing profits to support orphaned or abandoned children.

How we did in 2023

£3.25m
of donations to local and national charities

£8.4m
donated to Farming Unions

4,125
hours of employee volunteering

574
pieces of office furniture donated to the local community

4,354
young farms received farm safety and mental health training from the Farm Safety Foundation

174, 751
pieces of individual learning provided for employees

£140,000
paid towards supporting our members with flood resilient repairs

£794,631
spent with social enterprises as part of the Buy Social Corporate Challenge

Over £440,000
invested in schemes across the UK designed to tackle rural crime


NFU Mutual

DIRECTORS' REMUNERATION REPORT

I am pleased to present the Remuneration Committee's report for the year to 31 December 2023. The report has been structured to reflect many of the disclosure requirements that apply to publicly-listed UK companies, to ensure that our remuneration policies and practices are presented in a clear and informative way.

NFU Mutual's remuneration policies are designed to attract and retain the talent needed to run the business successfully. The annual and long-term incentives help to align the total remuneration package directly to the performance delivered for our members and other stakeholders.

The incentive schemes incorporate a wide range of financial and non-financial measures which are aligned to the Company's long-term business strategy and these schemes enable all staff to share in the success of the Company.

Overview of 2023

During another year of economic instability and tough market conditions the business performed well, and we continued to support both our customers and people throughout 2023.

Our good investment performance, particularly in the last months of the year, meant that we achieved a Group profit for the year whilst also awarding £244m in Mutual Bonus to our loyal members.

In 2023, we scored in the top 1% of all companies completing the Gallup Employee Engagement Survey for the sixth year running. We also won the Gallup Exceptional Workplace Award for an 8th consecutive year, and NFU Mutual is one of only two UK-headquartered companies to have been given this accolade.

We also continued to embed our Diversity and Inclusion strategy throughout 2023 and supported our employees when they needed us most with a cost of living payment worth over £1.28 million.

The average pay increase effective 1 May 2023 was 5.71%, taking account of prevailing rates of salary inflation and the need to recognise employee development in role.

The Committee continues to monitor the effectiveness of our policies and seeks to ensure that they support the business and the interests of our members and meet regulatory requirements.

The Committee would welcome your support at the AGM.

Remuneration Committee

- Ali Capper (Chair)
- David Roper
- Dave Smith

The remuneration Committee

All members of the Committee are Non-Executive Directors and the Committee reports to the meetings of the Board, on the Committee's work.

The Committee, within the terms of the policy agreed by the Board, sets and monitors the level of remuneration for the Group Chief Executive, members of the Executive Committee, the General Counsel & Company Secretary and other Material Risk Taker roles. It also sets the proposed level of fees for the Board Chair. Fees and remuneration for all of these roles take account of comparative market information and objective advice from our external remuneration consultants.

The composition and performance of the Committee is reviewed annually by the Board. The Committee's Terms of Reference are available, on request, and also appear on the Group's website.

The purpose of reward at NFU Mutual is to:

- Encourage employee alignment to the required performance and values of the business.
- Recognise the contribution that employees make to the success of the business.
- Allow all employees to share in that success.
- Attract and retain employees with skills and knowledge important to the success of the business.

The Committee considers the reward package of other Group employees when determining the Directors' remuneration for the year. This includes annual base salary, benefits and bonus schemes.

The Committee's practice is to appoint external remuneration consultants. The main adviser during 2023 was the Executive Compensation Services practice of Alvarez & Marsal. Aon plc also provided market benchmarking information. Alvarez & Marsal and Aon plc are signatories to the Remuneration Consultants' Code of Conduct, which requires any advice to the Committee to be objective and impartial.

Remuneration policy

Reward at NFU Mutual is a combination of base salary, variable pay and a market competitive pension and benefits package. Reward supports our values and business culture by balancing the need to recognise and reward high performance with the requirement to support our culture of collaboration, fairness and consistency.

The Remuneration Policy Table, which summarises the different elements of the Executive Directors' and Non-Executive Directors' remuneration at NFU Mutual, is available on **nfumutual.co.uk**

The Group has structured remuneration to comply with the best practice principles set out in the Financial Conduct Authority's Remuneration Codes, and the PRA's remuneration guidelines for insurance firms. This includes ensuring that remuneration policies and incentive payments are consistent with the prudent management of risk. All proposed reward schemes are subject to risk assessment by the Group's Risk Function. This risk assessment focuses on financial, behavioural, regulatory and operational risks.

Comparing remuneration policy for Executives with other employees

Base salary, pension and benefits: these apply to all employees. The Committee takes into account the Group's overall salary budget and percentage increases made to the wider workforce when setting Executive salaries. Benefits are offered on similar terms throughout the Group although some benefits available vary by job level, such as car allowances.

Alignment of pension: effective from the 1st January 2023 all Executive Directors' pension allowances were reduced to 12% to align with the UK Corporate Governance Code. The aggregate of these allowances was £176,126 in 2023.

Annual Bonus: the Group Bonus Scheme (GBS) applies on the same terms throughout the Group, dependent on Group performance. The Short-Term Incentive Plan (STIP) participation is for staff above a certain job level, whose roles more directly influence the success of the business. The maximum bonus opportunity varies by job level.

One third of the total annual bonus award (GBS and STIP) for the CEO and other Executive Directors is deferred for three years post award.

Long-Term Incentive Plan (LTIP): Executives and senior managers are eligible to participate in the LTIP.

Gender pay gap

Since 2018, all UK organisations with over 250 employees have been required to report on their Gender Pay Gap. This measures the differences between the average pay of all men and women in the organisation regardless of their roles. The Gender Pay Gap measurement is different from the assessment of 'equal pay for equal work', which focuses on earnings for men and women doing the same (or similar) work.

There are no differences in NFU Mutual's Remuneration Policy, or how it is applied, based on gender.

NFU Mutual's Gender Pay Gap results for the year to 5 April 2023 compare positively with the data published for the Finance and Insurance Activities sector by the Office of National Statistics (ONS) in 2023.

NFU Mutual's mean Gender Pay Gap is 18.6% compared to the ONS figure of 24.7%. Our full Gender Pay Gap Report for the year to 5th April 2023 will be available from April 2024 on **nfumutual.co.uk**

Cost of Living

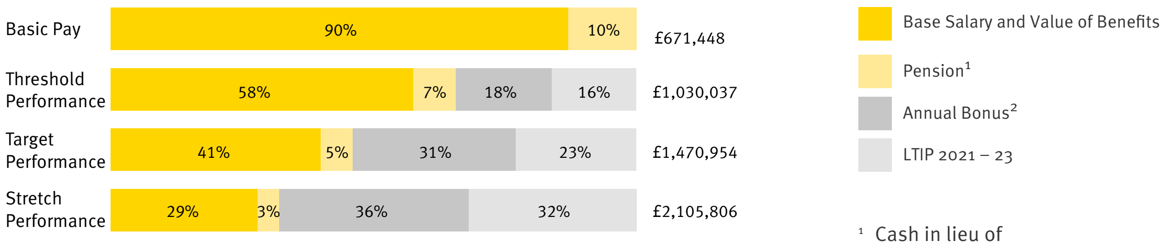
We have supported our employees during the Cost of Living crisis this year, with a £500 payment for all employees whose salary is up to and including £41,140 worth over £1.28 million. Our aim was to help ease the financial pressure on those who may have be finding it particularly tough during the high levels of inflation.

Relative importance of remuneration elements

Performance-related elements of the remuneration package for Executive Directors comprise a substantial portion of the total. This serves to drive behaviours that promote the best interests of the business, while ensuring that rewards outturns are aligned with the performance of the Group.

The charts below explain the mix in 2023, between the fixed pay and performance-related pay of Executive Directors at threshold, target and stretch performance levels.

Chief Executive (Nick Turner) total remuneration potential for the 2023 performance year

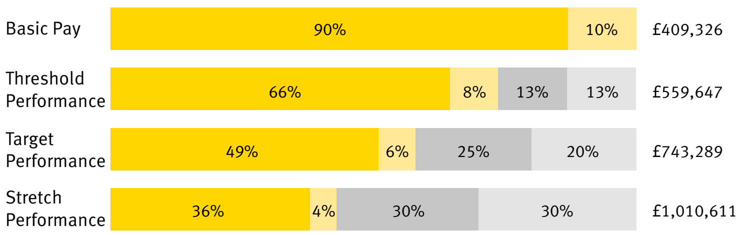


[1] Cash in lieu of Company Pension Contribution

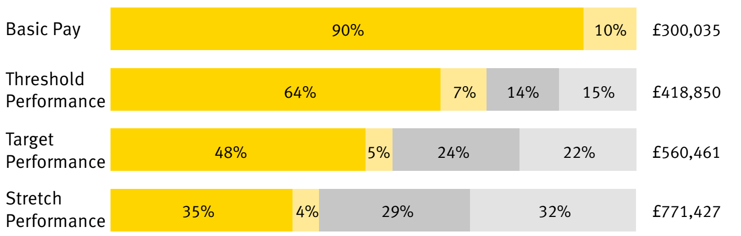
[2] 1/3 of Annual Bonus (GBS and STIP) will be deferred for three years

[3] Mrs Kelsall was appointed 1st April 2023

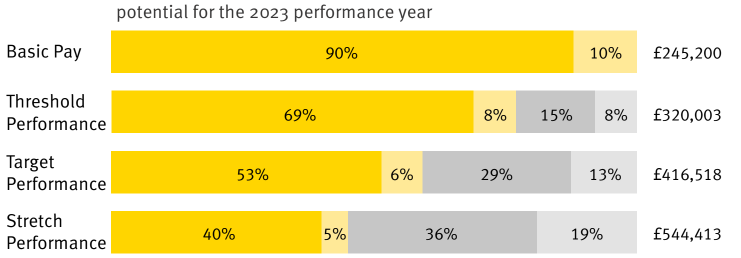
Finance Director (Richard Morley) total remuneration potential for the 2023 performance year



Sales & Agency Director (Nick Watson) total remuneration potential for the 2023 performance year



Customer Services Director (Rachel Kelsall[3]) total remuneration potential for the 2023 performance year



Recruitment, retention and service contracts for Executive Directors

The Company's policy is to pay appropriately to attract individuals with the skills and experience required for each role. This also takes into account remuneration across the Group, including for other senior appointees, and remuneration offered by other similar-sized companies. Base salaries are set taking account of market data and internal comparisons. All other elements of remuneration are aligned to our policy.

Considerations elsewhere in the group

In setting the remuneration policy for Executive Directors, the Remuneration Committee takes into account the pay arrangements of other colleagues in the Group.

The same principles apply to the remuneration policy for all colleagues: pay is benchmarked against relevant markets to ensure competitiveness, and performance-related pay elements are aligned with, and help drive, the achievement of the Company's business strategy. In determining any increase in the level of base salaries for Executive Directors, the rate of increases for other employees in the Group is considered.

NFU Mutual adopts a transparent approach to communicating its pay philosophy and publishes its pay bands and guidance, which all employees can access. The remuneration policy is applied consistently across the entire workforce, including the Executive management team. We consult with Unite, which represents its members within the NFU Mutual workforce, regarding the annual pay award.

Remuneration in 2023

The tables below show actual total remuneration for Executive Directors for the 2022 and 2023 calendar years.

2023 £	Base	Pension[1]	Benefits[2]	Annual Bonus[3]	2021-2023 LTIP	2023 Total	Fixed Pay	Variable Pay
Nick Turner	585,417	70,250	15,781	586,207	508,308	1,765,963	671,448	1,094,515
Richard Morley	352,467	42,296	14,564	242,638	228,165	880,129	409,326	470,803
Nick Watson	255,730	30,688	13,617	176,045	185,985	662,065	300,035	362,030
Rachel Kelsall[4]	208,038	24,965	12,198	129,311	78,740	453,250	245,200	208,051
Steve Bower***	66,063	7,928	3,603	44,688	151,946	274,227	77,594	196,633
Lindsay Sinclair	-	-	-	-	65,542	65,542	-	65,542

2022 £	Base Pay	Pension[1]	Benefits[2]	Annual Bonus[3]	2020 - 2022 LTIP	2022 Total	Fixed Pay	Variable Pay
Nick Turner	488,000	73,200	15,669	476,787	255,585	1,309,241	576,869	732,372
Steve Bower***	261,687	39,253	12,535	173,578	192,059	679,113	313,475	365,638
Richard Morley	326,667	49,000	14,411	223,334	194,858	808,270	390,078	418,192
Nick Watson*	243,332	29,200	13,464	162,038	32,316	480,350	285,995	194,354
Lindsay Sinclair**	-	-	-	-	310,674	310,674	-	310,674

* Nick Watson joined NFU Mutual as Sales & Agency Director effective 24 May 2021. He received replacement LTIP awards to replace the deferred awards he forfeited on leaving his previous employer to join NFU Mutual.

**Lindsay Sinclair retired effective 31 March 2021. Mr Sinclair retains his existing LTIP awards on a pro-rata basis for the portion of the performance periods in which he was in service. These will vest at the normal vesting dates, subject to the normal performance conditions.

***Steve Bower retired effective 31 March 2023. Mr Bower retains his existing LTIP awards on a pro-rata basis for the portion of the performance periods in which he was in service. These will vest at the normal vesting dates, subject to the normal performance conditions.

1. Cash allowance in lieu of company pension contribution.
2. Benefits figures includes car allowance.
3. 1/3 of Annual Bonus payment will be deferred for three years.
4. Mrs Kelsall was appointed on 1 April 2023.

The aggregate amount awarded to executives in 2023 was £4,101,177.

Base salaries and benefits

The average base salary increase across the Group in May 2023 was 5.71%, The annual base salary levels of the Executive Directors with effect from 1 May 2023 were as follows:

Name	May 2023	May 2022	Increase
Nick Turner	£619,000	£518,250	19.44%*
Richard Morley	£358,700	£340,000	5.50%
Nick Watson	£260,253	£246,685	5.50%

Name	May 2023	April 2023	Increase
Rachel Kelsall	£221,550	£210,000**	5.50%

*The salary of Mr Turner (appointed 1 April 2021) is progressing in line with our established practice and our principle of aligning over a period of time with market pay levels.
**Mrs Kelsall was appointed into her role as Customer Services Director on the 1st April 2023

The value of benefits for Executive Directors is included in the table of remuneration on the previous page.

The Company provides Death in Service cover for Mr Turner, Mrs Kelsall, Mr Watson and Mr Morley at four times salary.

Variable pay

Variable pay at NFU Mutual is designed to enable managers and staff to share in the success of the Company and is payable upon achievement of a set of defined business performance targets. Performance incentive plans for senior managers and Executive Directors are structured to ensure a strong focus on both short and long-term business performance.

The amounts paid depend on the Committee's measurement of Company performance against the business targets for the relevant period. In addition to the all-employee Group Bonus Scheme (GBS), Executive Directors and senior managers participate in two variable performance incentive plans:

- A one-year Short-Term Performance Incentive Plan (STIP)
- A three-year Long-Term Performance Incentive Plan (LTIP).

Payments made under these plans are not pensionable.

Short-term incentive plan (STIP) – 1 year performance period

Role	Maximum STIP Bonus (% of base salary)
Chief Executive	123% (113% STIP; 10% GBS)
Executive Directors	88% (78% STIP; 10% GBS)

The STIP measures annual achievement in respect of Group strategic goals (e.g. annual business targets for growth in premium income, controlling costs, customer retention and profitability).

In 2023, the same targets (bar Employee Engagement) were used in the STIP as in the Group Bonus Scheme (GBS) which is payable to all employees. These are aligned to support the Group's long-term objectives.

The tables below detail the balanced scorecard of performance measures for the bonus schemes in 2023. All Executive Directors participate in both the STIP and the GBS.

Since 2014, one third of the CEO's and Executive Directors' total bonus award (including the Group Bonus Scheme award) has been deferred for three years post award (i.e. a one-year performance period followed by three-year deferral). Growth in value of the deferred bonuses over the 3-year deferral period is linked to the average annual pay increase percentages for all employees of the Group.

Group Bonus Scheme 2023 Measures

	Measure	Weighting
Great Company To Do Business With	Persistency (GI)	35%
Sustainable Profitable Growth	GI Combined Operating Ratio (COR) Manufacturer Profitability Distribution Profitability Gross Written Premium Income (GWPI) Life Business Growth (AC)	65%

Short-Term Incentive Plan for Executives 2023 Measures

	Measure	Weighting
A Great Company To Do Business With	Persistency (GI)	25%
A Great Place to Work	Company Overall Employee Engagement Scores	20%
Sustainable Profitable Growth	GI Combined Operating Ratio (COR) Manufacturer Profitability Distribution Profitability Gross Written Premium Income (GWPI) Life Business Growth (AC)	55%

Bonus scheme measures

The metrics used in the bonus schemes are reviewed by the Committee with advice from its external advisers, on an annual basis and amended as appropriate.

Long-term incentive plan (LTIP) – 3-year performance period

Principles of the LTIP

The NFU Mutual LTIP is a cash-based plan, vesting after three years subject to performance conditions, which are based on long-term objectives consistent with the overall objectives of the Group. These are that NFU Mutual should achieve Sustainable Profitable Growth, be a Great Company to do Business With, and be a Great Place to Work.

2022 – 2024 LTIP Grant

A new LTIP grant was made in 2023 to cover the performance period 2023 to 2025. This grant contained a new Carbon Emission reduction measure. The 2023-2025 LTIP grants were set at the levels detailed in the table below:

Role	Maximum payment following year-end 2024 (% of base salary at time of grant)
Chief Executive	166%
Executive Directors	108%

The 2023 – 2025 LTIP will vest on 31st December 2025, dependent on the extent to which performance objectives in relation to that grant are achieved.

Performance conditions

The table below sets out the performance conditions applicable to the current LTIP schemes.

2021-2023 and 2022-2024 LTIP performance periods

	Measure	Weighting
A Great Place to Work	Employee Engagement (Average of annual results against targets)	20%
Sustainable Profitable Growth	GI Combined Operating Ratio (Average results over LTIP period) GI – Company growth (Total GWPI over the LTIP period) Life Business – Adviser Credits (Total over the LTIP period) Life – Manufacturer Profitability (Total over LTIP period) Life – Adviser/Distribution Profitability (Total over LTIP period)*	55%
A Great Company to do Business With	GI Persistency (Average of annual results)	25%

* Adviser profitability formed part of the 20-22 and 21-23 LTIP schemes, Distribution profitability formed part of the 22-24 LTIP schemes

2023-2025 LTIP performance period

	Measure	Weighting
A Great Place to Work	Employee Engagement (Average of annual results against targets)	20%
Sustainable Profitable Growth	GI Combined Operating Ratio (Average results over LTIP period) GI – Company growth (Total GWPI over the LTIP period) Life Business – Adviser Credits (Total over the LTIP period) Life – Manufacturer Profitability (Total over LTIP period) Life – Adviser/Distribution Profitability (Total over LTIP period)*	55%
A Great Company to do Business With	GI Persistency (Average of annual results)	22.5%
	Own Emissions Carbon Reduction (Total over the LTIP period)	2.5%

Summary of LTIP grants and vesting

The table below details the vesting outcomes from the 2021-2023 LTIP scheme and the value of the grants made in 2022 and 2023.

LTIP 3 Cycle £

	Plan Start Date	Cycle Ending	Grant Value	Vesting Date	2021-23 Scheme Performance	2024 Payment
Nick Turner	01-Jan-21 01-Jan-22 01-Jan-23	2023 2024 2025	672,988 709,650 860,295	31-Dec-23 31-Dec-24 31-Dec-25	75.53%	£508,308
Richard Morley	01-Jan-21 01-Jan-22 01-Jan-23	2023 2024 2025	302,085 324,000 367,200	31-Dec-23 31-Dec-24 31-Dec-25	75.53%	£228,165
Nick Watson	01-Jan-21 01-Jan-22 01-Jan-23	2023 2024 2025	246,240 246,240 104,249	31-Dec-23 31-Dec-24 31-Dec-25	75.53%	£185,985
Rachel Kelsall	01-Jan-21 01-Jan-22 01-Jan-23	2023 2024 2025	80,814 82,333 85,675	31-Dec-23 31-Dec-24 31-Dec-25	75.53%	£78,739
Lindsay Sinclair	01-Jan-21	2023	1,041,316	31-Dec-23	75.53%	£65,542
Steve Bower	01-Jan-21 01-Jan-22 01-Jan-23	2023 2024 2025	268,230 277,080 285,393	31-Dec-23 31-Dec-24 31-Dec-25	75.53%	£151,946

A new LTIP grant will be made in 2024 to cover the performance period 2024 to 2026, and this will vest at the end of 2026, dependent on the extent to which performance objectives in relation to that grant are achieved.

Malus and clawback of variable pay

Malus or clawback of part or all of any variable pay award (GBS, STIP or LTIP) including vested and already paid, can apply at the Remuneration Committee's discretion if certain circumstances arise. These are if:

- in the three years following completion of the performance period, it was found that the vesting or payment was made on the basis of materially mis-stated performance; or
- either during the performance period or during the three years following completion of the performance period, an Executive commits gross misconduct or has contributed to a major failure of management resulting in substantial damage to the business or reputation of NFU Mutual.

The amount vesting under any LTIP grant can also be reduced, at the discretion of the Remuneration Committee, to meet malus or clawback requirements in relation to the STIP or LTIP grants.

Directors' pension arrangements

Mr Bower is a member of the Defined Benefit section of the Group's pension scheme. He ceased accruing pension under the scheme in April 2014, and started receiving a pension from the scheme with effect from January 2022.

Mr Bower's Defined Benefit membership terms were altered with effect from 6th April 2014, in order to enable him to register for Fixed Protection with HMRC. From this date, no further pensionable service was accrued in the Defined Benefits scheme, and Mr Bower was no longer required to contribute to the scheme.

Mr Bower has received a cash allowance in lieu of pension accrual since 2014. The table below shows the value of Mr Bower's accrued Defined Benefits pension value, expressed as a transfer value as at 31st December 2023, together with the value of the annual pension in payment (following exchange of part of the pension for a lump sum, as shown in the table, under the terms of the scheme).

Mrs Kelsall is a member of the Defined Benefit section of the Group's pension scheme. She ceased accruing pension under the scheme in December 2016. This scheme provides a pension-in-payment of one sixtieth of final pensionable salary for each year's membership of the pension scheme, subject to a Scheme Specific Cap on pensionable salary (£211,800 in 2023) which limits the amount of salary that counts towards pension benefits.

Mrs Kelsall's Defined Benefit membership terms were altered with effect from 31st December 2016. From this date, no further pensionable service was accrued in the Defined Benefits section of the Scheme and Mrs Kelsall was no longer required to contribute to the scheme. Mrs Kelsall registered for Individual Protection 2016 with HMRC in 2019.

The following table relates to the Executive Directors' pension arrangements through the Group's Retirement Benefit Scheme.

The pension cost of any Executive Director with a Defined Benefit pension is charged over their estimated service life, based upon actuarial advice.

	Single Pension Figure at 31.12.2023	Single Pension Figure at 31.12.2022	Transfer value of accrued pension at 31.12.2023 (£)	Accrued pension at 31.12.2023	Normal pension age
Steve Bower	-[1]	-[1]	1,484,900[2]	Pension in payment of £54,000 pa, following a Pension Commencement Lump Sum of £340,200[3]	60
Rachel Kelsall	-[4]	-[4]	1,356,300	£75,400 pa	60

All figures shown are to the nearest £100.

1 Based on the member ceasing to accrue pension from 5 April 2014, although he continued to accrue contingent spouse's benefits on death-in-service and death-after retirement prior to commencing receipt of his benefits on 5 January 2022, which is reflected in the calculation of the transfer value at 31 December 2023. The Administrators have confirmed that the continued accrual of contingent spouse's benefits was unaffected by the broader Closure of the Scheme to future accrual.

2 Based on the member's notional pre-commutation pension at 31 December 2023 (i.e. taking no account of the member's decision to commute some of their pension benefits for a cash lump sum as at 5 January 2022).

3 This reflects the member's current pension in payment as at 31 December 2023, alongside the Pension Commencement Lump Sum that the member received when they commenced receipt of their benefits on 5 January 2022.

4 Based on the member ceasing to accrue pension from 31 December 2016, although she continues to accrue contingent spouse's benefits on death-in-service and death-after retirement, which is reflected in the calculation of the transfer value at 31 December 2023. The Administrators have confirmed that the continued accrual of contingent spouse's benefits was unaffected by the broader Closure of the Scheme to future accrual.

Directors' contracts

The Executive Directors do not have a set duration of appointment. Their service contracts can be terminated by NFU Mutual or by the Director by giving 12 months' notice.

Any Director appointed by the Board during the year holds Board office only until the next Annual General Meeting (AGM) and must then stand for re-election to continue in office.

None of the Non-Executive Directors accrue pension benefits with NFU Mutual. Some former Non-Executive Directors or their widows still receive a pension, on an ex gratia, non-contractual and unfunded basis. The total cost of these pensions for 13 former Directors or widows in 2023 was £207,090 (2022: £212,518).

	Date of contract	Unexpired Term as at 31st December 2023	Notice period
Nick Turner	1st April 2021	12 months rolling period	12 months
Richard Morley	1st May 2018	12 months rolling period	12 months
Nick Watson	24th May 2022	12 months rolling period	12 months
Rachel Kelsall	1st April 2023	12 months rolling period	12 months

Non-Executive Directors'

Non-Executive Directors	2023 Committee Responsibilities	2023 Total Fees (£)	Taxable Expenses from 1st January 2023 - 31st December 2023 (£)*	2022 Total Fees (£)	Taxable Expenses from 1st January 2022 - 31st December 2022 (£)*
Ross Ainslie (Resigned from Board 31st October 2022)	Audit Committee Member With Profits Committee Member Investment Committee Member (until 31st October 2022 for all committees)	-	-	60,041.70	2,753.26
Jon Bailie	Senior Independent Director (from 1st January 2023) Investment Committee Chair N.F.U. Mutual Unit Managers Limited Chair Audit Committee Member Nomination Committee Member	95,350.02	1,577.80	83,666.68	1,020.74
Ali Capper	Board Risk Committee Member With-Profits Committee Member Remuneration Committee Chair Nomination Committee Member (from 1st April 2023)	89,037.51	124.49	78,000.04	-
John Deane (appointed to Board 1st November 2022)	With Profits Committee Chair (from 1st January 2023) Chair of the Company's Pension Scheme Trustee (from 1st August 2023, Trustee throughout 2023) Investment Committee Member Board Risk Committee Member (from 1st January 2023)	90,737.52	1,212.81	12,083.34	611.48
Brian Duffin (retired from Board 31st December 2022)	With-Profits Committee Chair Chair of the Company's Pension Scheme Trustee (until 31st July 2023) Nomination Committee Member Board Risk Committee Member Senior Independent Director (until 31st December 2022 for all committees)	35,000.00	-	101,950.02	6,046.88

Non-Executive Directors	2023 Committee Responsibilities	2023 Total Fees (£)	Taxable Expenses from 1st January 2023 - 31st December 2023 (£)*	2022 Total Fees (£)	Taxable Expenses from 1st January 2022 - 31st December 2022 (£)*
Alan Fairhead	Board Risk Committee Chair Nomination Committee Member (from 1st April 2023) Director of N.F.U. Mutual Unit Managers Limited	85,774.98	1,778.15	79,875.03	1,789.94
Christine Kennedy (resigned from Board 31st March 2023)	Remuneration Committee Member Nomination Committee Member Audit Committee Member (until 31st March 2023 for all committees)	18,125.01	2,153.33	72,125.04	3,264.43
Jim McLaren	Chairman Nomination Committee Chair	215,843.79	8,615.11	203,750.04	5,423.93
David Roper	Audit Committee Chair Remuneration Committee Member Board Risk Committee Member	81,149.97	-	79,250.01	-
Dave Smith (appointed to Board 1st January 2023)	Audit Committee Member Board Risk Committee Member Remuneration Committee Member	74,412.54	-	-	-
Elizabeth Buchanan (appointed to Board 1st April 2023 and resigned from Board 27th October 2023)	Audit Committee Member With Profits Committee Member Remuneration Committee Member	61,079.20	1,509.18	-	-

Non-Executive Directors' letters of appointment

The Non-Executive Directors do not have contracts of service but have letters of appointment. Such appointments are initially for a three-year term, although in accordance with the Annotated UK Corporate Governance Code, all Directors stand for re-election by members each year at the Company's Annual General Meeting (AGM). The letters of appointment set out the time commitment expected of the Non-Executive Directors in the performance of their duties.

Non-Executive Directors are not eligible to participate in any incentive plans, or Company pension arrangements, and are not entitled to any compensation for any early termination of their appointment.

Non-Executive Directors	Date of letter of appointment	Unexpired Term as at 31st December 2023	Notice period
Jon Bailie	1st February 2018	2 months	3 months
Ali Capper	15th March 2018	3 months	3 months
John Deane	8th August 2022	1 year 10 months	3 months
Alan Fairhead	5th October 2020	2 years 10 months	3 months
Jim McLaren	30th September 2019	3 years	6 months
David Roper	8th April 2019	1 year 8 months	3 months
Dave Smith	16th November 2022	2 years	3 months

Note: No Non-Executive Directors have contracts with compensation for early termination. There are no other provisions relevant to determining liability for early termination. All Directors will stand for election or annual re-election at the AGM, regardless of their unexpired term.

Ali Capper
Chair of the Remuneration Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE NATIONAL FARMERS UNION MUTUAL INSURANCE SOCIETY LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of The National Farmers Union Mutual Insurance Society Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of other comprehensive income;
- the consolidated and company balance sheets;
- the consolidated and company statements of changes in members' reserves and equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 36, excluding the capital adequacy disclosures in note 3 calculated in accordance with the Solvency II regime which are marked as unaudited.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and Financial Reporting Standard 103 "Insurance Contracts".

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 14 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- General Business Claims Outstanding: Latent reserving methodology and assumptions;
- General Business Claims Outstanding: Non-latent reserving assumptions and methodology;
- Long-term Life Business Provision: Annuitant mortality assumptions

Within this report, key audit matters are identified as follows:

<> Similar level of risk to prior year

Materiality

The materiality that we used for the group financial statements was £102m which was determined on the basis of 1.45% of the members' reserves and equity.

Scoping

Our group audit included the full scope audit of the parent company. Our testing covered 98% of consolidated profit before tax (PBT), 98% of consolidated revenue and 99% of consolidated members' reserves and equity.

Significant changes in our approach

There were no significant changes in our approach compared to the prior year.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Challenging management's key assumptions underpinning the going concern basis of accounting, by assessing the reasonableness of underlying assumptions applied in forecasting cash flows and considering their consistency with our understanding of the group's businesses and other available information including our expectation of the future economic outlook;
- Assessing the parent company's Own Risk and Solvency Assessment Report (ORSA) to support our understanding of the key risks faced by the parent company and its ability to continue as a going concern, and;
- Assessing management's stress and scenario testing by challenging the appropriateness of the selected variables and the severity of the stress scenarios;
- Evaluating the historical accuracy of forecasts made by management by comparing them to actual results; and
- Evaluating the appropriateness of disclosures in the financial statements 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 group's and parent company'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 relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. General Business Claims Outstanding: Latent reserving methodology and assumptions	
Key audit matter description	The valuation of the general business claims outstanding is a complex process with inherent uncertainty which involves the application of some of the most significant and sensitive judgements within the group's financial statements. The most significant and sensitive judgements in the determination of the carrying value of the latent general insurance claims outstanding are on specific farming latent perils which are long tail in nature. The derivation of these assumptions and methodology includes considerations of the limitations of available relevant data which increases the level of uncertainty in the determination of the appropriate reserves. At 31 December 2023, the group's liabilities included general business claims outstanding reserves of £2,352m (2022: £2,352m) as set out in note 8 to the financial statements. The accounting and risk management policies are set out in notes 1 and 2 respectively, with insurance risk being discussed in note 2c. Due to the high level of judgement and estimates involved, we have determined that there exists a potential risk of fraud through possible manipulation of this balance. The audit committee refers to this key audit matter in their report on pages 109-115.
How the scope of our audit responded to the key audit matter	With the involvement of our actuarial specialists, we performed the following procedures: • obtained an understanding of the relevant controls addressing the risks associated with latent reserving, specifically controls identified in relation to the methodology used and the assumption setting process; • assessed management's latent claims review framework and its application which sets out the process of reviewing and updating the assumptions and triggers which would prompt a more detailed review of a peril; • inspected and challenged the continued appropriateness of management's model methodology and derivation of material assumptions; • considered external developments connected with the key latent assumptions as part of our challenge of the assumptions adopted by management; and • assessed whether the financial statement disclosures in relation to the valuation of the general insurance liabilities are appropriate.
Key observations	We found management's methodology for determining the general claims outstanding latent reserves and the key assumptions in respect of specific farming latent perils to be reasonable.

5.2. General Business Claims Outstanding: Non-latent reserving assumptions and methodology	
Key audit matter description	The valuation of the general business claims outstanding is a complex process involving inherent uncertainty and is one of the most significant areas of management judgement within the group's financial statements. The most significant and sensitive judgements in the determination of the carrying value of non-latent general insurance claims outstanding are the assumptions and methodology for third party bodily injury (TPBI) claims in excess of £1m, specifically for the motor and liability classes of business. The determination of the bodily injury non-latent assumptions and methodology for claims above £1m is considered to be inherently more complex given the specific judgements applied to individual cases. Given their individual significance, the use of inappropriate methodology or assumptions in their valuation increases the likelihood of a material misstatement in general business claims outstanding, when compared to other perils and TPBI claims below £1m. Included in liabilities are general business claims outstanding reserves, with a balance at 31 December 2023 of £2,680m (2022: £2,352m), as set out in note 8 to the financial statements. Given the size of the TPBI non-latent reserves for claims above £1m as a proportion of the total balance of the general business claims outstanding reserves, inappropriate or inconsistent determination or application of the assumptions and methodology could materially affect the financial statements. The accounting and risk management policies are set out in notes 1 and 2 respectively, with insurance risk being discussed in note 2c. Due to the high level of judgement and estimates involved, we have determined that there exists a potential risk of fraud through possible manipulation of this balance. The audit committee refers to this key audit matter in their report on pages 109-115.
How the scope of our audit responded to the key audit matter	With the involvement of our actuarial specialists, we performed the following procedures: • obtained an understanding of the relevant controls around the non-latent reserve valuation process, specifically controls identified in relation to the methodology used and the assumption setting process; • inspected and challenged management's selected methodology and assumptions including market benchmarking (where appropriate market benchmarking exists) focusing on material classes of business in relation to TPBI for claims above £1m; • assessed the incurred and paid claims development against management's selected ultimate costs using our in-house reserving software to identify and quantify potential outliers including challenging management where appropriate; and • assessed whether the financial statement disclosures in relation to the valuation of the general insurance liabilities are appropriate.
Key observations	We found management's methodology for determining the general insurance claims outstanding non-latent reserves and the key assumptions for third party bodily injury (TPBI) claims in excess of £1m, specifically for the motor and liability classes of business, to be reasonable.

5.3. Long-term Life Business Provision: Annuitant mortality assumptions	
Key audit matter description	The valuation of the long-term provision for the life business is a complex process involving inherent uncertainty and is another significant area of management judgement within the group's financial statements. Assumptions for annuitant mortality (both base mortality and mortality improvements) are made in the actuarial reserving process for the valuation of the long-term business provision. These assumptions are fundamental in ensuring that the appropriate level of actuarial liabilities is held in respect of the life business. Based on our risk assessment process and understanding, we focused on the most material annuity products that are highly sensitive to changes in the annuitant mortality assumptions. The key judgements centre upon: I. Mortality (base) – Factors which affect the assumptions underlying mortality experience specifically age, gender and pension band as well as management's view on the credibility of the experience and the period over which it is analysed; and II. Mortality (improvement) – Management's view on, and interpretation of population trends, internal analysis, industry analysis and related developments in respect of the future rate of mortality improvements, in particular, the most recent Continuous Mortality Investigation ("CMI") 2022 tables. Included in liabilities is the long-term business provision, with a balance at 31 December 2023 of £4,716m (2022: £4,608m) as set out in note 4 to the financial statements. Given the annuitant mortality related provisions are material to the total long-term business provision, an inappropriate determination or application of the assumptions could materially affect the financial statements. The accounting and risk management policies are set out in notes 1 and 2 respectively, with insurance risk being discussed in note 2c. Due to the high level of judgement and estimates involved, we have determined that there exists a potential risk of fraud through possible manipulation of this balance. The audit committee refers to this key audit matter in their report on page 109.
How the scope of our audit responded to the key audit matter	With involvement of our actuarial specialists, we performed the following procedures on annuitant mortality assumptions: • obtained an understanding of the relevant controls around life reserving annuitant mortality assumptions; • challenged key judgements made around adopted annuitant mortality improvement assumptions by referring to the latest available CMI 2022 mortality improvements model and underlying data while considering the appropriateness of fit to the underlying book; • assessed whether any adjustments made to the latest available industry table CMI 2022 models are appropriately supported by evidence; • where appropriate, we compared the assumptions selected by management to our experience of those used by peer annuity companies; and • assessed whether the financial statement disclosures in relation to the long-term business provisions are appropriate.
Key observations	We found management's key annuitant mortality assumptions to be reasonable.

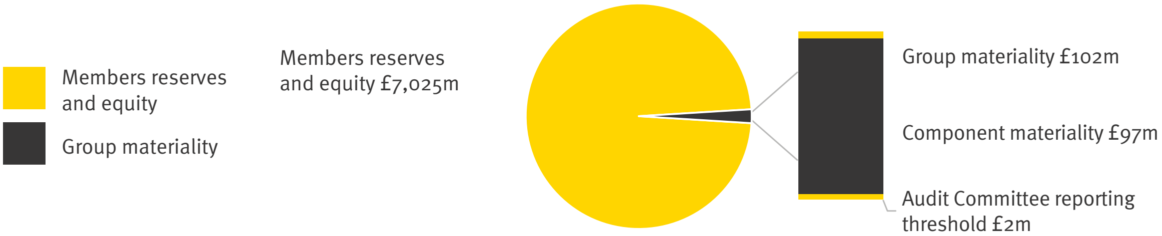
6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	(£102m) (2022: £102m)	(£97m) (2022: £97m)
Basis for determining materiality	1.45% (2022: 1.50%) of members' reserves and equity.	The parent company's materiality was determined at 1.45% (2022: 1.50%) of members' reserves and equity, capped at 95% (2022: 95%) of group materiality. When determining materiality, as the parent company is a component of the group, we also considered that this materiality is appropriate for the consolidation of this set of financial statements into the group's results.
Rationale for the benchmark applied	We have used members' reserves and equity as a basis for our materiality to reflect the parent company's and group's strategic ambition as a mutual to deliver longer-term stability and improve overall member value.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2022: 70%) of group materiality	70% (2021: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • the quality of the parent company's and group's control environment, our ability to take a controls reliance approach in the areas specified in section 7.2; and • the low number and value of corrected and uncorrected misstatements identified in the prior year audit.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.0m (2022: £2.0m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work for the general and life insurance businesses in the parent company. This testing covered 98% of consolidated PBT, 98% of consolidated revenue and 99% of consolidated members' reserves and equity, and all audit work was performed by the group engagement team.

For some other components, our work was executed at levels of materiality which were lower than group materiality; we performed procedures over specified account balances or, in the case of Avon Insurance plc, a full scope audit.

At group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

7.2. Our consideration of the control environment

The group IT control environment includes a number of IT systems, applications and tools used to support business processes and financial reporting. We identified the relevant IT systems, applications and tools used to support key business processes and financial reporting, and with the involvement of our IT specialists, we tested the general IT controls. Based on the testing performed, we took a controls reliance approach in relation to gross written premiums, claims handling, underlying data for long term life business provisions and general claims outstanding, financial investments, and investment property.

7.3. Our consideration of climate-related risks

As part of our audit, we obtained management's climate-related risk assessment and held discussions with management to understand the process of identifying climate-related risks, and the overall group environmental, social and governance ("ESG") agenda. The directors have categorised this as a principal risk based on its potential to significantly impact the group's business operations and customers. We considered management's assessment based on our understanding of the group's operating environment. We performed our own qualitative risk assessment of the potential impact of climate change on the group's account balances and classes of transactions. With involvement of our ESG specialists, we read the climate change disclosures in the annual report as outlined on pages 38 to 71 and considered whether they are materially consistent with the financial statements and our knowledge obtained in the course of the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon, but including the capital adequacy disclosures in note 3. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the board risk committee, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - o the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including relevant internal specialists: actuarial, fraud, tax, analytics, financial instruments, pensions, regulatory, property valuations, ESG and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: general business claims outstanding: latent reserving assumptions and methodology, non-latent assumptions and methodology, and long-term business provision: annuitant mortality assumptions. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's regulatory solvency requirements regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

11.2. Audit response to risks identified

As a result of performing the above, we identified the following as key audit matters related to the potential risk of fraud: general business claims outstanding: latent reserving assumptions and methodology; non-latent assumptions and methodology; and long-term business provision: annuitant mortality assumption. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee, internal and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the PRA and the FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 82;
- the directors' explanation as to their assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 84;
- the directors' statement on fair, balanced and understandable set out on page 85;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 82;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 82; and
- the section describing the work of the audit committee set out on page 107.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 20 June 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ending 31 December 2018 to 31 December 2023.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Perkins (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
21 March 2024

CONSOLIDATED PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

2023 £m	2022 £m	For the year ended 31 December
2,222	1,987	Gross written premium before Mutual Bonus
(244)	(247)	Mutual Bonus
1,978	**1,740**	**Gross Written Premium (note 6)**
(142)	(123)	Outwards reinsurance
1,836	**1,617**	**Net premiums Written**
(133)	(81)	Change in gross provision for unearned premiums
(9)	2	Change in the gross provision for reinsured unearned premiums
(142)	**(79)**	**Change in the net provision for unearned premiums**
1,694	**1,538**	**Earned premiums, net of reinsurance**
101	71	Allocated investment return transferred from the Non-Technical Account (note 9)
1,795	**1,609**	**Total technical income**
1,327	1,289	Gross claims paid (note 6)
(33)	(30)	Reinsurers share of gross claims paid (note 6)
1,294	**1,259**	**Net claims paid**
319	191	Change in gross provision for claims (note 6)
(19)	38	Change in reinsurers' share (note 6)
300	**229**	**Change in net provisions for claims**
1,594	**1,488**	**Claims incurred, net of reinsurance**
491	458	Net operating expenses (note 7)
9	8	Other technical charges, net of reinsurance
2,094	**1,954**	**Total technical charges**
(299)	**(345)**	**Balance on the Technical Account – General Business**

CONSOLIDATED PROFIT AND LOSS ACCOUNT
TECHNICAL ACCOUNT – LONG-TERM BUSINESS

2023 £m	2022 £m	For the year ended 31 December
173	207	Gross written premium (note 6)
(5)	(5)	Outwards reinsurance
168	**202**	**Earned premiums, net of reinsurance**
361	365	Investment income (note 9)
361	-	Unrealised gain on investments (note 9)
27	27	Fee income from investment contracts
28	28	Other technical income net of reinsurance
945	**622**	**Total technical income**
383	351	Gross claims paid
(6)	(6)	Reinsurers' share
377	**345**	**Net claims paid**
9	24	Change in gross provision for claims
386	**369**	**Claims incurred, net of reinsurance**
108	(964)	Gross change in Long-Term Business Provision
1	2	Reinsurers' share
109	**(962)**	**Net change in the Long-Term Business provision**
144	59	Changes in technical provision for linked liabilities net of reinsurance
166	(446)	Movements in investment contract liabilities
419	**(1,349)**	**Net change in technical provisions**
79	64	Net operating expenses (note 7)
-	1,895	Unrealised loss on investments (note 9)
13	1	Investment expenses and charges (note 9)
34	(120)	Tax attributable to the Long-Term Business (note 15)
17	(241)	Transfer to / (from) the fund for future appropriations
(3)	3	(Loss) / Profit attributable to minority interest
945	**622**	**Total technical charges**
-	**-**	**Balance on the Technical Account – Long-Term Business**

CONSOLIDATED PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

2023 £m	2022 £m	For the year ended 31 December
(299)	(345)	Balance on the Technical Account - General Business
517	110	Investment Income (note 9)
135	(869)	Unrealised Gain / (Loss) on investments (note 9)
(101)	(71)	Allocated investment return transferred to the Technical Account - General Business (note 9)
(8)	(8)	Support payments to the Farmers' Unions
23	10	Other Income
(104)	(42)	Other Charges
163	**(1,215)**	**Profit / (Loss) on ordinary activities before taxation (note 14)**
1	166	Tax Credit on ordinary activities (note 15)
164	**(1,049)**	**Profit / (Loss) for the financial year (note 25)**

All results are derived from continuing operations.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME / (EXPENSE)

2023 £m	2022 £m	For the year ended 31 December
164	**(1,049)**	**Profit / (Loss) for the financial year**
64	115	Actuarial gain on pension scheme (note 29)
(17)	(30)	Movement on deferred tax on pension scheme
211	**(964)**	**Total comprehensive income / (expense) recognised since last Annual Report**

The Group has taken advantage of the exemption under section 408 of the Companies Act 2006 not to include a Company statement of comprehensive income.

CONSOLIDATED AND COMPANY BALANCE SHEETS

Consolidated 2023 £m	Consolidated 2022 £m	Parent Company 2023 £m	Parent Company 2022 £m	As at the 31 December
				Assets
				Investments
1,512	1,442	1,169	1,077	Land and Buildings (note 18)
190	500	872	1,158	Investments in group undertakings and participating interests (note 16)
11,957	11,140	11,892	11,098	Other financial investments (note 17)
13,659	**13,082**	**13,933**	**13,333**	
3,825	**3,604**	**3,825**	**3,604**	**Assets held to cover linked liabilities (note 19)**
				Reinsurers' share of technical provisions
4	13	4	14	Provision for unearned premiums
10	11	10	11	Long-term business provision
217	198	214	195	Claims outstanding (note 8)
20	20	20	20	Technical provision for linked liabilities
251	**242**	**248**	**240**	
				Debtors
800	682	786	671	Debtors arising out of direct insurance operations – policyholders
19	15	19	17	Debtors arising out of direct insurance operations – intermediaries
10	17	10	18	Debtors arising out of reinsurance operations
-	-	29	30	Amounts Due from Group undertaking
92	143	158	201	Other debtors including taxation (note 20)
921	**857**	**1,002**	**937**	
				Other Assets
5	-	-	-	Goodwill
66	61	61	57	Tangible assets (note 21)
-	17	-	-	Stocks (note 22)
307	381	200	266	Cash at bank and in hand
378	**459**	**261**	**323**	
				Prepayments and accrued income
87	81	86	80	Accrued interest and rent
145	131	145	131	General business deferred acquisition costs
18	19	18	19	Long-term business deferred acquisition costs
23	17	23	18	Other prepayments and accrued income
273	**248**	**272**	**248**	
19,307	**18,492**	**19,541**	**18,685**	**Total Assets before Pension scheme asset**
361	285	-	-	Pension asset (note 29)
19,668	**18,778**	**19,541**	**18,685**	**Total assets including pension asset**

CONSOLIDATED AND COMPANY BALANCE SHEETS

Consolidated 2023 £m	Consolidated 2022 £m	Parent Company 2023 £m	Parent Company 2022 £m	As at 31 December
				Liabilities and Reserves
-	-	389	357	Revaluation reserve (note 25)
250	250	250	250	Other reserve (note 25)
5,589	5,378	5,239	5,063	Profit and loss account (note 25)
38	39	-	-	Equity minority interests
1,155	1,138	1,207	1,211	Fund for future appropriation (note 25)
7,032	**6,805**	**7,085**	**6,881**	**Total Equity**
				Technical provisions
985	852	984	852	Provision for unearned premiums
4,716	4,608	4,716	4,608	Long-term business provision (note 4)
2,680	2,352	2,674	2,347	Claims outstanding (note 8)
8,381	**7,812**	**8,374**	**7,807**	
				Technical provisions
82	82	82	82	Technical provision for linked liabilities - Insurance contracts (note 4)
3,669	3,503	3,669	3,503	Technical provision for linked liabilities - Investment contracts (note 4)
20	16	20	16	Provision for other risks and charges (note 27)
12,152	**11,413**	**12,145**	**11,408**	
				Creditors
34	77	30	77	Creditors arising out of direct insurance operations
26	30	22	25	Creditors arising out of reinsurance operations
123	128	-	-	Amounts due to credit institutions (note 35)
-	-	59	67	Amounts owed to group undertakings
148	164	123	142	Other creditors including taxation and social security (note 28)
153	161	77	85	Accruals and deferred income
19,668	**18,778**	**19,541**	**18,685**	**Total liabilites**

These financial statements on pages 165 to 219 were approved and authorised for issue by the Board of Directors on the 21st March 2024 and were signed on its behalf by:

Signed on behalf of the Board of Directors

Jim McLaren
Chairman

Nick Turner
Group Chief Executive

NFU Mutual is The National Farmers Union Mutual Insurance Society Limited (No. 00111982).

CONSOLIDATED STATEMENT OF CASH FLOWS – GENERAL BUSINESS

2023 £m	2022 £m	For the year ended 31 December
(266)	(282)	Net cash used or outflow from operating activities (note 34)
517	110	Interest and dividend Income
41	96	Taxation
292	**(76)**	**Net cash generated / (used) from operating activities**
		Cash flow from investing activities
(19)	(19)	Payments to acquire tangible assets
(151)	(254)	Payments to acquire shares and other variable yield securities
349	250	Receipts from the sale of shares and other variable yield securities
(1,869)	(1,688)	Payments to acquire debt securities and other fixed / variable income securities
1,433	1,662	Receipts from the sale of debt securities and other fixed / variable income securities
(369)	(148)	Payments to acquire investment properties
381	170	Receipts from the sale of investment properties
(2)	(5)	Payments to acquire subsidiary undertakings
(109)	116	Net (payments) / receipts relating to term deposits with a maturity date greater than 3 months
(356)	**84**	**Net cash (used) / generated from investing activities**
(64)	**8**	**Net (decrease) / increase in cash and cash equivalents**
212	204	Cash and cash equivalents at the beginning of the year
148	**212**	**Cash and cash equivalents at the end of the year**
148	212	Cash at bank and in hand (note 34)
148	**212**	**Cash and cash equivalents at the end of the year**

STATEMENT OF CHANGES IN MEMBERS' RESERVES AND EQUITY

	Revaluation Reserve (Note 25) £m	Other Reserve (Note 25) £m	Profit and Loss Account (Note 25) £m	Fund for Future Appropriations (Note 25) £m	Total members' reserves 2023 £m	Equity Minority Interests £m	Total members' reserves and equity 2023 £m	Total members' reserves and equity 2022 £m
Consolidated								
As at 1 January	-	250	5,378	1,138	6,766	39	6,805	8,003
Transfer to / (from) Non-Technical Account	-	-	164	-	164	-	164	(1,049)
Transfer to / (from) the fund for future appropriations	-	-	-	17	17	-	17	(241)
Actuarial gain on pension scheme	-	-	64	-	64	-	64	115
Movement on deferred tax on pension scheme	-	-	(17)	-	(17)	-	(17)	(30)
(Loss) / Profit Attributable to Minority Interest	-	-	-	-	-	(3)	(3)	3
Funding from Minority Interest	-	-	-	-	-	2	2	4
As at 31 December	**-**	**250**	**5,589**	**1,155**	**6,994**	**38**	**7,032**	**6,805**
Parent Company								
As at 1 January	357	250	5,063	1,211	6,881	-	6,881	8,047
Transfer to / (from) Non-Technical Account	-	-	176	-	176	-	176	(1,031)
Transfer (from) / to the fund for future appropriations	-	-	-	(4)	(4)	-	(4)	(202)
Revaluation of subsidiaries	32	-	-	-	32	-	32	67
As at 31 December	**389**	**250**	**5,239**	**1,207**	**7,085**	**-**	**7,085**	**6,881**

NOTES TO FINANCIAL STATEMENTS

1 Compliance statement and accounting policies

Statement of compliance

The Group and parent company financial statements have been prepared under the provision of The Large and Medium-sized Companies and Groups (Account and Reports) Regulations 2008 ("SI2008/410") relating to insurance groups and in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 & 103, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS102), and the Financial Reporting Standard 103, "Insurance Contracts", (FRS103) issued by the Financial Reporting Council. The financial statements comply with the provisions of the Companies Act 2006.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention with the exception of land and buildings, and financial assets and liabilities which are stated at fair value. Further details can be found in the Directors' Report on page 82. A summary of the more important Group accounting policies is set out below:

a) Changes in accounting policy

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

b) Basis of consolidation

The consolidated financial statements include the assets and liabilities at 31st December of the parent company and its subsidiaries and also include the Group's share of net assets of associated companies. Similarly, the results of the parent company and its subsidiaries are included for the year ended 31 December together with the Group's share of the results of associated companies. Income from non-insurance subsidiaries is shown either in the Technical Account for Long-Term Business or in the Non-Technical Account for General Business. The accounting policies are applied consistently across the Group. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated.

Subsidiaries – The results of subsidiary undertakings acquired or sold during the period are included within the consolidated results from the date of acquisition or up to the date of disposal. On acquisition of a subsidiary undertaking all of its assets and liabilities are recorded at their fair values determined using a valuation technique approach and reflects their condition at that date. Subsidiary undertakings are companies where the Group holds 50% or more of the equity and is able to exercise ultimate control.

Associates – Associated undertakings are companies other than subsidiary undertakings in which the Group holds 20% or more of the equity share capital for the long-term and over which the Group exercises significant influence, but does not have ultimate or joint control. Associated undertakings are accounted for using the equity method of accounting.

Joint Ventures – Joint Ventures are where the Group holds 50% or more of the equity of an undertaking and where there is joint control between invested parties. Joint ventures are accounted for at fair value with changes in fair value recognised in the profit and loss account (non-technical). When a distribution is determined to represent a return of the capital invested, the distribution is recorded against the cost of the original investment. All other distributions, that constitute a return on the investment are recognised through the profit and loss account (non-technical) as investment income.

c) Parent company investments in group undertakings

Group undertaking investments are measured at fair value with changes in fair value recognised in the parent company's Statement of Other Comprehensive Income. If the value of the Group Undertakings carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount as a result of a revaluation shall be recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. If a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

d) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 14 to 24. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the accounts on pages 172 to 219. In particular the notes to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its risk exposures.

The Group has considerable financial resources supported by a book of both Life and General Insurance business with traditionally high persistency levels. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. For this reason the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

e) Product classification

Insurance contracts are defined as a contract under which one party accepts significant insurance risk. As a general guideline the Group defines a significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Linked contracts written by the Group, where the liability under the contract is dependent on the value of the underlying financial assets, derivatives and/or investment property, are classified as investment contracts unless the contracts also contain features that transfer significant insurance risk. All With-Profits contracts contain a discretionary participation feature (DPF) which entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses;

- That are likely to be a significant portion of the total contractual benefits,
- Whose amount or timing is contractually at the discretion of the Group; and
- That are contractually based on:
  - i) The performance of a specified pool of contracts or a specified type of contract;
  - ii) Realised and/or unrealised investment returns on a specified pool of assets held by the Group; or
  - iii) The profit or loss of the Group, fund or other entity that issues the contract.

The terms and conditions of these contracts, together with UK regulations, set out the basis for the determination of the amounts on which the additional discretionary benefits are based, and within which the Group may exercise its discretion. All With-Profits contracts are classified as insurance contracts under the current accounting rules. Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Where a unit linked contract allows a policyholder to select both With-Profits and Investment funds in one contract the With-Profit part of the contract is classified as insurance and the remainder is classified as Investment.

f) Use of judgements, estimates and assumptions

i) The preparation of financial statements requires management to make judgements in the process of applying the Group's accounting policies. In selecting accounting policies where UK GAAP permits a choice of policy, the Directors have applied judgement in determining the most appropriate policy as follows:

- measurement for assets allows a choice of models for financial assets, investment property, group occupied properties and, in the parent company balance sheet, investments in Group entities. This is typically a choice between a cost and a fair value model. The Group and parent company have applied a fair value model to all these assets. The fair value model has been used in order to match asset valuations to the valuation of the related policyholder liabilities;
- the classification of contracts as insurance or investment contracts on initial recognition requires an assessment of whether significant insurance risk has been transferred to the Group;
- the determination of whether the Group has control over an entity. This decision requires the consideration of a number of factors. As set out in note 1 (b) these include the Group's interest of ownership, any other rights it has over the entity and the rights of third parties; and
- the allocation of investment income to the General Business Technical Account requires the use of long-term rates of return and an allocation of the appropriate investment assets.

ii) Details of significant estimation techniques used involving General and Long-Term contracts are set out on pages 182 to 186.

iii) The fair value of the parent company's investment in subsidiary and associate undertakings involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years.

The estimation of the fair values requires the combination of assumptions including revenue growth, expense inflation and customer attrition rates. In addition the use of discount rates requires judgement.

iv) Pension schemes – note 29 sets out the major assumptions used to calculate the pension scheme asset/liability.

v) The sensitivity of the Group and parent company's assets and insurance contract liabilities to insurance risk and market risk is analysed in note 4.

vi) The financial impact of Climate-related matters has been considered but the effect is not currently deemed to be material in the context of the financial statements as a whole.

g) General insurance business

Premiums and Claims – Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the company, less an allowance for cancellations.

Mutual Bonus represents premium discounts due to policyholders relating to business renewing during the year, together with any differences between booked Mutual Bonus for prior year and those previously accrued and include estimates of Mutual Bonus due but not yet paid.

Reinsurance outward premiums are accounted for when paid or payable, depending on the terms of the individual contract. The balance on the Technical Account – General Business is determined after making provision for unearned premiums, unexpired risks, outstanding claims and investment income.

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date. The provision for unearned premiums is calculated on a 365th inception basis. Provision for unexpired risks is maintained, when required, to cover the estimated excess of liabilities over the associated unearned premium after taking into account future investment return.

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

Claims Provisions – Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the company. The provision calculated takes account of handling costs, salvage and other known recoveries, anticipated inflation, legal costs and trends in settlement.

Notified Outstanding Claims Reserves – The costs of notified but not settled claims are estimated on an individual case by case basis by claims handlers using their experience of past settlements and known and expected legislative changes. Statistical techniques are then used to adjust the claims reserves where appropriate.

Incurred But Not Reported Claims Reserves – The estimation of claims Incurred But Not Reported (IBNR) is generally subject to a greater degree of uncertainty. Classes of business, such as employer's liability, where the IBNR proportion of the total reserve is high, will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. IBNR claims are estimated using techniques which use past trends to forecast separately the expected number of claims and the expected average cost of claims. A separate allowance is made for large claims. An allowance is made for expected changes in future trends, such as changes in company processes, changes in the legal environment, changes in mix of business and changes in expected claims inflation. In addition, exposure based techniques are adopted to estimate reserves required for new sources of loss not significantly evident in historic data. The business of the Group has a specific focus on farming-related exposures whose severity is dependent upon a range of factors (the costs of settling the claims, the number of claims and the likelihood of the event occurring) which have a high degree of uncertainty especially for longer tail risk. We apply a significant degree of caution and expert judgement in reflecting the uncertainties of claims when setting overall reserves (including claims that are subject to dispute or potential litigation). Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amount that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Unexpired Risks Provision – Provision has been made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risk provision. The expected claims are calculated based on information available at the balance sheet date.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit within that grouping arises. There is no offset of surpluses and deficits between groups that are not managed together.

h) Long-term business

Insurance contracts

Premiums – Long-term insurance premiums are accounted for as they fall due for payment.

Claims – Claims arising from death are accounted for in the period in which the event is notified. Maturity claims are accounted for when they become due and surrenders are charged when payment is made or, if earlier, on the date that the policy ceases to be included within the calculation of the Long-Term Business provision. Annuities are charged against revenue in the period in which the annuity becomes due for payment. Claims payable include related internal and external claims handling costs. Reinsurance recoveries are accounted for in the same period as the related claim.

Liabilities – For Non-Participating contracts, and linked insurance business, liabilities are calculated using a gross premium valuation method. The valuation basis for these contracts reflects an assessment of future experience that is more prudent than 'best estimate'. For With-Profits business, liabilities are calculated in line with the PRA's realistic reporting regime that existed under Solvency I and consist of the asset shares (or equivalent) plus the cost of underlying policy guarantees associated with the business. These guarantee costs are calculated on a market consistent basis and include an appropriate allowance for both declared and future bonuses. Future reversionary and terminal bonuses are consistent with the Society's bonus policies as set out in the Principles and Practices of Financial Management (PPFM).

Reinsurance – Reinsurance premiums are accounted for when paid or payable, depending on the terms of the individual contract. Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amount that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Investment Contracts – Investment contracts are accounted for using deposit accounting, under which amounts collected are credited directly to the balance sheet, as an adjustment to the liability to the policyholder. Financial liabilities in respect of investment contracts are carried in the balance sheet as 'Technical provisions for linked liabilities – investment contracts' at amortised cost. The amortised cost of these financial liabilities is the equivalent to the amount payable on demand without penalty. Fees from investment contracts and investment income gains on contract balances are recognised in the Profit and Loss Account in the year they are received.

i) Investment return

Investment return comprises all investment income, including property rental income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges.

Account is taken of dividend income when the related investment goes 'ex-dividend' and other investment income is included on an accruals basis. Property rental income is accounted for on an accruals basis. Realised gains and losses on investments carried at fair value are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Movement in unrealised gains and losses in investments are included in the Profit and Loss Account. The only exceptions to this are movements in the fair value of investment in subsidiaries and associate undertakings within the parent company which are taken to the revaluation reserve, through the Statement of Other Comprehensive Income.

General Insurance Business – Gains and losses on realisation of investments are included within investment income or investment expenses in the Non-Technical Account. Unrealised gains and losses are also included within the Non-Technical Account. Allocations from the Non-Technical Account are made to the Technical Account – General Business based on the longer-term investment return on investments supporting the general insurance technical provisions, where applicable. When allocating return to the cash and fixed interest securities supporting the technical reserves the actual investment income earned in the period is used. When allocating an investment return to property and equity assets, the longer-term rate of return to investible assets held during the period is used. This ensures that the effect of any short-term market movements is excluded.

The longer-term rate of investment return is an estimate of the long-term trend investment return of the relevant category of investment having regard to past performance, current trends and future expectations.

Long-Term Business – Gains and losses on realisation of investments are included within investment income or investment expenses in the Technical Account. Unrealised gains and losses are also included within the Technical Account.

j) Taxation

Current taxation charged in the Non-Technical Account and the Technical Account – Long-Term Business is based on profits and income including realised gains and losses on all investments for the year as determined in accordance with the relevant tax legislation, together with adjustments in respect of earlier years.

Deferred tax is calculated on material timing differences between taxable profits and total consolidated income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in different periods from those in which they are recognised in the financial statements. Deferred tax is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply to the reversal of the timing difference.

The taxation charge in the Technical Account – Long–Term Business has been calculated in accordance with the Corporation Tax legislation for long-term business which was introduced by the Finance Act 2012 with effect from 1st January 2013.

The Group will be within the scope of the Pillar Two – Global Minimum Tax rules which are effective from 1 January 2024. A provision for additional top up tax will be made based on an assessment of the current effective tax rates within the Group. The Group has used the mandatory exemption for accounting for deferred tax arising from Pillar Two legislation.

k) Financial assets and financial liabilities

The Group has chosen to apply the recognition and measurement provisions of IAS39 (as adopted for use in the EU) and the disclosure requirements of FRS102. The Group classifies its Financial Instruments into the following categories: financial assets at fair value through profit or loss (FV), held to maturity and as loans and receivables. Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial Liabilities are measured at amortised cost, borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Profit and Loss Account over the period of the borrowings using the effective interest method. Creditors are also financial liabilities and are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost, using the effective interest method.

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised at transaction price.

Investments – Listed investments are valued at fair value through the Profit and Loss Account. The fair values of listed investments are based on current bid price on the balance sheet date. For listed investments with no active market, fair value is determined by the use of FT Interactive via a daily price feed. The fair value of unquoted investments, for which no active market exists, are established using various valuation techniques. These include the use of price source data such as FT Interactive data, information taken from the companies' websites or by direct communication with the company to reflect the specific circumstances of the issuer. Net gains or losses arising from changes in the fair value of investments are presented in the Profit and Loss Account under 'unrealised gains on investments' or 'unrealised losses on investments' in the period in which they arise.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has ceased to have contractual ownership.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity where there is the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate method.

Derivatives – Derivative instruments are fair valued each year and classified as held-for-trading in accordance with IAS39 as per FRS102. Any movement in value is accounted for in either the Long-Term Business Technical Account or the General Insurance Non Technical Account.

All other Financial Instruments, Loans and Mortgages – The Group classifies other financial instruments, loans and mortgages as loans and receivables, using the effective interest rate method. They are initially measured at the value transferred but subsequently measured at amortised cost making an appropriate allowance for any estimated irrecoverable amounts. Any movement in the impairment provision is charged to the Profit and Loss Account as incurred. No adjustment is made to discount any balances to reflect the time value of money.

l) Land and buildings

Land and buildings consist of investment properties and owner occupied properties.

Investment Properties – Investment property is initially recognised at cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure such as legal and brokerage fees, property transfer taxes and other transaction costs.

Investment property is measured at fair value at each reporting date by independent external chartered surveyors at open market value, in accordance with the RICS Appraisal and Valuation Manual.

Changes in fair value are recognised through the Non-Technical Profit and Loss Account for General Insurance business and for Long-Term Business the Technical Account.

Owner Occupied Properties – Depreciation is charged at 2% of book cost on owner occupied properties.

Owner occupied properties are valued using the revaluation model. The properties are measured at fair value at the date of valuation less any subsequent depreciation and subsequent accumulated impairment losses in accordance with FRS102. To date the downward revaluation of owner occupied properties is taken through the Profit and Loss Account. Should overall unrealised gains materialise on owner occupied properties, the reported movement would be recorded through the Statement of Other Comprehensive Income.

m) Acquisition costs

General Business – General business acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

Long-Term Business – For the main investment contract open to new business during 2023, Unit Linked Flexibond, along with the main investment products open to top ups during 2023, Stakeholder Pension and Unit Linked Personal Pension Account, certain costs have been deferred that relate to the acquisition of this business. The basis of this deferral has been a straight line method over 25 years for Unit Linked Personal Pension Account, 10 years for Stakeholder and 15 years for pre-retail distribution review Unit Linked Flexibond contracts and 15 years post-retail distribution review. These costs are deferred to the extent that they are expected to be recoverable out of future profits on these contracts. Costs relating to the acquisition of any other investment contracts or insurance contracts are not deferred but charged to the Profit and Loss Account as incurred.

n) Fund for future appropriations

The Fund for Future Appropriations incorporates Long-Term Business amounts which have not yet been attributed to participating policyholders. Transfers between the Fund for Future Appropriations and the Technical Account – Long-Term Business represent the changes in these unallocated amounts between balance sheet dates.

o) Stock

Stock comprises properties under construction. Stock is valued at the lower of cost and net realisable value. Income on stock is recognised according to the nature of the contract and the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. Cost involves interest relating to direct cost of development and other attributable outgoings. The costs of development projects not yet taken to the Profit and Loss Account, less foreseeable losses and payments in account are shown in stock.

p) Tangible assets

Tangible fixed assets are initially valued at cost. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided to write off the cost of capitalised assets less the estimated residual value of tangible fixed assets, on a straight line basis over their useful economic lives as follows:

Motor vehicles	3 – 4 years
Fixtures, fittings and equipment	4 – 10 years
Computer assets	1 – 9 years

q) Retirement benefit schemes

The Group operates a Defined Benefit pension scheme for a number of its employees. The pension surplus or deficit recognised in the balance sheet is the fair value of the scheme's assets less the present value of its liabilities. The cost of providing benefits is determined using the Projected Unit Credit Method with actuarial valuations being carried out at each balance sheet date. The cost and returns on the pension scheme are taken through the Profit and Loss Account. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Profit and Loss Account and presented in the Statement of Other Comprehensive Income. Deferred taxation is provided on the surplus/deficit in the scheme on the basis described in note 1(j) and is shown separately from the Defined Benefit pension scheme surplus/deficit. Payments to the Defined Contribution retirement benefit scheme are charged as an expense when incurred.

r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

s) Stock lending

The Group engages in stock lending and receives assets as collateral that it is permitted to sell in the event of default of the owner of the collateral. Stocks that are lent continue to be recognised on the balance sheet as the Group retains the risks and rewards of ownership of these assets; collateral is not recognised except in the event of default of the counterparty.

t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

u) Exemptions for qualifying entities under FRS102

FRS102 allows a qualifying entity certain disclosure exemptions, subject to compliance with certain conditions.

The parent company is a qualifying entity as it is a member of a group that prepares, (and is included in), publicly available consolidated financial statements which follow the true and fair view principles of presentation and disclosure.

The parent company has taken advantage of the exemption from preparing a Profit and Loss Account and from preparing a Statement of Cash Flows as permitted by section 408 of the Companies Act 2006, on the basis that it is a qualifying entity and the Consolidated Statement of Cash Flows, included in these financial statements, includes the parent company's cash flows.

2 Risk Management

a) Risk management framework

The risk management strategy forms an integral part of ensuring that risks are managed in alignment with NFU Mutual's objectives and business strategy, and to maintain the financial stability of our policyholders, our reputation, employees and assets. Further detail on corporate governance structure and the impact of current market conditions are provided in the Governance section, the Group Chief Executive's Statement and the Business Review. Key risks faced by the Group as a result of its activities are as follows:

- Market Risk
- Insurance Risk
- Credit Risk
- Operational Risk
- Liquidity Risk

An explanation of the risk framework and the methods used to monitor and assess risk exposures can be found on pages 28 to 37. The following table presents an analysis of the balance sheet for each distinct category of assets and liabilities which are referred to in this note:

General Business		Long -Term Business					
General Insurance Contracts £m	Corporate General £m	Insurance With-Profit £m	Corporate Life £m	Investment Linked Contracts £m	Insurance Non-Participating £m	Total £m	**Consolidated** **As at 31 December 2023**
2,502	7	2,081	278	2,860	-	7,728	Shares & other variable securities
10	-	-	-	-	-	10	Derivatives
842	205	465	-	-	-	1,512	Land & Buildings
3	112	75	-	-	-	190	Associates and Joint Ventures
3,954	-	1,169	887	714	844	7,568	Debt securities & other FI stock
313	79	157	123	79	17	768	Cash and Deposits
228	-	-		-	30	258	Reinsurance Assets
1,241	341	21	15	16	-	1,634	Other Assets
9,093	**744**	**3,968**	**1,303**	**3,669**	**891**	**19,668**	**Total assets**
-	-	3,907	-	-	809	4,716	Long Term Business Provision
-	-	-	-	3,669	82	3,751	Technical Provision for linked liabilities
985	-	-	-	-	-	985	Provision for unearned premium
2,607	-	-	73	-	-	2,680	Claims Outstanding
-	-	-	52	-	-	52	Derivatives Liabilities
205	163	61	23	-	-	452	Other Liabilities
3,797	**163**	**3,968**	**148**	**3,669**	**891**	**12,636**	**Total liabilities**

General Business		Long -Term Business					
General Insurance Contracts £m	Corporate General £m	Insurance With-Profit £m	Corporate Life £m	Investment Linked Contracts £m	Insurance Non-Participating £m	Total £m	**Consolidated** **As at 31 December 2022**
2,637	-	2,005	205	2,751	-	7,598	Shares and other variable securities
6	-	-	3	-	-	9	Derivatives
676	364	402	-	-	-	1,442	Land and Buildings
338	97	65	-	-	-	500	Associates and Joint Ventures
3,296	-	1,007	1,017	610	840	6,770	Debt securities and other fixed / variable income securities
263	85	176	48	133	34	739	Cash and deposits with credit institutions
212	-	-		-	30	242	Reinsurance assets
1,204	44	132	87	10	-	1,477	Other assets
8,632	**590**	**3,784**	**1,360**	**3,504**	**904**	**18,777**	**Total assets**
-	-	3,786	-	-	822	4,608	Long Term Business Provision
-	-	-	-	3,503	82	3,585	Technical provision for linked liabilities
852	-	-	-	-	-	852	Provision for unearned premium
2,288	-	-	64	-	-	2,352	Claims outstanding
-	-	-	53	-	-	53	Derivatives liabilities
248	167	-	107	-	-	522	Other liabilities
3,388	**167**	**3,786**	**224**	**3,503**	**904**	**11,972**	**Total liabilities**

Derivative financial instruments represent forward foreign exchange contracts to cover the currency risk associated with foreign currency denominated debt and fixed / variable income collective investment securities being held during the year and at 31st December 2023.

b) Market risk

The Group's Market Risk Policy sets out the principles and framework for the management of the assets of the business. The Group invests in a broad mix of assets to reflect the nature of its underlying liabilities and its financial strength.

The Board Investment Committee (BIC) is responsible for providing independent scrutiny on investment matters and is required to report and make recommendations to the Board.

(i) Equity Risk

Investments held are listed and traded on the UK and other recognised stock exchanges (primarily in Europe, North America, and the Pacific Basin).

General Business – Equity price risk is significant to the General business in that a fall in equity prices will impact Profit Before Tax (PBT) and therefore reserves. It is the Group's policy to maintain a significant proportion of its free reserves, which is represented by the general businesses accumulated profit and loss reserves, in equity investments since its level of capitalisation will allow for short-term fluctuations whilst maximising returns over the longer-term.

Whilst acknowledging this risk, the management of the General business control this risk by predominately matching technical reserves with non-equity assets. In addition, the level of equity is used in determining our Solvency Capital and the level of capital available to support that risk.

A sensitivity analysis to changes in equity prices is given in section (v).

Long-Term Business – Equities are held within unit-linked funds, within asset shares as well as within the Long-Term Business's free assets.

The investment risk on equities within unit-linked funds and backing With-Profits business is primarily passed on to policyholders via a reduction in the value of the unit-linked funds or a reduction in the benefits paid to With-Profits policyholders. However, some residual risk remains with the Long-Term Business Fund. These risks include an increase in guarantee costs on With-Profits business and a fall in expected future management charges on unit-linked and unitised With-Profits business.

A proportion of NFU Mutual's free assets are invested in equities so an equity market fall directly impacts the size of the Long-Term business's free assets. A sensitivity analysis to changes in equity prices is given in section (v).

(ii) Property Price Risk

A property price fall has a much smaller impact on the Group's balance sheet than an equity price fall of similar percentage due to the much lower aggregate holdings of property compared to equities across the Group. A sensitivity analysis to changes in property prices is given in section (v).

(iii) Interest Rate Risk

Asset liability matching significantly reduces the Group's exposure to interest rate risk for both our General and Life businesses as discussed below. Interest rate swaps are additionally used within the Life business to help manage interest rate risk.

General Business – The technical provisions are not discounted for General business with the exception of periodic payment orders so the value placed on these liabilities will not change as interest rates change. In contrast the value of the assets held to match these technical provisions will change as interest rates change. In particular, asset values of fixed interest securities fall as interest rates rise.

Management continually monitors the solvency position of the General business to ensure adequate capital is held to cover these liabilities.

A sensitivity analysis to changes in interest rates is shown in section (v).

Long-Term Business – Liabilities that arise out of the Group's Long-Term business operations are typically long- term in nature. The value of the Long-Term business liabilities is dependent on the level of interest rates. The key reasons for this are that the cost of guarantees on With-Profits business are very sensitive to the prevailing level of interest rates and that Non-Participating liabilities are discounted and hence dependent on valuation interest rates.

The Long-Term business holds fixed interest securities that are subject to interest rate risk. Fixed interest securities are held which, to a significant extent, match the expected liability cash flow on Non-Participating contracts and as such the interest rate risk arising from Non-Participating contracts is relatively small. We do not currently attempt to closely match the guarantee costs arising from With-Profits business, as a result a significant exposure to interest rates arises. However, the use of interest rate swaps within the Long-Term business assets reduces the fund's exposure to the risk of interest rate falls. This exposure is closely monitored to ensure that it remains aligned with the risk appetite set by the Board. Adequate capital is held to cover our exposure to this risk.

(iv) Currency Risk

As described in the risk section on pages 25 to 35 the Group considers its exposure to currency risk to be sufficiently mitigated by the Group's Investment Strategy, which includes the use of investment hedges on overseas fixed security exposures, diversification of currency exposures and caps on the total value of the portfolio that can be invested in non sterling denominated securities. A sensitivity analysis to changes in the value of sterling to other currencies is shown below:

10% increase in Sterling £m	10% decrease in Sterling £m	General Business
(137)	137	Net assets at 31/12/23
(126)	126	Net assets at 31/12/22
		Long-Term Business
(60)	59	Fund for Future Appropriation at 31/12/23
(38)	37	Fund for Future Appropriation at 31/12/22

NFU Mutual does not have any overseas liabilities. Management continually monitors the solvency position of the business to ensure adequate capital is held to cover any currency exposure.

(v) Sensitivity Analysis

The impact on the Group's results from sensitivities are detailed in the table below. For each sensitivity test the impact of a reasonably possible change in a single factor is shown, with other assumptions left unchanged. The sensitivities used represent an increase and decrease of 10% in the balance sheet value of equity and property investments held at the reporting date, while a 1% increase and decrease in the yields on the fixed interest securities has been used in assessing the profit and loss impact.

Market values and rates can move sharply over short periods. The percentage changes shown in this table are designed to show the sensitivity of our balance sheet to a range of market movements. However, the exact value of the changes are purely representative and are not necessarily of equal probability or minimum or maximum annual changes.

2023						2022						General Business
Fixed Interest Securities		Equity		Property		Fixed Interest Securities		Equity		Property		
+1%	-1%	+10%	-10%	+10%	-10%	+1%	-1%	+10%	-10%	+10%	-10%	
(255)	303	251	(251)	105	(105)	(193)	228	264	(264)	104	(104)	**Impact on profit before tax £m**
(255)	**303**	**251**	**(251)**	**105**	**(105)**	**(193)**	**228**	**264**	**(264)**	**104**	**(104)**	**Total**

2023						2022						Long-Term Business
Fixed Interest Securities		Equity		Property		Fixed Interest Securities		Equity		Property		
+1%	-1%	+10%	-10%	+10%	-10%	+1%	-1%	+10%	-10%	+10%	-10%	**Impact on Fund for Future Appropriation £m**
(28)	46	-	-	-	-	(31)	52	-	-	-	-	Non-Participating contracts
(50)	54	68	(70)	1	(1)	(25)	15	64	(63)	7	(7)	With-Profit business
-	-	-	-	-	-	-	(2)	-	-	-	-	Investment business
(78)	**100**	**68**	**(70)**	**1**	**(1)**	**(56)**	**65**	**64**	**(63)**	**7**	**(7)**	**Total**

Limitations of sensitivity analysis

The sensitivities shown in the tables in section (v) are calculated assuming all other variables remain constant. In reality it should be noted that there will be a correlation between the different variables, so it is unlikely only one factor will change in isolation. It should be noted that sensitivities are non-linear (apart from General Business Equity and Property movements) and therefore larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivities used in these accounting notes do not take into consideration the active management by the Group of its assets and liabilities. The Group's Risk Management Framework incorporates levels which will trigger remedial action in order to mitigate any risk faced by the Group due to changes in market conditions.

c) Insurance risk

For a portfolio of insurance contracts the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. Factors that aggravate insurance risk include lack of risk diversification in terms of class and amount of risk, geographical location and type of industry covered. A more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the class of insurance risks accepted and within each of these classes to achieve a sufficiently large population of risks, to reduce the variability of the expected outcome. In addition the Group has a reinsurance programme which protects exposure to large claims.

General Insurance Contracts – The frequency and severity of claims can be affected by several factors, such as the risk profile of the business, inflation, legal rulings and weather events. The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well controlled in terms of class and amount of risk, industry and geography.

As a mutual organisation it has consistently been our philosophy to reserve cautiously. Our conservative approach is designed to create a margin held in reserves to allow for adverse developments in open claims. Our booked claims reserves continue to include a margin above projected best estimate of ultimate claims costs.

Underwriting limits are in place to enforce appropriate acceptance criteria. The Group has the right not to renew individual policies, to reprice the risk on renewal, or to impose deductibles or other conditions. It also has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. All Group motor insurance contracts offer unlimited third party insurance cover in accordance with UK legislation.

The reinsurance arrangements include risk excess which limits the financial impact from any one claim and catastrophe coverage. The greatest likelihood of significant losses arises from storm or flood damage, and catastrophe. The Group has reinsurance cover to limit its exposure to loss at a level approved by the Board. The risk that the current estimates of claim liabilities will be different from those ultimately paid out on existing claims is minimised through the use of active claims management, regular reviews of claims estimates, and the use of statistical methods to assess the likely ultimate cost of claims.

The Group is exposed at any given time to latent risk which, by its very nature, is uncertain and in many cases is only expected to emerge in the long-term. Therefore, a material element of our overall reserves exists in order to cover these risks. The Group assesses its exposure to latent risk regularly and uses statistical methods and specific inputs including external third party experts to estimate the value of this exposure. Uncertainty over value and timing does, however, mean that final outcomes could be significantly different from current estimates.

The claims provision is the estimated cost of outstanding claims from expired risks. The provision is calculated largely from using the Group's historic claims development data. How much past claim development will reflect future claims development will be impacted by the following factors:

- Changes in actuarial processes and methodology.
- Changes in risk profile.
- Changes in underwriting, rating and policy conditions.
- Changes in legislation and regulation e.g. PPOs, Ministry of Justice reforms, changes to the Ogden discount rate
- Changes in other external factors e.g. 'claims farming'/accident management firms
- Changes to claims inflation.

It is therefore important that the impact of these items on claims development is understood. While every effort has been made to ensure the claims provision appropriately allows for such changes, there remains uncertainty in the eventual reserve outcome as a result. This uncertainty can change from year to year depending on the timing and magnitude of these items.

The Group has identified the major uncertainties surrounding the future development of claims.

The following tables reflect the cumulative incurred claims including both claims notified and Incurred But Not Reported (IBNR) for each successive accident year at each Statement of Financial Position date, together with the cumulative payments to date. The Group aims to maintain appropriate reserves in order to protect against adverse future claims experience and developments.

Analysis of claims development – gross of reinsurance

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
Estimate of ultimate claims costs £m											
At end of reporting year	911	889	909	958	1,051	981	1,006	1,152	1,319	1,473	
One year later	809	879	874	892	1,017	969	1,053	1,186	1,355		
Two years later	801	851	826	878	1,007	988	1,066	1,202			
Three years later	767	810	795	869	1,009	1,005	1,068				
Four years later	752	813	797	882	1,012	1,007					
Five years later	752	818	802	874	1,016						
Six years later	754	831	806	877							
Seven years later	756	822	812								
Eight years later	756	822									
Nine years later	757										
Current estimate of cumulative claims	757	822	812	877	1,016	1,007	1,068	1,202	1,355	1,473	10,389
Cumulative payments to date	(739)	(788)	(780)	(836)	(965)	(923)	(915)	(911)	(931)	(565)	(8,353)
Liability recognised in balance sheet	18	34	32	41	51	84	153	291	424	908	2,036
Reserve in respect of prior years											460
Reserve in respect of Long-Term Business											73
Other Reserves											105
Total Reserve included in Parent Company balance sheet, Gross of reinsurance											2,674
Reserve in respect of subsidiary undertakings											6
Total Reserve included in consolidated balance sheet, Gross of reinsurance											2,680

Analysis of claims development – net of reinsurance

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
Estimate of ultimate claims costs £m											
At end of reporting year	885	872	894	913	1,002	959	981	1,131	1,304	1,447	
One year later	801	857	858	858	974	949	1,035	1,156	1,317		
Two years later	788	835	807	846	971	975	1,047	1,166			
Three years later	756	792	783	837	973	994	1,045				
Four years later	746	793	787	833	976	999					
Five years later	748	794	791	839	981						
Six years later	750	791	795	841							
Seven years later	752	789	801								
Eight years later	751	791									
Nine years later	754										
Current estimate of cumulative claims	754	791	801	841	981	999	1,045	1,166	1,317	1,447	10,142
Cumulative payments to date	(736)	(772)	(776)	(817)	(931)	(917)	(907)	(909)	(922)	(564)	(8,251)
Liability recognised in balance sheet	18	19	25	24	50	82	138	257	395	883	1,891
Reserve in respect of prior years											391
Reserve in respect of Long-Term Business											73
Other Reserves											105
Total Reserve included in Parent Company balance sheet, Net of reinsurance											2,460
Reserve in respect of subsidiary undertakings											3
Total Reserve included in consolidated balance sheet, Net of reinsurance											2,463

Long-Term Insurance Contracts – For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, and the Group manages these risks through its underwriting strategy and reinsurance arrangements. The Group no longer sells new protection business. Existing reinsurance arrangements limit the Group exposure on a significant proportion of protection business to a maximum of £0.6m on any single policy. Further exposure above the £0.6m retention limit is fully reinsured for mortality risk or above £0.3m for morbidity risk.

For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. This risk is managed by ensuring that both the pricing and reserving for the annuities contains adequate allowance for future improvements in longevity. The Group uses appropriate base tables of standard mortality according to the type of contract being written. An investigation into the actual experience of the Group over the last five years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future.

Policies which contain material options or guarantees include conventional life policies which have guaranteed benefits at maturity or death, conventional pension and unitised pensions which have guaranteed benefits at maturity and some conventional pension policies which have guaranteed annuity options. Investigations are undertaken in retirement rates and take up of options.

Insurance risk for contracts is also affected by the contract holder's right to pay reduced future premiums, to cease future premiums, and to terminate the contract completely. The Group has factored the impact of contract holder's behaviour into the assumptions used to measure liabilities. Sensitivity to assumptions on the long-term insurance liabilities is discussed further in Note 4.

D) Credit risk

General Business

AAA	AA	A	BBB	BB	Other	Carrying Value in Balance Sheet	As at 31 December 2023 £m
388	959	822	1,132	250	403	3,954	Debt securities and other fixed / variable income securities
-	105	111	-	-	5	221	Assets arising from reinsurance contract held
-	73	319	-	-	-	392	Cash and deposits with credit institutions
2	8	11	20	1	925	967	Other assets
390	**1,145**	**1,263**	**1,152**	**251**	**1,333**	**5,534**	
							As at 31 December 2022 £m
224	665	850	1,063	232	262	3,296	Debt securities and other fixed / variable income securities
-	108	97	-	-	7	212	Assets arising from reinsurance contract held
-	49	299	-	-	-	348	Cash and deposits with credit institutions
-	-	-	-	-	845	845	Other assets
224	**822**	**1,246**	**1,063**	**232**	**1,114**	**4,701**	

Long-Term Business

AAA	AA	A	BBB	BB	Other	Carrying Value in Balance Sheet	As at 31 December 2023 £m
231	1,188	436	661	293	10	2,819	Debt Securities and other FI stock
-	24	6	-	-	-	30	Reassurance Assets
-	26	268	-	-	-	294	Cash and deposits with credit institutions
-	-	-	-	-	-	-	Loans and receivables
3	11	7	15	-	34	70	Other Assets
234	**1,249**	**717**	**676**	**293**	**44**	**3,213**	
							As at 31 December 2022 £m
246	1,120	496	689	233	12	2,796	Debt securities and other fixed / variable income securities
-	25	5	-	-	-	30	Reinsurance assets
-	-	256	-	-	-	256	Cash and deposits with credit institutions
2	10	7	17	1	60	96	Other assets
248	**1,155**	**764**	**706**	**234**	**72**	**3,179**	

The tables provide information regarding an analysis of the credit profile for financial assets with external credit ratings for the Group as at 31st December 2023.

Credit risk associated with the Group's cash investments is mitigated by the use of a panel of credit institutions with whom the Group can place its cash deposits. These cash deposits are spread across these institutions with a range of maturity dates in order to avoid concentration risk.

General Insurance policies are cancelled following non payment of the premium which limits the Group's exposure to the charge for the time on risk. Consequently no material provisions or impairments are held against the General business assets as at the balance sheet date.

The carrying amount of assets included on the balance sheet represents the maximum credit exposure. The Group is not exposed to credit risk on unit-linked assets as this risk is borne by the holders of the contract concerned. The concentration of credit risk is substantially unchanged compared to prior year.

No credit limits were exceeded during the period. No financial assets are past their due date or impaired at the balance sheet date, management expects no significant losses from non-performance by these counterparties.

Stock lending refers to the lending of securities by one party to another. The terms of the loan will be governed by a "Securities Lending Agreement", which requires that the borrower provides the lender with collateral, in the form of cash, government securities, or a letter of credit of value equal to or greater than the loaned securities. As payment for the loan, the parties negotiate a fee and interest to be paid on the loan. As at 31st December 2023 lent stock amounted to £713mm (2022: £875m), broken down as UK Equity £21m, Eurobonds and International Equities £160m and Gilts £532m (2022: UK Equity £50m, Eurobonds and International Equities £192m and Gilts £633m).

As at 31st December 2023 accepted collateral, all in government stocks, amounted to £734m (2022: £903m).

e) Operational risk

A Group-level committee is in place whose remit is to oversee the effectiveness of operational risk management and act as an escalation point for significant operational risk issues which covers operational risks such as business continuity, compliance and legal and financial crime.

f) Liquidity risk

General Business

All financial liabilities for 2023 are expected to mature within five years.

Long-Term Business

The only potentially material risk area in respect of liquidity for the Long-Term Business fund is that of large-scale surrender. Other potential risk areas are not considered to be material. For many contracts, policyholders have significant flexibility over when to cash in their policies. Contracts, can be surrendered (fully or sometimes partially) and some contracts allow regular withdrawals. Pension contracts generally allow the policyholder to take their policy benefits at a range of ages. All contracts will terminate on death and some contracts have maturity dates when the contract will terminate.

However, whilst the cash flow from any one contract can be unpredictable, the cash flow arising from a portfolio of policies tends to be more predictable. However, there is a small potential risk that an event may cause a change in normal behaviour and lead to a large scale surrender.

To manage this risk cash positions are monitored closely, in addition a significant portion of the fund is held in highly liquid assets such as government bonds. As well as these sources of liquidity, one advantage of being part of a group is that cash may be moved within the Group to manage short-term cash flow issues.

The table on page 187 represents our best estimate of the Life undiscounted claim profile arising from in-force contracts. This claim profile allows for full and partial surrenders, regular withdrawals, death claims and retirements, as well as maturities. All assumptions on expected rates are consistent with our valuation assumptions and are based on an analysis of our experience over the past five years.

Amounts under unit-linked contracts are generally repayable on demand and the Group is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable liabilities to unit linked policyholders to be met as they fall due.

With-Profits contracts can be surrendered before maturity for a cash surrender value. The Group has discretion as set out in the Principles and Practices of Financial Management (PPFM) to impose market value reductions (MVRs) on early surrender of unitised With-Profits policies which reduce the amount payable on surrender. These MVRs contribute to managing the liquidity risk of the With-Profits fund and to ensuring equity of treatment between policyholders surrendering their policies and those remaining invested in the With-Profits fund. For conventional With-Profits policies the Group has discretion as set out in the PPFM to review terminal bonus rates which may form part of a surrender value to ensure equity of treatment between policyholders surrendering their policies and those remaining invested in the With-Profits fund.

The table below analyses the maturity of the Group's financial liabilities and insurance contract liabilities. The analysis of insurance contract liabilities is based on the projected settlement date. The analysis of investment contract liabilities is based on the earliest contractual repayment date and presents all such liabilities as due on the earliest period of the table (less than 1 year or on demand) because, as described above, the contractual terms provide for surrender by policyholders.

The analysis of other non-derivative financial liabilities and assets is based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table represent undiscounted cash flows:

Financial and Insurance Liabilities	**< 1 year or on demand**	**Between 1 year and 2 years**	**Between 2 years and 5 years**	**> 5 years**	**Total**	**Carrying value as per the balance sheet**
As at 31 December 2023 £m						
Financial Liabilities						
Bank Loans and other overdrafts	90	33	-	-	123	123
Financial liabilities under non participating investment contracts	3,669	-	-	-	3,669	3,669
Creditors	361	-	-	-	361	361
Total Financial Liabilities	**4,120**	**33**	**-**	**-**	**4,153**	**4,153**
Insurance Liabilities						
Long-term business provision - with profit insurance contracts	358	282	792	3,818	5,250	3,907
Long-term business provision - non-participating insurance contracts	85	72	202	675	1,034	809
Liabilities under unit linked insurance contracts	4	5	14	143	166	82
Claims Outstanding (NFU Mutual General)	1,080	451	481	668	2,680	2,572
Claims Outstanding (Avon)	8	5	8	15	36	35
Claims Outstanding (Life)	73	-	-	-	73	73
Total Insurance Liabilities	**1,608**	**815**	**1,497**	**5,319**	**9,239**	**7,478**
Total Financial and Insurance Liabilities	**5,728**	**848**	**1,497**	**5,319**	**13,392**	**11,631**

< 1 year or on demand	Between 1 year and 2 years	Between 2 years and 5 years	> 5 years	Total	Carrying value as per the balance sheet	Financial and Insurance Liabilities
						As at 31 December 2022 £m
						Financial Liabilities
68	28	32	-	128	128	Bank Loans and other overdrafts
3,503	-	-	-	3,503	3,503	Financial liabilities under non participating investment contracts
431	-	-	-	431	431	Creditors
4,002	**28**	**32**	**-**	**4,062**	**4,062**	**Total Financial Liabilities**
						Insurance Liabilities
331	273	761	3,791	5,156	3,786	Long-term business provision - with profit insurance contracts
86	74	206	735	1,101	822	Long-term business provision - non-participating insurance contracts
4	4	13	145	166	82	Liabilities under unit linked insurance contracts
909	379	389	685	2,362	2,256	Claims Outstanding (NFU Mutual General)
6	4	6	18	34	32	Claims Outstanding (Avon)
64	-	-	-	64	64	Claims Outstanding (Life)
1,400	**734**	**1,375**	**5,374**	**8,883**	**7,042**	**Total Insurance Liabilities**
5,402	**762**	**1,407**	**5,374**	**12,945**	**11,104**	**Total Financial and Insurance Liabilities**

3 Capital management policy

NFU Mutual Insurance Society is a company limited by guarantee and does not therefore possess share capital. The company's capital takes the form of members reserves.

The Group is headed by the NFU Mutual Insurance Society which, since 1st January 2016, has calculated its Solvency II capital requirement via the use of an Internal Model. The Group incorporates risk modelling for its regulated subsidiaries on a look-through basis within its own calculation, previously the Group calculated its capital requirement under Solvency I regulation. As such, this ensures that all risks are captured at the consolidated level.

The Society's General Insurance and Long-Term Business funds are required to hold sufficient capital to meet the Solvency II capital requirements. Both the Group and the regulated entities within it have complied with all externally imposed capital requirements throughout the year.

The Group has an established Own Risk and Solvency Assessment (ORSA) process for both the General and Long-Term Business which ensures compliance with the requirements to hold adequate capital to cover all types of risk faced by the business. To support the protection of existing Own Funds, the firm has established processes and policies in specific areas such as Investment Strategy and Risk Management.

Group capital

The Group capital position remains strong. Assets that form part of the General Insurance fund, but are not required to cover its liabilities, are available to support Long-Term Business. The Own Funds comprises of the excess of assets over liabilities as measured under Solvency II. Beyond the movement in Own Funds relating to the decrease driven by retained losses, there have been no material changes to Own Funds in the period.

Own Funds available to cover the Solvency II Capital Requirement (SCR) as at 31st December 2023 is estimated to be £6,394m (2022: £6,087m) which is unaudited based on our annual submission of Quantitative Reporting Templates (QRT) to the regulator.

The effects on the value of the total reserves caused by the difference in valuation and recognition methods between the consolidated balance sheet and the annual QRT Solvency II regulatory requirements are summarised in the following unaudited numbers.

Group		Parent		
2023 £m	2022 £m	2023 £m	2022 £m	
6,994	**6,766**	**7,085**	**6,881**	**Statutory**
				Valuation method adjustments
1,304	1,011	1,304	1,011	Net technical reserves
(766)	(664)	(766)	(664)	Premium debtors
(163)	(151)	(163)	(151)	Deferred acquisition costs
(271)	(215)	(271)	(215)	Pension scheme surplus
(45)	-	(45)	-	Deferred tax
(667)	(658)	(648)	(658)	Excess ring fenced funds
-	-	(84)	(106)	Subsidiaries fair value excess over net assets
8	(2)	(18)	6	Other
6,394	**6,087**	**6,394**	**6,104**	**Own Funds Solvency II (unaudited)**

Technical reserves for Solvency II are based on the probability-weighted, discounted best estimate of future cashflows. Consequently the valuation of many constituent parts of the Solvency II Own Funds (e.g. premium debtors and deferred acquisition costs) are amended accordingly.

4 Long-Term insurance liabilities

This note sets out the disclosures in respect of the Long-Term Business.

2023 Total Life business £m	2022 Total Life business £m	Analysis of Policyholder Liability
		With-Profits liabilities
215	244	Options and guarantees
3,692	3,542	Other policyholder obligation
3,907	**3,786**	**Total With-Profits liabilities**
3,751	3,585	Unit Linked
809	822	Non-participating Life assurance
8,467	**8,193**	**Technical provision in balance sheet**

Assumptions

Overview – Assumptions are set on two different bases to perform the calculation of different reserves within the financial accounts. For With-Profits business reserves are set to be 'best estimate', so assumptions are set with no material margins for prudence included. For Non-Participating contracts reserves are set to be more prudent than best estimate, so assumptions are set to contain an appropriate margin for adverse deviation, such that there is no significant foreseeable risk that liabilities to the policyholders will not be met as they fall due.

With-Profits

A market consistent approach is adopted for the valuation of With-Profits liabilities and so the economic basis that underpins the calculations is defined by market prices at 31st December 2023. The 'risk free' interest rate is calculated as being that implied by a zero coupon government bond of an equivalent term. A UK equity return volatility parameter of 18.50% (2022: 19.70%) and a property return volatility parameter of 20.5% (2022: 15.0%) have been used.

Non-Participating

The 'risk free' discount rate is calculated as being that implied by a zero coupon government bond of an equivalent term, for all business other than pension annuities. For pension annuities it is the rate implied by a zero coupon government bond of an equivalent term plus 74 basis points (2022: 108 basis points).

Key Non-Economic Assumptions

Where appropriate the non-economic assumptions used to calculate liabilities have been determined by reference to internal experience investigations. However, in many instances there is insufficient internal data from which to draw meaningful conclusions and in these circumstances reliance is put on industry-wide analysis.

Annuitant Mortality

The improvement model has been updated to the 2022 CMI model from the 2020 CMI model, the underlying base table remains unchanged. The percentage adjustments to the base table and improvements basis for the 2023 assumptions are given below. In brackets are the 2022 assumptions.

Male	With-Profits	Non-Participating
Base table	PMA16 (PMA16)	PMA16 (PMA16)
% adjustment	100% (102%)	98% (100%)
Improvement model	CMI-2022 (CMI-2020)	CMI-2022 (CMI-2020)
% Long-Term rate	Average 1.30% (Average 1.50%)	Average 1.80% (Average 2.00%)
Female		
Base table	PFA16 (PFA16)	PFA16 (PFA16)
% adjustment	87% (88%)	85% (86%)
Improvement model	CMI-2022 (CMI-2020)	CMI-2022 (CMI-2020)
% Long-Term rate	Average 1.30% (Average 1.50%)	Average 1.80% (Average 2.00%)

Lapse Rates With-Profits

Product	Duration	2023 Lapse rate %	2022 Lapse rate %
Pure Endowments	All before age 55	0.36	0.36
Deferred Annuity	All before age 55	0.36	0.36
Personal Pension - Individual	All before age 55	0.98	0.98
Personal Pension Account - Individual	All before age 55	1.12	1.12
Select Pension Plan	All	1.12	1.12
Endowment	All	1.17	1.17
Whole of Life	All	1.60	1.13

Lapse Rates unit linked

Product	Duration	2023 Lapse rate %	2022 Lapse rate %
Personal Pension - Individual	All before age 55	1.04	1.04
Stakeholder - Individual	All before age 55	1.19	1.19
Personal Pension Account - Individual	All before age 55	1.19	1.19
Capital Investment Bond	All	2.75	2.75
Flexibond	1 2 3 4 5	1.22 2.93 2.94 3.18 2.75	1.22 2.93 2.94 3.18 2.75

Per-policy Expense Rates (£s) The 2022 per-policy expenses are given in brackets.

Product	With-Profits	Non-Participating
Capital Invesment Bond / Flexibond	£198.91 (£179.38)	£208.86 (£188.35)
Stakeholder / Personal Pension / Personal Pension Account	£187.65 (£165.84)	£197.03 (£174.13)
Individual Savings Account	£158.59 (£143.72)	£166.52 (£150.91)
Endowments / Whole of Life	£123.64 (£112.48)	£129.82 (£118.10)
Conventional Pensions	£139.98 (£128.94)	£146.35 (£135.39)
Annuities	£107.50 (£98.09)	£112.88 (£102.99)
Select Pension Plan (Accumulation)	£47.76 (£83.78)	N/A
Select Pension Plan (Decumulation)	£63.83 (£116.13)	N/A

Guaranteed Annuity Take up Rates

Assumptions are made that on average 60% of policyholders (2022: 62%) choose to vest their pure endowment pension with us. Of those who choose to vest their pure endowment pension with the Group it is assumed that 100% take up their guaranteed annuity rate option.

Sensitivity to Reserving Assumptions

The tables below show the impact on the Funds for Future Appropriation (FFA), and as such the profitability of the long-term business, of variations in some of the key reserving assumptions. Variations of 5% in other mortality and morbidity assumptions only have a small impact on the FFA. The effect on the FFA of changes in assumptions that are directionally opposite to those detailed below would be broadly symmetrical.

2023

Impact on FFA (£m)	Annuitant mortality 5% fall	Lapse rates 10% fall	Maintenance expenses 10% fall	Liquidity premium 10 basis point fall
Insurance Business				
Non-Participating contracts	(14)	(1)	6	(5)
With-Profits business	(7)	5	14	-
Investment business	-	-	-	-
Total	**(21)**	**4**	**20**	**(5)**

2022

Impact on FFA (£m)	Annuitant mortality 5% fall	Lapse rates 10% fall	Maintenance expenses 10% fall	Liquidity premium 10 basis point fall
Insurance Business				
Non-Participating contracts	(13)	(1)	6	(5)
With-Profits business	(8)	6	13	-
Investment business	-	-	-	-
Total	**(21)**	**5**	**19**	**(5)**

5 Financial instruments – fair value methodology

i) Investments carried at fair value have been categorised using a fair value hierarchy as detailed below:

Level 1 – Quoted market prices in active markets

Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an ongoing basis. Instruments included in level 1 comprise primarily FTSE or equivalent listed equity instruments.

Level 2 – Internal models or broker quotes with observable market parameters

Inputs to level 2 fair values are inputs, other than quoted prices included within level 1, that are observable for the asset, either directly or indirectly. Level 2 includes both quoted prices for similar assets in an active market or an inactive identical market, and models using observable inputs or inputs derived from or corroborated by observable market data.

Where it is determined that there is no active market, fair value is established using a valuation technique. Level 2 valuation techniques include the following:

- Quoted prices for similar assets in active markets;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. The techniques above maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement.

Property investment valuations are calculated by independent fund valuers Cushman and Wakefield. Property investments are valued by determining the appropriate yield for an investment based on market comparable data and risk fundamentals. The yield is multiplied by the open market value of the property. This is assessed against comparable market data.

Level 3 – Internal models with significant unobservable market parameters

Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3.

ii) An analysis of investments according to fair value hierarchy is given below:

2023 Level 1 £m	2023 Level 2 £m	2023 Level 3 £m	2023 Total £m	2022 Level 1 £m	2022 Level 2 £m	2022 Level 3 £m	2022 Total £m	As at 31 December Assets
								Financial assets at fair value through profit or loss
-	-	190	190	-	-	500	500	Investment in group undertakings and participating interests
-	10	-	10	-	9	-	9	Derivative Financial Instruments
3,543	1,252	-	4,795	3,468	1,350	-	4,818	Shares and other variable-yield securities and unit trusts
1,042	5,731	-	6,773	981	5,110	-	6,091	Debt securities and other fixed/ variable income securities
2,133	1,595	-	3,728	1,994	1,465	-	3,459	Assets held to cover linked liabilities
6,718	**8,588**	**190**	**15,496**	**6,443**	**7,934**	**500**	**14,877**	

The only material difference between the Fair Value hierarchy for the Group and the parent company is an increase in the value of investment in Group undertakings and therefore no separate disclosure has been made.

The majority of the Group's investments are valued based on quoted market information or observable market data.

iii) The table shows movements in the assets measured at fair value based on valuation techniques for which any significant input is not based on observable market data (level 3 only)

The impact of changes in reasonable assumptions for assets categorised as level 3 is considered immaterial, therefore no separate disclosure has been shown.

2023 £m	2022 £m	
		Total funds
500	575	Balance as at 1 January
19	(53)	Total net gains recognised in the Profit and Loss Account
25	11	Purchases
(354)	(33)	Sales
-	-	Net transfers out of level 3
190	**500**	**As at 31 December**
19	(53)	Total gains or losses for the period included in profit and loss for assets held at the end of the reporting period

6 Segmental information

The segmental information is disclosed in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410). The operating business segments are aggregated in line with the internal management of the business.

a) Segmental analysis

Gross Written Premium 2023 £m	Gross Written Premium 2022 £m	Profit / (Loss) on ordinary activities before taxation and minority interests 2023 £m	Profit / (Loss) on ordinary activities before taxation and minority interests 2022 £m	Net Assets 2023 £m	Net Assets 2022 £m	
1,978	1,740	62	(1,286)	5,839	5,627	General Business
-	-	101	71	-	-	Allocated investment return
1,978	**1,740**	**163**	**(1,215)**	**5,839**	**5,627**	**General Business total**
173	**207**	**-**	**-**	**1,155**	**1,138**	**Long-Term Business**

b) Gross written premium

The gross premium income for the year by major class of business was as follows:

2023 £m	2022 £m	**General Business**
831	700	Fire and Other Damage to Property
292	276	Third-party liability
429	383	Motor (third party liability)
319	277	Motor (other classes)
20	22	Accident and Health
87	82	Miscellaneous
1,978	**1,740**	
		Long-Term Business
97	149	Life
76	58	Pensions
173	**207**	

The Long-Term Business gross premium income for the year was further broken down as follows:

2023 Life £m	2023 Pensions £m	2022 Life £m	2022 Pensions £m	
14	12	15	8	Periodic
83	64	134	50	Single
97	**76**	**149**	**58**	
2	2	2	2	Non-linked With-Profits
4	1	5	1	Non-linked non-profit
91	73	142	55	Unitised (including unitised With-Profits)
97	**76**	**149**	**58**	

The gross premium income was written in the following areas:

- All General Business and Long-Term Business is materially written within the United Kingdom.
- All insurance premiums are direct insurance.
- There is no reinsurance inwards at a Group level.

c) New business premiums – Long-term business

The gross new business premium income for the year by major class was as follows:

2023 £m	2022 £m	
79	127	Life
-	-	Annuity
66	48	Pensions
145	**175**	
2	2	Periodic
143	173	Single
145	**175**	
-	-	Non-linked non-profit
145	175	Unitised
145	**175**	

In classifying new business premiums, the following bases of recognition have been adopted:

- Recurrent single premium contracts are included as new business, single premiums.
- Increments under existing Group pension schemes are classified as new business premiums. Where regular premiums are received other than annually, the reported regular new business premiums are on an annualised basis.

d) Gross earned premium – general business

2023 £m	2022 £m	
762	657	Fire and Other Damage to Property
285	262	Third-party liability
401	372	Motor (third party liability)
295	266	Motor (other classes)
20	22	Accident and Health
83	80	Miscellaneous
1,846	**1,659**	

e) Gross operating expenses

Gross operating expenses excludes income received from Agents for services provided, commission income and the movement in deferred aquistion costs.

2023 £m	2022 £m	**General Business**
220	199	Fire and Other Damage to Property
76	78	Third-party liability
114	109	Motor (third party liability)
85	78	Motor (other classes)
2	2	Accident and Health
22	24	Miscellaneous
519	**490**	
		Long-Term Business
58	44	Life
20	20	Pensions
78	**64**	

f) Gross claims incurred

Gross Claims Incurred

2023 £m	2022 £m	**General Business**
1,327	1,289	Claims paid
319	191	Change in the provision for claims
1,646	**1,480**	
697	647	Fire and Other Damage to Property
251	150	Third-party liability
581	578	Motor (third party liability)
32	28	Motor (other classes)
2	3	Accident and Health
83	74	Miscellaneous
1,646	**1,480**	

G) Reinsurance balance

Reinsurance balance

2023 £m	2022 £m	General Business
(33)	(30)	Claims paid
(19)	38	Gross provision for claims
(52)	**8**	
(15)	(2)	Fire and Other Damage to Property
(9)	2	Third-party liability
(20)	11	Motor (third party liability)
(1)	(2)	Motor (other classes)
(1)	(1)	Accident and Health
(6)	-	Miscellaneous
(52)	**8**	

H) Reinsurance

The reinsurance balance amounted to a debit to the General Technical account of £99m (2022: £126m debit) and a credit to the Life Technical account of £nil (2022: £1m credit).

I) Geographical analysis

Materially all premiums are written within the United Kingdom.

7 Net operating expenses

General business acquisition costs include commission related costs on direct business of £158m (2022: £144m). Guarantee fund levies included in administration expenses amounted to £33m (2022: £26m) in the consolidated General business financial statements. Net operating expenses includes income received from Agents for services provided.

General Business		Long-Term Business		
2023 £m	2022 £m	2023 £m	2022 £m	
276	254	45	58	Acquisition costs
(16)	(10)	1	(19)	Increase/(decrease) in deferred acquisition costs
231	214	33	25	Administrative expenses
491	**458**	**79**	**64**	

8 Movement in Claims Outstanding

a) Movement in insurance liabilities and reinsurance assets

Consolidated 2023 Gross £m	Consolidated 2023 Reinsurance £m	Consolidated 2023 Net £m	Consolidated 2022 Gross £m	Consolidated 2022 Reinsurance £m	Consolidated 2022 Net £m	
2,352	(198)	2,154	2,137	(236)	1,901	**As at 1 January**
						Movement in Liabilities
678	(20)	658	844	(46)	798	Current year General Insurance claims
(1,609)	222	(1,387)	(673)	(17)	(690)	Prior year General Insurance claims
1,265	(221)	1,044	(8)	101	93	Claims incurred but not reported reserve movements
(15)	-	(15)	26	-	26	Other General Insurance claims reserve movements
9	-	9	26	-	26	Long-Term claims reserve movements
2,680	**(217)**	**2,463**	**2,352**	**(198)**	**2,154**	**As at 31 December**

Parent Company 2023 Gross £m	Parent Company 2023 Reinsurance £m	Parent Company 2023 Net £m	Parent Company 2022 Gross £m	Parent Company 2022 Reinsurance £m	Parent Company 2022 Net £m	
2,347	(195)	2,152	2,131	(233)	1,898	**As at 1 January**
						Movement in Liabilities
678	(20)	658	844	(46)	798	Current year General Insurance claims
(1,609)	222	(1,387)	(673)	(17)	(690)	Prior year General Insurance claims
1,265	(221)	1,044	(8)	101	93	Claims incurred but not reported reserve movements
(16)	-	(16)	27	-	27	Other General Insurance claims reserve movements
9	-	9	26	-	26	Long-Term claims reserve movements
2,674	**(214)**	**2,460**	**2,347**	**(195)**	**2,152**	**As at 31 December**

Current and prior years general insurance claims represents net claims payments and reserve movements.

Other claims reserve movements includes unexpired risk reserve, claims handling reserve and inwards reinsurance.

Within the net claims outstanding reserves the Company holds discounted reserves net of reinsurance of £25m (2022: £27m) for periodic payment orders.

Within the gross claims outstanding reserves are recoveries relating to salvage and subrogation of £45m (2022: £48m).

b) Movement in prior years' provision for claims outstanding

We reserve on a basis which would expect, on average, to produce releases on settlement of claims. We also look to provide for the potential for future legislative or regulatory changes that we expect will impact our reserves. During 2023 we have seen increases in prior year provisions for claims outstanding. These increases reflect the emerging economic environment, with higher than expected claims inflation across the book. The claims environment and inflationary outlook remain uncertain heading into 2024.

Positive run off deviations of £129m (2022: £24m) for liability were experienced in the year while motor reported a negative deviation of £12m (2022: £1m positive). Property reported a negative deviation of £87m (2022: £33m) with all other classes of business reporting a net negative deviation of £80m (2022: £nil). Positive run off deviations are calculated excluding claims handing costs.

An Unexpired Risk Reserve is included within claims outstanding of £15m (2022: £38m).

9 Investment return

Investment return is initially recorded in the Non-Technical account. A transfer is made from the Non-Technical account to the Technical account of the longer-term investment return on investments supporting the General Insurance technical provisions.

Income from land and buildings represents rental income received in respect of operating leases.

General Business Technical Account		Long-Term Business Technical Account		
2023 £m	**2022 £m**	**2023 £m**	**2022 £m**	**Investment Income**
				Income from other financial investments:
10	6	14	-	Held to maturity interest income
10	**6**	**14**	**-**	**Total interest income on financial assets not at fair value through the P&L**
235	138	239	214	Income on financial assets at fair value through P&L
245	**144**	**253**	**214**	**Income from financial assets**
60	36	18	18	Income from land and buildings
-	3	-	1	Net return on pension scheme
212	(73)	90	132	Net gains/(losses) on realisation of investments
517	**110**	**361**	**365**	**Total income from other financial investments**
				Investment Expenses and Charges
-	-	(13)	(1)	Other investment management expenses
135	(869)	361	(1,895)	Net unrealised gain/(loss) on investments
652	**(759)**	**709**	**(1,531)**	**Total Investment Return**
				Investment return is analysed between:
-	-	709	(1,531)	Investment return retained in the LT business technical/ non-tech account
101	71	-	-	Allocated investment return transferred to the General business tech account
551	(830)	-	-	Net investment return included in the Non-Tech Acc
652	**(759)**	**709**	**(1,531)**	**Total Investment Return**
347	(942)	451	(1,763)	Included in the total investment return are net gains on financial assets at fair value through P&L
347	**(942)**	**451**	**(1,763)**	**Total net realised and unrealised gains / (losses) included in investment return**

Realised gains and losses on investments held at FVTPL are calculated as the difference between net sales proceeds and purchase price.

Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or their purchase price for those acquired during the period, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

10 General business longer-term investment rate of return

The longer-term investment rate of return is based on the return on investments supporting the technical reserves of the General business as permitted under FRS103.

During the year 100% (2022: 100%) of the technical reserves were supported by fixed interest securities, cash and shot-term deposits.

The rate of investment return is based upon actual investment income earned in the period which for fixed interest securities was 3.02% (2022: 2.69%) and for cash and short-term deposits was 4.40% (2022: 1.79%). A 1% point increase/decrease in these above rates would result in an increase/decrease in the allocated investment return of £29m and £3m respectively (2022: £24m and £4m).

Allocation of Investment returns over past five years is shown below:

2019-2023 £m	2018-2022 £m	
90	(174)	Cumulative Actual return attributable to investment supporting the General business Technical Provisions
(309)	(243)	Cumulative Longer-term return credited to the Technical account for General business
(219)	**(417)**	

11 Employee information

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. The Group operates a number of annual bonus plans for employees. An expense is recognised in the Profit and Loss Account when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

Key management includes Directors and members of senior management. The compensation paid or payable to key management for employees services was £7,448,069 (2022: £7,740,342) in respect of salaries and short-term benefits.

The parent company does not employ any staff directly. As at the end of 2023 £nil (2022: £nil) in relation to the December 2023 contributions was due to be transferred to the pension scheme. Total employer's contributions made to the pension scheme in 2023 were £17m (2022: £16m).

The monthly average number of persons (including Executive Directors) employed by the Group during the year was:

2023 Number	2022 Number	By activity
1,933	1,773	Underwriting and Claims
1,282	1,206	Administration and Finance
1,188	1,234	Sales and Marketing
4,403	**4,213**	

2023 £m	2022 £m	Staff costs for the above persons were
233	206	Wages and salaries
25	22	Social security costs
17	16	Defined contribution scheme pension costs
275	**244**	

12 Directors' emoluments

Disclosures on Directors' remuneration, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 are contained in the tables on pages 141 to 157.

No Directors accrued any benefits under a defined benefit scheme during the year (2022: none).

2023 £	2022 £	By activity
4,947,687	3,587,648	Aggregate emoluments
207,090	212,518	Excess retirement benefit to past Non-Executive Directors
		Highest paid Director
1,765,963	1,309,241	Total amount of emoluments

None of the Non-Executive Directors accrue pension benefits with NFU Mutual. Some former Non-Executive Directors or their widows still receive a pension, on an ex gratia, non-contractual and unfunded basis. The total cost of these pensions for 14 former Directors or widows in 2023 was 207,090 (2022: 212,518).

13 Related party transactions

a) Directors and members of senior management are related parties. Directors of the Society are required, under its constitution, to be members – i.e., to maintain insurance policies with the Society and may hold investments or take services from other Group companies. In 2023, Directors and members of senior management and/or their connected entities held General Insurance policies with a total premium income of £132,343 (2022: £106,479), Life insurance policies and Investments with a total investment of £44,000 (2022: £133,746) and paid £1,920 (2022: £1,920) for health and safety related services. Claims paid and Life and Investment maturities and surrenders totalled £81,581 (2022: £347,797).

b) The Society's pension scheme is a related party. The National Farmers Union Mutual Insurance Society Limited is the principal employer of the Scheme. The NFU Mutual (Service Company) Limited is the participating employer. The Trustee of the Scheme is a corporate Trustee Company, the NFUM Pension Trustee Company. One current Director of the Society (John Deane) is a Director of the Trustee Company. The other four Trustee Directors are Dan Bailey and Jonathan Priestley (members of staff), Kevin Davies (a former member of staff) and Andrew Spriggs (retired member in receipt of a pension from the scheme). Mr Davies, Mr Bailey and Mr Priestley are members, and thus potential beneficiaries and Mr Spriggs is a beneficiary of the scheme.

c) NFU Mutual OEIC is a related party. At 31st December 2023, the Parent Company held:
7,260,251.4573 shares (2022: 7,052,774.1317) in the Gilt & Corporate Bond C sub-fund valued at £0.9168 per share (2022: £0.878).
184,603.1722 shares (2022: 176,981.4416) in the UK Equity Income I sub-fund valued at £44.3343 per share(2022: £43.3666).
1,078,340.2432 shares (2022: 1,047,566.9256) in the Gilt & Corporate Bond I sub-fund valued at £27.415 per share (2022: £26.1293).
NFU Mutual Portfolio Funds OEIC is a related party. At 31st December 2023, the Parent Company held:
139,804,206.4532 shares (2022: 135,935,675.6865) in the Mixed 20-60% sub-fund valued at £1.721 per share (2022: £1.6229).
1,487,637.2110 shares (2022: 1,467,636.9944) in the Global Growth C sub-fund valued at £1.9638 per share (2022: £1.7689).

14 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

2023 £k	2022 £k	By activity
13,538	13,366	Depreciation
3,072	3,556	Operating lease rentals (plant and machinery)
1,544	1,052	**Fees payable to the company's auditors for the audit of the parent company and consolidation**
		Fees payable to the company's auditors and its associates for other services:
102	93	Audit of accounts of any associate of the company
375	302	Audit related assurance services
-	-	All other non-audit services
		During the year the auditors also earned fees payable by entities outside the consolidated NFU Mutual Group in respect of the following:
121	110	Audits of unconsolidated Open Ended Investment Companies managed by the Group
5	5	Audit of NFU Mutual Charitable Trust
5	5	Audit of the Farm Safety Foundation
2,152	**1,567**	

15 Tax charge on ordinary activities

The Non-Technical account shows the taxation borne and chargeable on all underwriting results, unrealised and realised gains and losses, interest, dividends, rents and for subsidiaries on the results of the year. In the Technical Account – Long-Term business, taxation has been computed on the basis applicable to life assurance and pensions business.

a) Analysis of tax charge for the year

Non-Technical Account 2023 £m	Non-Technical Account 2022 £m	Long-Term 2023 £m	Long-Term 2022 £m	
				Current tax
20	(22)	2	(3)	Current taxation on income for the period
-	-	2	-	Adjustment to prior years
20	**(22)**	**4**	**(3)**	
2	2	2	2	Overseas taxation
22	**(20)**	**6**	**(1)**	**Total current taxation**
				Deferred taxation
(22)	(144)	28	(117)	Origination and reversal of timing differences
-	-	-	(2)	Adjustment to prior years
(1)	(2)	-	-	Impact of change of tax rate (note 20)
(23)	**(146)**	**28**	**(119)**	**Total deferred taxation**
(1)	**(166)**	**34**	**(120)**	**Taxation on profit / (loss) on ordinary activities**

b) Tax included in other comprehensive income

2023 £m	2022 £m	**Deferred Taxation**
16	28	Origination and reversal of timing differences
1	2	Impact of change of tax rate
17	**30**	**Total tax income included in other comprehensive income**

c) Reconciliation of tax charge for the period

The tax assessed for the period is lower (2022: higher) than the effective rate of Corporation Tax in the UK for the year ended 31 December 2023 of 23.5% (2022: 19%). The differences are explained below:

Consolidated 2023 £m	Consolidated 2022 £m	
163	(1,215)	(Loss)/Profit before tax
38	(231)	(Loss)/Profit multiplied by the effective rate of corporation tax in the UK of 23.5% (2022: 19%)
		Effects of:
(1)	(35)	Impact of reduction rate
18	6	Realised and unrealised gains on investments
(13)	(12)	Non-taxable income
1	3	Capital allowances in excess of depreciation
(4)	-	Disallowable expenses
(42)	101	Losses carried back/forward
2	2	Tax on overseas earnings
(1)	**(166)**	**Total taxation credit**

Since 1 April 2017 the main rate of UK corporation tax rate has been 19%.

Finance Act 2021 introduced an increase from 19% to 25% in the main rate of corporation tax from 1 April 2023. The small profits rate applicable from 1 April 2023 is 19%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The deferred tax asset relating to unused tax losses (no expiry limit) for General Business has been recognised using profits from the Group's three-year medium term business plan which is consistent with that supporting the long term viability statement.

No deferred tax has been provided on revaluation of subsidiary companies made in the Statement of Changes in Equity since the parent company has control of subsidiaries and it is probable that the timing difference will not reverse in the future.

The Group operates predominately in UK where the corporate tax rate is above the 15% global minimum tax rate and therefore additional income tax provision is not required. The Group has limited overseas activity in Jersey and Guernsey where corporate tax rates can be below the 15% global minimum tax rate, so additional income tax charges for the Group would not be material.

16 Investment in group undertakings and participating interests

Consolidated		Parent Company General Business		Parent Company Long-Term Business		
2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	**Valuation**
-	-	625	548	243	252	Shares in Group undertakings
186	162	-	1	-	-	Participating interests in associated companies
4	338	4	357	-	-	Participating interests in joint ventures
190	**500**	**629**	**906**	**243**	**252**	**Investment in Group undertakings and participating interests**
						Cost
-	-	237	193	230	233	Shares in Group undertakings
136	125	-	-	-	-	Participating interests in associated companies
3	222	3	222	-	-	Participating interests in joint ventures
139	**347**	**240**	**415**	**230**	**233**	**Investment in Group undertakings and participating interests**

17 Other financial investments

	Consolidated		Parent Company General Business		Parent Company Long-Term Business	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Valuation						
Assets designated at fair value through profit or loss upon initial recognition:						
Shares and other variable yield securities	4,795	4,818	2,502	2,637	2,283	2,180
Debt securities and other fixed interest securities	6,773	6,091	3,934	3,278	2,819	2,796
Assets at fair value through P&L, held for trading:						
Derivative financial instruments	10	9	10	6	-	3
Financial assets in fair value through P&L	**11,578**	**10,918**	**6,446**	**5,921**	**5,102**	**4,979**
Deposit with credit institutions	379	222	227	126	117	72
Total Financial Assets	**11,957**	**11,140**	**6,673**	**6,047**	**5,219**	**5,051**
Included in the above are listed investments:						
Shares and other variable yield securities	4,792	4,755	2,502	2,610	2,280	2,172
Debt securities and other fixed interest stocks	6,736	6,091	3,904	3,278	2,812	2,796
Cost						
Assets designated at fair value through P&L upon initial recognition:						
Shares and other variable yield securities	3,476	3,697	1,862	2,081	1,604	1,616
Debt securities and other fixed interest securities	7,562	7,182	4,247	3,795	3,293	3,364
Assets at fair value through P&L, held for trading:						
Derivative financial instruments	10	-	10	-	-	
Financial assets in fair value through P&L	**11,048**	**10,879**	**6,119**	**5,876**	**4,897**	**4,980**
Deposit with credit institutions	379	222	227	126	117	72
Total Financial Assets	**11,427**	**11,101**	**6,346**	**6,002**	**5,014**	**5,052**

18 Investments: land and buildings

Investment Properties: Reconciliation of movement in the year

Consolidated		Parent Company: General Business			Parent Company: Life business		
Freehold £m	Long Leasehold £m	Freehold £m	Long Leasehold £m	Leasehold £m	Freehold £m	Long Leasehold £m	
1,306	90	592	36	-	347	55	As at 1 January at valuation
315	-	315	-	-	-	-	Additions
(183)	-	(132)	-	-	(51)	-	Disposals
(46)	(9)	(8)	(4)	-	(17)	(5)	Changes in Fair Value
15	-	14	-	-	1	-	Other Changes
1,407	**81**	**781**	**32**	**-**	**280**	**50**	**As at 31 December at valuation**

As at 31st December 2023 the book cost of the Investment properties is £1,699m (2022: £1,424m)

Owner Occupied Properties: Reconciliation of movement in the year

Consolidated		Parent Company: General Business			Parent Company: Life business		
Freehold £m	Long Leasehold £m	Freehold £m	Long Leasehold £m	Leasehold £m	Freehold £m	Long Leasehold £m	
46	-	47	-	-	-	-	As at 1 January at valuation
-	-	-	-	-	-	-	Additions
-	-	-	-	-	-	-	Disposals
(23)	-	(23)	-	-	-	-	Revaluation loss
1	-	2	-	-	-	-	Other Changes
24	**-**	**26**	**-**	**-**	**-**	**-**	**As at 31 December at valuation**
1,431	**81**	**807**	**32**	**-**	**280**	**50**	**Total land and buildings**

As at 31st December 2023 the book cost of owner occupied properties is £60m (2022: £98m). The accumulated depreciation on owner occupied properties at 31st December 2023 is £31m (2022: £30m).

Land and buildings were valued at 31st December 2023 on an open market existing use basis (and at market value based on vacant possession for owner occupied properties) by external firms of independent chartered surveyors. Cushman and Wakefield LLP values all of the investment portfolio except for two property investments which are valued by CBRE Limited and Knight Frank LLP. Buildings occupied by the Group for its own purposes are depreciated at 2% of the book cost value.

All properties with the exception of Group occupied are held for use in operating leases.

19 Assets held to cover linked liabilities

Certain linked products have been classified as investment contracts, while some are included within the definition of an insurance contract. The carrying value of the assets backing these investment and insurance contracts are as follows:

Consolidated		Parent Company*		
2023 £m	**2022 £m**	**2023 £m**	**2022 £m**	
				Valuation
				Assets designated at fair value through profit or loss upon initial recognition
2,933	2,781	2,933	2,781	Shares and other variable yield securities
795	678	795	678	Debt securities and other fixed interest/ variable income securities
3,728	**3,459**	**3,728**	**3,459**	**Financial assets in fair value through P&L**
82	134	82	134	Cash and Deposit with credit intitutions
15	11	15	11	Accrued Interest
3,825	**3,604**	**3,825**	**3,604**	**Total Assets held to cover Linked Liabilities**
				Included in the above are listed investments:
2,684	2,552	2,684	2,552	Shares and other variable yield securities
795	678	795	678	Debt securities and other fixed interest stocks
				Cost
				Assets designated at fair value through P&L upon initial recognition:
2,270	2,259	2,270	2,259	Shares and other variable yield securities
866	799	866	799	Debt securities and other fixed interest/ variable income securities
3,136	**3,058**	**3,136**	**3,058**	**Financial assets in fair value through P&L**
82	134	82	134	Cash and Deposit with credit intitutions
15	11	15	11	Accrued Interest
3,233	**3,203**	**3,233**	**3,203**	**Total Assets held to cover Linked Liabilities**

*All assets held to cover linked liabilities are held within the Long-Term Business.

20 Other debtors

All amounts disclosed in Other Debtors are due within 1 year.

Consolidated		Parent Company Business		
2023 £m	**2022 £m**	**2023 £m**	**2022 £m**	
84	94	56	82	Sundry debtors
-	19	3	18	Corporation Tax Debtor
8	30	99	101	Deferred Tax Asset
92	**143**	**158**	**201**	**As at 31 December**

Deferred Tax Asset

Consolidated		Parent Company General Business		Parent Company Long-Term Business		
2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	**The provision for Deferred Taxation comprises:**
(142)	(75)	(46)	-	(96)	(75)	Unrealised gains on investments
233	172	168	101	65	71	Unused tax losses (no expiry limit)
1	1	-	-	1	1	Deferred acquisition costs
(90)	(70)	-	-	-	-	Pension Scheme surplus
2	2	(1)	-	3	3	Capital allowances
4	-	5	-	-	-	Other short term timing differences
8	**30**	**126**	**101**	**(27)**	**-**	**As at 31 December**

Consolidated		Parent Company General Business		Parent Company Long-Term Business		
2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	**Movement on Deferred Taxation**
30	(206)	101	(47)	-	(119)	Balance at 1 January
(67)	100	(46)	52	(21)	48	Unrealised gain / (loss) on investments
61	172	67	101	(6)	71	Unused tax losses (no expiry limit)
-	(1)	-	-	-	(1)	Deferred acquisition costs
(20)	(30)	-	-	-	-	Pension Scheme Assets
-	(1)	(1)	(2)	-	2	Capital allowances
4	(4)	5	(3)	-	(1)	Other short term timing differences
8	**30**	**126**	**101**	**(27)**	**-**	**As at 31 December**

Finance Act 2021 introduced an increase from 19% to 25% in the main rate of corporation tax from 1 April 2023. The small profits rate applicable from 1 April 2023 is 19%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The deferred tax asset relating to unused tax losses (no expiry limit) for General Business has been recognised using profits from the Group's three-year medium term business plan which is consistent with that supporting the long term viability statement.

No deferred tax has been provided on revaluation of subsidiary companies made in the Statement of Changes in Equity since the parent company has control of subsidiaries and it is probable that the timing difference will not reverse in the future.

The Group operates predominately in UK where the corporate tax rate is above the 15% global minimum tax rate and therefore additional income tax provision is not required. The Group has limited overseas activity in Jersey and Guernsey where corporate tax rates can be below the 15% global minimum tax rate, so additional income tax charges for the Group would not be material.

Based on a current assessment there is not a material provision required for the Group on the application of Pillar Two – Global Minimum income tax rules which come into effect on 1 January 2024.

The deferred tax liability on Pension Scheme surplus is now recognised in Note 27.

Consolidated		Parent Company General Business		Parent Company Long-Term Business		
2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	**Unrecognised Deferred Tax Assets**
452	606	400	543	41	63	Losses for which no deferred tax is recognised

There is no current expiry limit on these tax losses which are primarily due to investment market conditions at 31 December 2023.

The value of the net reversal of deferred tax balances expected to occur within one year of the Balance Sheet date is £13m (2022: £18m) for the Parent Company General business. These primarily relate to the reversal of timing differences on portfolio equity and property investments.

21 Tangible assets

Tangible assets comprise fixtures, fittings and equipment, motor vehicles and computer assets.

Consolidated £m	Parent Company £m	
		Cost
188	177	As at 1 January 2023
19	17	Additions
207	**194**	**As at 31 December 2023**
		Accumulated Depreciation
127	120	As at 1 January 2023
14	13	Charge for the year
141	**133**	**As at 31 December 2023**
		Net Book Value
66	61	As at 31 December 2023
61	57	As at 31 December 2022

22 Stocks

Stocks represent development investment properties under construction at the balance sheet date.

Consolidated		Parent Company		
2023 £m	2022 £m	2023 £m	2022 £m	
-	17	-	-	Stocks
-	**17**	**-**	**-**	**As at 31 December**

23 Subsidiaries

The National Farmers Union Mutual Insurance Society Limited, a mutual company limited by guarantee, incorporated and domiciled in Great Britain and registered in England and Wales, is the ultimate holding company.

The registered office of The National Farmers Union Mutual Insurance Society Limited is Tiddington Road, Stratford upon Avon, Warwickshire CV37 7BJ.

Directly Held Subsidiaries

NFU Mutual Management Company Limited (No. 1655167)	Holding Company
NFU Mutual Unit Managers Limited (No. 1837277)	Authorised Corporate Director of The NFU Mutual OEIC and the NFU Mutual Portfolio Funds OEIC
NFU Mutual Select Investments Limited (No. 8049488)	Platform Operator
*NFU Mutual Pension Fund Trust Company Limited (No. 710041)	Holds assets for the pension fund
Salmon Harvester Properties Limited (50% owned) (No. 2921283)	Property Development
Hathaway Opportunity Fund General Partner Limited (No. 6278378)	General Partner of Limited Partnership

Subsidiaries Held Through NFU Mutual Management Company Limited

Avon Insurance plc (No. 209606)	General Insurance
NFU Mutual Investment Services Limited (No. 1860029)	Corporate Investment Management
NFU Mutual Risk Management Services Limited (No. 3350057)	Risk Reduction Services
NFU Mutual (Service Company) Limited (No. 5311498)	Service Company
Harvester Properties Limited (No. 2111204)	Property Development

Subsidiaries Held Through NFU Mutual Select Investments Limited

* Tiddington Nominees Limited (No. 1959973)	Custodian
* NFU Mutual Trustee Limited (No. 10353034)	Pension Bare Trustee

Subsidiaries Held Through Harvester Properties Limited

Aver Property General Partner Limited (No. 11660872)	General Partner of Limited Partnership
*Aver Property Nominee (No. 11662963)	Property Holding Company

Subsidiaries Held Through Hathaway Opportunity Fund General Partner Limited

Globe Kingston Limited (No. 13054515)	Property Holding Company

Guernsey

Lancaster Court Limited 1 (No. 7059)	Holding Company
The Islands' Insurance Brokers Limited 1 (No. 6841)	Insurance Underwriting Agent & Insurance Broker
Hepburns Insurance Limited 1 (No. 20438)	Insurance Broker

Jersey

Islands' Insurance (Holdings) Limited 2 (No. 138932)	Holding Company
M. J. Touzel (Insurance Brokers) Limited 2 (No. 2589)	Insurance Underwriting Agent & Insurance Broker
Hepburns Insurance Limited (No. 4722) 3	Insurance Broker

Subsidiaries Held Through Salmon Harvester Properties Limited

* FSH Airport (Edinburgh) Services Limited (50% owned by Salmon Harvester Properties Limited) 4 (No. 4001890)	Joint Venture Property Company
* FSH Nominees Limited (100% owned by FSH Airport (Edinburgh) Services Limited) 4 (No. 4046945)	Joint Venture Property Company

Other investment in Group undertakings

Hathaway Opportunity Fund Limited Partnership 5 (No. LP012268)	Limited Partner Act 1907
Aver Property Limited Partnership (LP019862)	Limited Partner Act 1907

* Denotes a company that is dormant and exempt from the requirement to prepare individual accounts by virtue of s394A of the Companies Act 2006 and exempt from audit by virtue of s479A of the Companies Act 2006 All subsidiary companies other than those companies identified as dormant have been included within the consolidated financial statements. Except where indicated, each of these companies is incorporated and registered in England and Wales, has an issued capital of ordinary shares only, is wholly owned by the parent company and has its registered office at Tiddington Road, Stratford upon Avon, Warwickshire CV37 7BJ.

The exceptions for Registered Offices are:
1 Lancaster Court, Forest Lane, St Peter Port, Guernsey, GY1 1WJ
2 Kingsgate House, 55 The Esplanade, St Helier, Jersey, JE1 4HQ
3 PO Box 732, 6/7 Mulcaster Street, St. Helier, JE4 0QJ
4 11-15 Wigmore Street, London, W1A 2JZ
5 21a Kingly Street, London, W1B 5QA

24 Associates and Joint Ventures Associates

Associates

The Group disposed of it's 50% ordinary shareholding of NFU Mutual Finance Limited during the year. At the year end, the Group did not hold any other share capital investments relating to associated undertakings.

Joint Ventures

The Society's only Joint Venture during the year was in the Oaks Property Trust. The Society funds 80% of the Trust with the remaining 20% being funded by the National Farmers Union Mutual Retirement Benefit Scheme.

The investment in the fund is accounted for as a joint venture as both the Society and the Retirement Benefit Scheme have equal control over the activities conducted by the Trust.

The movement in fair value in the year was £18.6m (2022: loss of £67.1m) and is included in the Consolidated Profit and Loss Account.

The Society owns 50% of the Ordinary share capital of Salmon Harvester Properties Limited, with the other 50% owned by Salmon Developments Limited. However the Society is deemed to have control by virtue of a majority on the Board of Directors and therefore treats Salmon Harvester Properties Limited as a subsidiary rather than a joint venture.

25 Members’ reserves and equity

The consolidated Statement of Changes in Members Reserves and Equity is presented as a primary statement.

The revaluation reserve represents the movement in fair value of the Parent Company's subsidiary and associated undertakings which is not a result of capital injections.

Other reserves in the statement of changes in reserves represent funds earmarked within the General business reserves to cover any solvency shortfall requirement of the Life fund. Any further requests for funds would be subject to Board approval.

The profit and loss account represents accumulated annual profits and losses for the Groups general business which is reported annually as the total comprehensive income or expense.

The fund for future appropriations incorporates Long-Term business amounts which have not yet been attributed to current participating policyholders at the balance sheet date. Transfers between the fund for future appropriations and the Technical Account - Long-Term business represent the changes in these unallocated amounts between balance sheet dates.

The parent Company's profit for the financial year was £176m (2022: £1,031m loss). The parent company is exempt from the requirements to file with the registrar individual accounts by virtue s448A of the Companies Act 2006.

26 Other technical provision

Within the technical provision claims outstanding an unexpired risk reserve has been included for £15m (2022: £38m).

Avon run-off business was reinsured to NFU Mutual in 2006. The value of this included within claims outstanding in 2023 within the parent company is £29m (2022: £28m).

27 Other provisions

Consolidated 2023 £m	Consolidated 2022 £m	Parent Company General Business 2023 £m	Parent Company General Business 2022 £m	Parent Company Long-Term Business 2023 £m	Parent Company Long-Term Business 2022 £m	
20	16	20	16	-	-	Motor Insurers' Bureau levy
20	**16**	**20**	**16**	**-**	**-**	**As at 31 December**

The Group is a member of the Motor Insurers' Bureau. Of the provision brought forward, £16m has been utilised during the year and a further charge of £20m made in 2023.

28 Other creditors including taxation and social security

All creditors are payable within a period of five years. Intergroup balances are payable on demand.

Consolidated 2023 £m	Consolidated 2022 £m	Parent Company 2023 £m	Parent Company 2022 £m	
52	53	52	53	Derivatives liabilities
1	-	-	-	Corporation tax
66	45	60	53	Other taxation
27	64	11	36	Other
146	**162**	**123**	**142**	**As at 31 December**

Derivative liabilities represent interest rate swaps to cover interest rate risk associated with financial instruments being held during the year and at 31st December 2023.

HMRC have issued no further guidance on the taxation of foreign dividends. As recovery of the claims remains uncertain, the provisions as at 31st December 2023 have not been adjusted.

29 Retirement Benefit Schemes

The Group works closely with the trustees of the RBS who are required to consult it on the funding of the scheme and its investment strategy. Following each actuarial valuation, the Group and the trustees agree the level of contributions needed. The most recent valuation was at 31 December 2023. At this date the assets of the RBS were in excess of the amounts required to cover the benefits that had accrued to members after allowing for future increases in earnings.

Following consultation with the RBS trustees, the Group agreed to commence contributions to the scheme with affect from 1 January 2016. Prior to this date it was agreed that contributions would be suspended. Funding levels are monitored on an annual basis and are not expected to change in 2024.

The principal assumptions used by the actuaries were:

% Consolidated

2023	2022	
3.75	4.00	Rate of increase in salaries
2.90	3.20	Rate of increase in pensions
4.50	4.80	Discount rate
3.10	3.30	Inflation
2.50	2.60	Pension increase for Deferred Benefits

Post retirement assumptions

Longevity at age 65 for current pensions

2023	2022
S2NMA_L for males and S2NFA for females with a multiplier of 1.00 for males and 0.90 for females. CMI 2022 projections (with 0.15% initial addition), with a 1.50% long term trend.	S2NMA_L for males and S2NFA for females with a multiplier of 1.00 for males and 0.90 for females. CMI 2021 projections (with 0.15% initial addition), with a 1.50% long term trend.

The net assets in the scheme and the expected rate of return were:

Consolidated 2023		Consolidated 2022		
% of total fair value of scheme assets	£m	% of total fair value of scheme assets	£m	
35.26%	353	34.63	330	Equities
63.14%	632	54.72	521	Bonds
0.00%	-	8.93	85	Property
1.60%	16	1.72	16	Other
	1,001		952	Total fair value of assets
	(640)		(667)	Present value of scheme liabilities
	361		285	Surplus in the scheme

Of the surplus of £361m (2022: £285m surplus), £65m (2022: £50m surplus) is attributable to the Long-Term business fund.

The equity investments and bonds which are held in the scheme assets are quoted and are valued at the current bid price. Scheme assets do not include any of the Society's own financial instruments or any property occupied by the Society.

Reconciliation of present value of scheme liabilities (excluding Defined Contribution scheme)

2023 £m	2022 £m	
667	1,030	As at 1 January
1	1	Current service cost
31	20	Interest cost
(32)	(35)	Disbursements from Scheme Assets
(27)	(349)	Net Actuarial gain
640	**667**	**As at 31 December**

The present value of unfunded and wholly or partly funded post retirement benefit obligations for Defined Benefit and Defined Contribution schemes are as follows:

2023 £m	2022 £m	
942	922	Wholly or partly funded obligations
640	667	Defined Benefit scheme
302	255	Defined Contribution scheme
942	**922**	**As at 31 December**

The actual return on scheme assets in the year was a gain of £82m (2022: loss of £212m).

The tables present an analysis of the Defined Benefit obligation and fair value of plan assets for all the Group's pension schemes and post retirement benefits (the latter are unfunded) and present the amounts recognised in the Profit and Loss Account including those related to post retirement healthcare.

Reconciliation of fair value of scheme assets (excluding Defined Contribution Scheme)

2023 £m	2022 £m	
952	1,199	As at 1 January
45	22	Interest income on scheme assets
(33)	(35)	Disbursements
37	(234)	Return on scheme assets greater than discount rate
1,001	**952**	**As at 31 December**

Analysis of the amount charged to Operating Profit (included in Net Operating Expenses)

2023 £m	2022 £m	
35	31	Current service cost
-	-	Past service cost
35	**31**	**Total operating charge**
		Analysis of amount credited to profit and loss
45	22	Interest income on scheme assets
(31)	(20)	Interest on pension scheme liabilities
14	**2**	
		Analysis of amount recognised in statement of other comprehensive income
37	(234)	Return on scheme assets greater than discount rate
27	349	Remeasurement of the defined benefit obligation
64	**115**	**Actuarial gain recognised in Statement of Other Comprehensive Income**

The Scheme surplus has increased during 2023, mainly due to asset returns being ahead of the start of year discount rate over the year, a decrease in inflation-linked assumptions, updated mortality assumptions leading to lower life expectancy, salary increase experience being lower than assumed and a decrease in the commutation terms in force. This has been offset to an extent by a decrease in the discount rate and actual inflation being higher than expected.

The actuarial gain due to economic/demographic experience, including any assumption changes and investment return different from assumed during the prior period, was £27.0 million and £36.7 million respectively.

30 Capital commitments

Capital expenditure contracted for but not provided in these financial statements at 31st December 2023 amounted to £105m (2022: £23m).

31 Operating lease commitments – Lessee

The Group leases various properties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

2023 £m	2022 £m	
7	7	Within one year
12	9	Between one and five years
-	-	Later than five years
19	**16**	**As at 31 December**

32 Operating lease commitments – Lessor

The Group acts as a lessor for a portfolio of properties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease income receivable under non-cancellable operating leases are as follows:

2023 £m	2022 £m	
67	76	Within one year
218	267	Between one and five years
302	377	Later than five years
587	**720**	

33 Stock lending

Holdings of UK Government, corporate fixed interest, UK equities and overseas securities with a value of £713m (2022: £875m) were on loan at 31st December 2023 under approved stock lending schemes. As at 31st December 2023 £734m (2022: £903m) was accepted by the Group in assets that it is permitted to sell or replace in the event of default of the owner of the collateral. No collateral was sold or repledged during the year or in the prior year. The Company has an obligation to return these assets to the pledgor.

34 Cash flow statement

a) Reconciliation of profit before tax to net cash inflow from operating activities

2023 £m	2022 £m	
164	**(1,049)**	**Profit / (loss) for the financial year**
		Adjustments for:
(1)	(166)	Tax credit on ordinary activities
(517)	(110)	Interest and dividend income
(354)	**(1,325)**	
(162)	(242)	Increase in debtors, prepayments and accrued income
(79)	113	Decrease / increase in creditors, accruals and deferred income
440	309	Increase in technical provisions
17	(17)	Decrease / (Increase) in stocks
(135)	869	Unrealised investment (gain) / loss recognised in P&L
(7)	(3)	Other non-cash Adjustments
14	14	Depreciation and disposals of tangible assets
(266)	**(282)**	**Net cash outflow from operating activities**

b) Analysis of changes in cash and cash equivalents

As at January 2023 £m	Cash Flows £m	As at December 2023 £m	
381	(74)	307	Cash at Bank and in hand
(169)	10	(159)	Less: Long-Term business
212	**(64)**	**148**	
222	157	379	Short term deposits (note 17)
(134)	(110)	(244)	Less: General business deposits with maturity date greater than 3 months
(88)	(47)	(135)	Less: Long-Term business
-	-	-	
212	**(64)**	**148**	**Cash and cash equivalents**

35 Amounts owed to credit institutions

Consolidated 2023 £m	Consolidated 2022 £m	Parent Company 2023 £m	Parent Company 2022 £m	
123	128	-	-	Bank loans
123	**128**	**-**	**-**	**As at 31 December**

The loan held within Hathaway Opportunity Fund is a term loan. The interest rate is 2.75% above SONIA . The current maturity date of the loan is 30 June 2024. Loans held within Aver Property Limited Partnership comprise a term loan with a fixed interest rate of 2.81% and maturity date of 27 February 2025, a term loan with a floating interest rate of 5.75% and maturity date of 15 November 2024, and a term loan with a floating interest rate of 4.85% and maturity date of 15 November 2024.

36 Events after Reporting date

There are no events after the reporting date to report.

Group KPIs – Glossary (unaudited)

<table>
<tr><th>Performance Measures</th><th>Purpose</th><th>Definition</th></tr>
<tr><td>Gross Written Premium Income (GWPI)</td><td>To provide the reader with a measure of the overall business as represented by total premiums from General Insurance activities.</td><td>Overall total premium income in the year, before Mutual Bonus. Reconciliation of Technical Results Result's to Alternative Performance Measure KPI's is shown in the table below.
<table>
<tr><th></th><th>GWPI</th><th>U/W Loss</th><th>COR</th></tr>
<tr><td>Technical Account Result</td><td>£1,978m</td><td>(£299m)</td><td></td></tr>
<tr><td>Allocated investment income</td><td>-</td><td>(£101m)</td><td></td></tr>
<tr><td>Mutual bonus written/earned</td><td>£244m</td><td>£244m</td><td></td></tr>
<tr><td>Alternative performance measure KPI</td><td>£2,222m</td><td>(£156m)</td><td>108.0%</td></tr>
</table></td></tr>
<tr><td>Underwriting profit and loss</td><td>To provide the reader with a measure of profits before non claims expenses achieved within the year from General Insurance activities.</td><td>The balance on the Technical Account adjusted for earned Mutual Bonus, allocated investment return and other income. (Page 165).</td></tr>
<tr><td>Combined Operating Ratio (COR)*</td><td>To provide the reader with an indication of the overall expenses in perspective to the level of business being generated from General Insurance activities.</td><td>Proportion of Total Technical Charges as a percentage of earned premiums before earned Mutual Bonus and after allowing for reinsurance. Earned Mutual Bonus takes into account the net movement of unearned Mutual Bonus which in 2023 was £nil (2022: £2m).</td></tr>
<tr><td>Annual Premium Equivalent (APE)*</td><td>To provide the reader with an indication of the level of new regular and single premium business income being generated from Life business activities. This is a widely used industry performance measure.</td><td>Industry measure equal to new regular annualised premium plus 10% of new single premium.</td></tr>
<tr><td>Employee Engagement</td><td>To provide the reader with a measure of the overall engagement of the staff with the business.</td><td>Results of the annual Gallup survey.</td></tr>
<tr><td>Funds Under Management (General Insurance and Life business)*</td><td>To provide the reader with an measure of the assets being managed within the Group (and separately assets associated with long-term business).</td><td>Value of assets covering life and general business funds. Funds under Management represents the value of investment on the Balance Sheet made up of General Insurance business and Life business plus policyholder investment OEICS and the assets of the Company's Retirement Benefit Scheme.
<table>
<tr><th></th><th></th><th>2023 £bn</th><th>2022 £bn</th></tr>
<tr><td>General Business</td><td>Mutual General</td><td>7.9</td><td>7.5</td></tr>
<tr><td rowspan="4">Life business</td><td>Mutual Life</td><td>9.4</td><td>9.0</td></tr>
<tr><td>RBS</td><td>1.0</td><td>1.0</td></tr>
<tr><td>OEICS</td><td>1.9</td><td>1.7</td></tr>
<tr><td>Total</td><td>20.2</td><td>19.2</td></tr>
</table></td></tr>
<tr><td>New Business</td><td>To provide the reader with a measure of new business as represented by new business premiums from General Insurance activities.</td><td>Total new business premium income receivable.</td></tr>
<tr><td>Persistency*</td><td>To provide the reader with an indication of the overall reocurring business in perspective of the level of business being generated from General Insurance activities. This is a widely used industry performance measure.</td><td>Percentage of customers renewing each year.</td></tr>
<tr><td>Profit for the financial year</td><td>To provide the reader with a measure of profits achieved within the year from General Insurance activities.</td><td>Balance on the Non-Technical Account (Page 167).</td></tr>
<tr><td>Corporation tax contribution</td><td>To provide the reader with information on General Insurance tax contributions to society</td><td>Reconciliation of the Total tax contribution paid to the tax charge/(credit) in the Non-Technical account.
<table>
<tr><th></th><th>£m</th></tr>
<tr><td>Total tax contribution</td><td>406</td></tr>
<tr><td>Contributions unrelated to the corporation tax charge</td><td>(398)</td></tr>
<tr><td>Net corporation tax relating to prior/future periods</td><td>18</td></tr>
<tr><td>Deferred tax credit to the corporation tax charge</td><td>7</td></tr>
<tr><td>Total corporation tax credit</td><td>33</td></tr>
<tr><td>Represented by:</td><td></td></tr>
<tr><td>Taxation on (loss)/profit on ordinary activities (Note 15)</td><td></td></tr>
<tr><td>Non-Technical Account</td><td>(1)</td></tr>
<tr><td>Long-Term Account</td><td>34</td></tr>
<tr><td>Total corporation tax credit</td><td>33</td></tr>
</table></td></tr>
</table>

*Alternative Performance Measures (APM)

NFU MUTUAL

Tiddington Road,
Stratford-upon-Avon,
CV37 7BJ

Tel: 01789 204 211

nfumutual.co.uk

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